Making Devolution Work

Proposals for Prosperity

A Unite Scotland Discussion Paper

April 2011

So if we want a society of broadly shared prosperity…we'll have to go about building that society directly. We need to restore the bargaining power that labor has lost over the last 30 years, so that ordinary workers as well as superstars have the power to bargain for good wages.

Paul Krugman, *New York Times*, 6 March 2011

Orthodox accounts of the long-term record of comparative performance typically fix on the allegedly pernicious effects of regulated labour markets in Europe. The latter are said to burden European employers and prevent them from pursuing the 'hire and fire' policies that characterise the purportedly more efficient employment practices of US companies. It is highly questionable whether this argument ever had force, and it certainly does not have much purchase on the issues underlying recent trends.

Peter Nolan, *Industrial Relations Journal* (2011)

Table of Contents

Chapter 1	Introduction	4
Chapter 2	The Reality of Wage Inequality	6
Chapter 3	Economic Implications of Wage Inequality	9
Chapter 4	The Importance of Collective Bargaining	12
Chapter 5	Scottish Sectoral Forums	16
Chapter 6	Sectoral Forums and Trade Unions	19
Chapter 7	Implementation	22
Chapter 8	Conclusion	25
Appendices		26

Chapter One

Introduction

1.1 The purpose of this discussion paper is to analyse recent developments in wage and collective bargaining arrangements and to explore the possibility of mechanisms being established in Scotland to determine sectoral industry levels.

1.2 Collective Voice arrangements involving the relevant interests within industry have the capacity to address wage inequalities and to support depressed incomes. For example, the following report from The Economist supports this contention:

> While the structure of collective bargaining may not affect employment, it seems to have a significant impact on wage inequality. The OECD reports that countries with centralised collective bargaining have significantly lower wage inequality than countries with a more decentralised approach. This result is well-known among labour economists, who use it to explain why wage inequality is far lower in Germany and Scandinavia than it is in the United States and Britain'.[1]

1.3 There is precedent for legislation determining wage arrangements across Scotland in the private sector in the form of the Scottish Agricultural Wages Board (SAWB hereafter). The Scottish Government also sets the wage levels for the following areas of the public sector:

- The Scottish Government and its associated departments;
- Agencies;
- Non-Departmental Public Bodies (NDPBs);
- Public Corporations; and
- NHS Executive and Senior Managers

The pay increases for the rest of the National Health Service, teachers and the police and fire services in Scotland are determined through other wage bargaining arrangements. The UK Government determines the pay of the

[1] *The Economist*, 10 July 1997.

Senior Civil Service. The pay of local government employees is a matter for Scottish local authorities through COSLA.

1.4 Unite is arguing for the extension of this accepted principle in the form of the SAWB and in areas of the public sector to be extended into other areas of the Scottish economy to discuss wages, industry terms and conditions, investment, skills, apprenticeships and productivity levels.

1.5 The strategy is designed to shift to a more balanced economy through strategic economic development. The forums, moreover, can provide a mechanism and arrangement whereby the concept of a living wage in Scotland – a principle agreed to for the public sector – can be extended to areas of the private economy particularly in low wage sectors.

Chapter Two

The Reality of Wage Inequality

2.1 The average British worker earned £20,149 at the start of 2011 - a real terms fall of 5 per cent from what they were earning in the middle of the recession. The research was based on actual salaries paid into bank accounts. It was carried out by the Centre for Economics and Business Studies and commissioned by the BBC to work out how much worse off employees have become since wages hit their peak.

2.2 The proportion of the UK workforce classified as 'low-paid' (defined as those earning less than two-thirds of the median hourly wage) now stands at the comparatively high rate of 22 per cent, compared to 15 per cent in the late 1970s.[2] In data released by the BBC, the average employee takes home £1,088 a year less than two years ago when the sum is adjusted for inflation.[3] The sharp drop, in real terms, highlights the effect of stagnant wages and above-target inflation on incomes.

- **Growing Income Inequality**

2.3 The latest statistics published by the Office of National Statistics in June 2010 reveal the growing inequality in the United Kingdom, as measured by the Gini coefficient. The latter indicator is expressed as a percentage, taking values from 0 to 100 per cent where higher values indicate higher inequality. During the past three decades income inequality for all households in the UK increased substantially. In the UK in 1983 this figure was 28 and this has risen to 34 in 2008/09.[4]

2.4 The Gini coefficient remains near its highest point since the Institute of Fiscal Studies (IFS hereafter) consistent time series began in 1961.[5] The UK's relative standing in terms of income inequality has become progressively

[2] http://www.leftfootforward.org/2011/03/greater-role-for-collective-bargaining/.
[3] http://news.bbc.co.uk/panorama/hi/front_page/newsid_9436000/9436026.stm.
[4] ONS, Income Inequality, 10 June 2010. http://www.statistics.gov.uk/cci/nugget.asp?id=332.
[5] IFS. Poverty and Inequality in the UK (2010). http://www.ifs.org.uk/comms/comm116.pdf.

worse, to the extent that it now the 24th least equal country in the OECD (behind only Italy, the US, Poland, Portugal, Turkey and Mexico).[6]

2.5 Data by the IFS consolidates the growing picture of inequality by publishing figures, showing that in the three years from 2008 to 2011 real household incomes will have fallen by 1.6 per cent, or £360 a year. This means that households are ‘likely’ to be about six per cent worse off than they might have expected had incomes risen in the ‘normal way’.[7]

- **The Scourge of Low Pay**

2.6 In March 2011, in a report titled *Patterns of Pay* the Office of National Statistics released data for 2010 showing that at the bottom of the distribution, a tenth of full–time employees earned less than £276 per week, whereas at the other end of the scale a tenth earned more than £984 per week. The ratio of the highest to the lowest decile for gross weekly earnings (3.6 in April 2010) gives a measure of the distribution of weekly pay. This ratio has been very stable since 1997, when it was 3.5.[8]

2.7 The Annual Survey of Hours and Earnings (ASHE) in December 2010 also showed that pay inequality is not being addressed. Between 2009 and 2010 the hourly earnings, excluding overtime, for full-time employees of the bottom decile grew by 1.5 per cent to £7.00 per hour, compared with growth of 1.4 per cent in the top decile to £26.25 per hour.[9]

2.8 In addition to wider inequality, ASHE shows a Scottish full-time gender pay gap of 11.9 per cent in 2010.[10] For male employees, 88 per cent worked full-time and 12 per cent worked part-time, while the comparable figures for female employees were 58 per cent and 42 per cent respectively. Women are more likely to work part-time than men and are more likely to receive lower hourly rates of pay.

[6] http://www.leftfootforward.org/2011/03/greater-role-for-collective-bargaining/.
[7] http://www.ifs.org.uk/publications/5516.
[8] http://www.statistics.gov.uk/articles/elmr/elmr-mar11-pike.pdf.
[9] http://www.statistics.gov.uk/pdfdir/ashe1210.pdf.
[10] http://www.scotland.gov.uk/Topics/People/Equality/18500/13414.

Conclusion

2.9 These problems of inequality, cuts to public services and lower real wages are calculated only to get worse. The IFS contends that the package of spending cuts and tax increases announced in June 2010 meant welfare cuts for working families on the lowest incomes – particularly those with children. Richard Chote, the IFS Director, stated: '*Perhaps the most important omission in any distributional analysis of this sort is the impact of the looming cuts to public services, which are likely to hit poorer households significantly harder than richer households*'.[11]

2.10 According to the IFS, the poorest 10 per cent of families would lose over 5 per cent of their income as a result of the aforementioned budget compared with a loss of less than 1 per cent for non-pensioner households without children in the richest 10 per cent of households. The 'best estimate' by the IFS is that incomes in 2013-14 will still be below those in 2008-09 and this will be the biggest drop over a five-year period since 1972 to 1977.[12]

[11] http://www.guardian.co.uk/uk/2010/jun/23/budget-welfare-poor-ifs-report.
[12] http://www.ifs.org.uk/bns/bn117.pdf.

Chapter Three

Economic Implications of Wage Inequality

3.1 It is widely recognised that wage inequality is not in the public interest. Wage inequality has had and will continue to have devastating economic consequences, which will serve neither the interests of the low paid or the public interest generally. It will affect the nature and pace of economic recovery, for as the International Labour Organisation (ILO) has pointed out,

> 'the pace of the recovery will depend, at least partly, on the extent to which households are able to use their wages to consume whatever the global economy produces'.[13]

3.2 In a Scottish context, this will depend in part on the limited ability of the Scottish Government to increase the spending power of households by a more equitable distribution of incomes. For this purpose new institutional forms will need to be developed to deal with wages, particularly across low-pay sectors, in order to provide a stimulus to the economy.

- **Wage Inequality and Economic Crisis**

3.3 In the *Global Wage Report* for 2010/2011, the ILO (a United Nations agency) noted that a number of observers have established links between the long-term decline in the wage share, the increase in wage inequality and the global economic crisis.

3.4 The ILO Report (2010) highlights a group of distinguished experts led by Fitoussi and Stiglitz considered that the crisis had its structural roots in the decline in aggregate demand that preceded the crisis and which was due to changes in income distribution.[14] Writing in 2009, the latter argue that rising inequality in the years before the crisis depressed aggregate demand by transferring money from low-income households – which have a high propensity to spend – to households with higher incomes, which tend to spend less and save more.

---

[13] ILO, *Global Wage Report 2010/11* (2010), page 48.
[14] J-P Fitoussi and J Stiglitz, "The ways out of the crisis and the building of a more cohesive world", *Observatoire Français des Conjonctures Economiques document de Travail 2009-17* (Paris, OFCE).

3.5 Fitoussi and Stiglitz also highlight that in the United States the fall in aggregate demand was compensated by increased borrowing, so that growth was maintained at the cost of increased indebtedness. The same argument can apply equally to the United Kingdom with its historic high levels of indebtedness. This fuelled unsustainable growth, with total UK personal debt in February 2011 standing at £1,454bn. Individuals currently owe more than the entire country produced during the whole of 2010.[15]

- **Wage Inequality and Consumer Confidence**

3.6 Turning from the causes of the economic crisis, to its continuing consequences, it is clear that the problem of income inequality is now having an immediate impact on consumer spending in Scotland. In an industry survey analysis, the Scottish Retail Consortium (SRC hereafter) highlighted concern about the impact of cuts on jobs and personal finance as having a knock-on effect on Scottish retail figures for January 2011.[16]

3.7 The SRC survey found comparable sales fell by 0.9 per cent on the same period last year. Overall like-for-like sales weakened to show a year-on-year decline while those in the UK picked up to show growth. A much steeper fall in consumer confidence in Scotland than in the UK meant shoppers were much more cautious. It is a matter of great concern that this survey was conducted before the full introduction of the UK government's austerity package in April 2011.

3.8 It is reasonably clear that the direction of travel of the Tory led government at Westminster will do little to boost consumer confidence in Scotland. The regressive rise of VAT from 17.5 per cent to 20 per cent as of January 2011, along with austerity measures of welfare and public spending cuts, is dampening consumer spending as those most likely to spend are those generally on lower incomes who tend to have a higher propensity to spend and consume. This, in turn, reduces the demand for labour by employers, pushing down real wages and therefore earned income.

[15] http://www.creditaction.org.uk/helpful-resources/debt-statistics.html.
[16] http://www.bbc.co.uk/news/uk-scotland-scotland-business-12465031.

Conclusion

3.9 The economist David Blanchflower expands upon the point of consumer confidence and purchasing power by highlighting that consumer confidence is falling even before the austerity measures start to hit in April.[17] The Nationwide Consumer Confidence Index fell back 10 points in February 2011, hitting its lowest level since the survey began in May 2004. The fall was driven by deterioration in the Expectations Index. The index shows consumers' assessment of how the economic and employment situation will look in six months' time.

3.10 It is also the case that Markit's latest Household Finance Index indicated the steepest monthly deterioration since March 2009. Almost 35 per cent of households reported that their finances had become worse since February this year, while just 5 per cent saw an improvement.[18] Blanchflower argues that this is *'worrying because the collapse in consumer confidence that occurred in 2007 predicted well the collapse in consumer spending that followed. The less consumers spend, the lower growth is*'.[19]

[17] D Blanchflower, *New Statesman*, 23 March 2011.
[18] Ibid.
[19] ibid.

Chapter Four

The Importance of Collective Bargaining

4.1 It is a striking feature of the global economy that countries in the EU with stronger collective bargaining coverage, greater degrees of economic balance and greater degrees of regulation in the labour market, have been able to manage the global recession at least as effectively as liberalised economies. High levels of collective bargaining coverage and wage equality are NOT associated with the economic inefficiencies associated with the United Kingdom and the United States.

4.2 The revitalization of collective bargaining machinery is a key strategy in the revitalisation of the Scottish economy. But although this is necessary for reasons of economic recovery, the case for collective bargaining is not however a purely economic one. It is also about social justice. It is about ensuring that people are not treated like a commodity to be bought and sold at the lowest price in a Darwinian 'labour market'. It is also about ensuring that everyone is entitled to a fair day's wage for a fair day's pay.

- **Collective Bargaining in Europe**

4.3 Collective bargaining density in mainland Europe remains high (though under constant threat). Of the original 15 member states of the EU, the UK and Ireland are the only countries where the coverage of collective agreements is less than 50 per cent of the labour force. In some cases, density exceeds 90 per cent, and at the present time the lowest level of coverage is Germany with 63 per cent. The latter is double the level of coverage in the United Kingdom (which is only slightly less than the position in Scotland).

4.4 The benefits of collective wage regulation may be illustrated by reference to the UK's two biggest economic competitors in the EU – Germany and France. In Germany 63 per cent of workers are covered by collective agreements yet it has recently raised its growth forecast for 2011 to 2.3 percent, with the Economy Ministry having previously forecast growth of about 1.8 per cent. The economy grew by 3.6 per cent last year, its fastest pace since reunification.[20]

4.5 In the case of Germany the ILO has recently stated that the response to the economic crisis has ‘reinforced its core institutions and the willingness of major stakeholders to work together which has helped combat rising unemployment’.[21] Similarly in relation to France 95 per cent of workers are covered by collective wage bargaining arrangements with the economy growing at 1.5 percent in 2010 and forecast to grow to 2 percent in 2011.[22] Further examples of countries across Europe with high levels of collective bargaining and with projected stronger economic growth than the UK and specifically Scotland are the Netherlands and Sweden.[23]

- **Collective Bargaining and Growth**

4.6 Informed commentators outside the neo – liberal orthodoxy prevailing in some Anglo-Saxon countries now see collective bargaining as a necessary route to economic success, and refute the idea that it is an impediment to growth. According to the ILO *Global Wage Report* 2008/09, countries with a higher rate of collective bargaining coverage, the connection between economic growth and wage growth was noticeably higher than in countries with a lower rate of collective bargaining coverage.

4.7 Specifically, the ILO calculated between 1995 and 2007 there was a 1 per cent increase in the annual GDP per capita translated into average wage

---

[21] ILO, *Global Wage Report 2010/11* (2010), page 56.
[22] http://www.bbc.co.uk/news/business-11038577.
[23] http://www.worker-participation.eu/National-Industrial-Relations/Across-Europe/Collective-Bargaining2. The Netherlands is estimated to have around 80 per cent of workers covered by collective bargaining agreements and Sweden with an estimated coverage of around 90 per cent. The former is estimated to grow by 1.75 per cent (http://www.dutchnews.nl/news/archives/2011/02/economic_growth_to_reach_175_t.php), and the latter by 4.8 per cent this year alone (http://www.bloomberg.com/news/2011-03-03/swedish-government-raises-economic-growth-outlook-for-2011.html).

growth of 0.87 per cent in countries with superior collective bargaining coverage, compared to wage growth of only 0.65 per cent in countries with weak coverage. Therefore, there is a vital link between collective bargaining, and, with overall wages and productivity growth, suggesting that collective bargaining can perform a crucial role in the recovery process.

4.8 The ILO *Global Wage Report* 2010/11 has also emphasised that minimum wage regulation is not enough to address the problem of wage inequality. Unite strongly supports the minimum wage which clearly helps the lowest paid, and it has had a positive impact on the extent of wage inequality. As the ILO acknowledges, however, it falls far short of providing an adequate solution:

> '…restoring the original goals of minimum wages must be accompanied by the creation of alternative mechanisms which facilitate meaningful wage negotiations for median-wage workers. In other words, there must be a system of wage policies which benefits all workers, irrespective of wage levels, union membership or employment status'.[24]

Conclusion

4.9 In the UK (with collective bargaining arrangements covering only 33 per cent of all employees) economic growth is being revised downwards by the Independent Office for Budget Responsibility (OBR) and is forecast to grow by 1.7 percent in 2011, compared with its previous estimate of the 2.1 percent.[25] These revisions are down from 2.1 and 2.6 per cent in November) and according to the economist David Blanchflower they still appear 'overly optimistic' compared to others, including those from the OECD (1.5 per cent for 2011 and 2 per cent for 2012), the National Institute of Economic and Social Research (1.5 and 1.8 per cent), and the Confederation of British Industry (1.8 and 2.3 per cent).[26]

4.10 The danger for the UK is that we are heading in a vicious circle of falling wages, growing inequality, collapsing consumer confidence, stagnant demand, growing unemployment and social unrest as more and more people

[24] ILO, *Global Wage Report 2010/11* (2010), page 81.
[25] http://www.bbc.co.uk/news/business-12830224.
[26] http://www.newstatesman.com/economy/2011/03/growth-budget-consumer-idea.

are excluded from the benefits of the few. This seems to be a road to ruin, repudiated by thoughtful commentators everywhere, not least by thirty-eight prominent American economists (including three Nobel laureates) who asserted in the *Washington Post* that one of the main reasons for America's economic slump is the *'erosion of workers ability'* to form unions and bargain collectively*, 'that shifted the wealth of our country from broadly-shared prosperity to growing inequality'.*[27]

[27] *Washington Post*, 25 February 2009.

Chapter Five

Scottish Sectoral Forums

5.1 In the context of Scotland, there is no or little scope for the Scottish Government to promote measures which engineer greater equality, such as a higher minimum wage, in – work benefits and credits, and broader income transfers that reach poorer households. There is, however, an opportunity to do something about collective bargaining to address – at least in the Scottish context – some of the questions raised in this paper.

- **Functions**

5.2 The Scottish Government has an opportunity to take the lead in the establishment throughout the Scottish economy of bi-partite or tri-partite sector forums which would help to combat inequality and assist in improving workers' purchasing power. The forums would do so by the promotion and active co-ordination of wage agreements throughout the Scottish economy, particularly as 77 per cent of all jobs in Scotland are outside the public sector.

5.3 Although the main focus of sectoral forums would be with pay and other terms and conditions of employment, it is important to emphasise that such bodies would necessarily have other functions as well. Sectoral forums should thus also address other concerns, such as productivity, competitiveness, and the skills and training (including apprenticeships) needs within the sector in question.

5.4 Sectoral forums could also crucially deal with the issue of public services being outsourced to the private sector. It would prevent private sector employers under-cutting their public sector counterparts paying the Living Wage – an unintended consequence of its introduction. Contracts would be awarded based on quality rather than price.

5.5 In addition, within specific sectors where companies bid for public sector contracts sectoral forums could also deal with the problematic Posted Workers Directive. It would prevent foreign national companies bidding for contracts based on price under-cutting as sectoral wide standards would be in operation.

- **Constitution**

5.6 Apart from the role and remit of sectoral forums, questions also arise as to their constitution and powers. Here it is proposed that there should be equal representation of employers and trade unions. Employer representatives would be appointed by the government in consultation with employer bodies, including employers' associations where they exist and other representative bodies of employers where they do not. Worker representatives would be appointed by the government after consultation with the most representative trade union or trade unions in the sector.

5.7 Ideally, sectoral forums would be bi-partite bodies established with the support of the Scottish Government. There may be cases, however, where formal representation of the Scottish Government should be contemplated. This may be desirable in some cases to help the forums to become established, in others where the sector in question is of specific strategic importance to the Scottish economy, and in others where the levels of organisation on either the employers' or the workers' side is not as fully developed as in other sectors.

- **Powers**

5.8 So far as the powers of Scottish sectoral forums are concerned, it is proposed that they should set minimum terms and conditions of employment across the sector as a whole. Scottish sectoral agreements would build upon statutory minimum terms (such as the national minimum wage) from which there can be no derogation, and would deal with a range of matters for which there is no statutory regulation (such as shift allowances, overtime rates, unsocial hours allowances, and so on). Scottish sectoral forums would also deal with working time, holidays, and pensions.

5.9 At the same time, it is expected that Scottish sectoral forums would have an important role to play is the management of change in the workplace. Globalisation, new technology and a shrinking economy are having a devastating impact on people's jobs and how these jobs are done. Scottish sectoral forums would be empowered to help both employers and trade unions to prepare for change and to develop strategies and procedures to deal with it in a consensual way.

Conclusion

5.10 Sectoral forums are a potentially important vehicle for addressing some of the social justice and economic concerns addressed in this paper. They would assist in the area of industry standards, productivity and training, while also providing a forum for the better regulation of working conditions.

5.11 At the same time, they would play an important part in dealing with a number of other issues that currently blight the British workplace, including the exploitation of vulnerable workers, the question of diversity and the gender pay gap, the misuse of agency workers, the implications of the Posted Workers' Directive, and the problem of health and safety in the workplace.

5.12 These are areas to which sectoral forums could be directed to address on a sector wide basis, though they are by no means exhaustive. Sectoral forums also provide an opportunity for the development of sector wide machinery for the resolution of workplace disputes. Otherwise, they provide an opportunity for trade union revitalisation and growth.

Chapter Six

Sectoral Forums and Trade Unions

6.1 Sectoral forums will provide important opportunities for greater trade union influence and impact. Trade unions have benefited in recent years from the introduction of a number of statutory initiatives which have enabled them more effectively to represent the interests of their members. This includes the statutory recognition procedure and a raft of new employment protection legislation.

6.2 It remains the case, nevertheless, that trade union density has fallen sharply over the last 20 years, and that collective bargaining coverage in the UK is well below the EU norm. If collective bargaining is seen to be a public good in the sense that it provides public benefits, it is right that active steps should be taken to promote its expansion.

- **Trade Union Organisation**

6.3 Despite the legislation introduced since 1997, trade union membership shows little sign of growth and there is evidence that trade union recognition continues to fall. This is due in part to the complexity of the procedure and the difficulties faced in making it work as intended. Sectoral forums will provide another opportunity for trade unions to organise and represent the interests of working people, and an important step in ensuring that everyone has a right to be protected by a collective agreement.

6.4 As already pointed out, it is anticipated that trade unions will play a part as equal partners in sectoral forums. As a result:

- Sectoral forums will increase the role and therefore the visibility of trade unions within the sector. They will provide another platform for trade union activity;

- Sectoral forums will provide an opportunity to identify sector wide barriers to recruitment and retention of members and the means to do something about it; and
- Sectoral forums will provide an opportunity to expand trade union organisation within the sector by developing standard facilities agreements.

6.5 In addition to the above, the higher visibility of trade unions will make people more confident about joining, while the operation of sector wide agreements will make employers less hostile about recognising trade unions at company level. Sector forums will help to expand trade union recognition and spread the coverage of collective agreements. They will also provide an opportunity to develop a greater trade union role in skills and learning, and raise the profile of union learning representatives and union learning centres, while also providing greater scope for sector wide as well as enterprise based learning initiatives.

- **Trade Union Representation**

6.6 Apart from enhancing the organisational role of trade unions within a particular sector, the main attraction of sectoral forums is that they would provide an enhanced role for trade unions in setting standards in a sector in question. In this way, the forum would set minimum standards for the sector as a whole, and would greatly expand the scope and coverage of collective agreements. Sectoral agreements would be collective agreements.

6.7 In this way, collective bargaining would perform the same role as it does in EU economies, where sector wide agreements lay down terms and conditions of employment for workers employed in the sector in question. As already pointed out, it is the normal practice in the EU for multi-employer sector wide bargaining to provide standard terms and conditions for the sector as a whole. In some countries these agreements are universally applicable, while in others they apply only to employers who are members of the employers' association which concluded them. Either way, the high level at which bargaining is conducted helps to ensure high levels of bargaining coverage.

6.8 It is important to emphasise that sector wide agreements of this kind would not cut across or undermine existing recognition arrangements or existing collective agreements which trade unions may have with individual employers. The two procedures would complement each other, with the best enterprise agreements setting the pace for sectoral bargaining, while the sector minimum could always be built upon at company or plant level. The sector minimum would be a floor below which workers could not fall, with an opportunity in all cases for better agreements to build on and lift the minimum standards.

Conclusion

6.9 In countries where arrangements of this kind operate successfully, the agreements in question are legally binding and must be followed by the employer. In cases where the agreement applies only to the employers who are members of the employers' association that concluded them, there may be an extension mechanism to extend the agreement to non-federated businesses. It is true that the agricultural wages council orders have a legally obligatory effect; the SAWB is a statutory body with statutory powers.

6.10 As a general principle in this country the tradition has been that collective agreements are not legally binding, though the terms of the agreement will normally be incorporated into the contracts of employment of the employees for whose benefit they have been made. In the first instance it would be desirable to establish sectoral forums on a voluntary basis with the active support and encouragement of the Scottish Government, with sectoral agreements to have the same status as other collective agreements.

Chapter Seven

Implementation

7.1 A final question relates to the implementation of a strategy to expand collective bargaining through a programme of sectoral forums. It would be necessary to identify the appropriate sectors, and to decide whether the programme is to be implemented in the form of a big bang, or gradually in a rolling programme.

7.2 It would, however, be useful to pilot the programme in a diverse range of sectors, including those where there is a significant trade union presence, as well as sectors where there may be very little. In this chapter we identify a number of possible sectors suitable for the piloting of the proposal.

- **Road Haulage**

  - Transport, storage & communication has 42 per cent union density in Scotland and across the UK 46 percent of employees are covered by collective bargaining arrangements (See Appendices 1 and 2);
  - The transportation and storage sector employs 137,000 people in Scotland (see Table 1);
  - The transportation and storage activities sector has median gross weekly earnings of £495.6;[28]
  - A potential forum could involve the relevant industrial stakeholders including the Road Haulage Association, relevant trade unions and public officials;
  - The Road Haulage and Distribution Training Council (RHDTC) in 2001 stated that there were around 4,000 road haulage companies and 43,000 road haulage workers;[29] and

[28] http://www.statistics.gov.uk/articles/nojournal/patterns-of-pay-tables-2010.xls.
[29] http://www.scottish.parliament.uk/business/committees/historic/x-enterprise/inquiries-01/lli-submissions/ell-026.pdf.

- It is an industry of SMEs (Only 2 per cent of Scottish firms employ more than 100.[30]

- **Tourism:**

  - The hotels and restaurant sector has 3.7 percent union density in Scotland and across the UK 6 percent of employees are covered by collective bargaining arrangements (See Appendices 1 and 2);
  - Tourism employs over 200,000 people in around 20,000 tourism-related businesses across the country;[31]
  - The accommodation and food service activities sector has the lowest median gross weekly earnings. At £304 (£7.23 per hour) full–time employees' earnings was the **lowest** median wage per week;[32]
  - A potential forum could involve the relevant industrial stakeholders including Visit Scotland and the Scottish Tourist Guides Association, relevant trade unions and public officials; and
  - Scottish Enterprise has an established tourism sectoral forum

- **Renewables Industries:**

  - The first comprehensive study by Scottish Renewables (2010) highlights the potential impact of offshore wind on the Scottish economy which could create as many as 48,000 jobs - 28,000 directly, supported by a further 20,000 through related industries;[33]
  - In 2009 the Scottish Government released a blueprint to create at least 16,000 jobs in renewable energy over the next decade;

---

[30] http://www.scottish.parliament.uk/business/committees/historic/x-enterprise/inquiries-01/lli-submissions/ell-026.pdf.
[31] http://www.scottish-enterprise.com/your-sector/tourism/sector-overview.aspx.
[32] http://www.statistics.gov.uk/articles/elmr/elmr-mar11-pike.pdf.
[33] http://www.scottishrenewables.com/news/offshore-wind-sector-set-create-60-times-more-jobs/.

- The report estimates that an additional 26,000 jobs in renewable energies could be created, in addition to 26,000 jobs in emerging low-carbon technologies and 8000 in environmental management;[34]
- The wider electricity, gas, steam and air conditioning supply has a median gross weekly earnings of £642.8;[35]
- A potential forum could involve the relevant industrial stakeholders including Scottish Renewables, relevant trade unions and public officials; and
- Scottish Enterprise has an established energy sectoral forum.

- **Voluntary Sector:**

  - Pay rates for workers are estimated to be 21 per cent below public and private sector equivalents;
  - The Voluntary Sector in Scotland is made up of an estimated 45,000 organisations;
  - The sector employs approximately 129,000 paid staff or 83,500 in full time equivalent jobs and 1.2 million volunteers;[36]
  - In Scotland, the sector's income grew from £2.63 billion in 2004 to £3.21 billion in 2006, with 10,000 new jobs being created since 2004;[37]
  - Part-time working is higher in the voluntary sector in Scotland (60 per cent) than in other sectors (33 per cent) and on average three quarters of paid staff are female; and[38]
  - A potential forum could involve the relevant industrial stakeholders including SCVO, local authorities and relevant trade unions and public office.

---

[34] http://www.renewableenergyfocus.com/view/8276/scotland-expects-26000-new-jobs-in-renewable-energy/.
[35] Office for National Statistics, *Annual Survey of Hours and Earnings (ASHE)*. December 2010.
[36] http://www.careers-scotland.org.uk/Industries/Volunt.asp.
[37] ibid.
[38] ibid.

Chapter Eight

Conclusion

8.1 It is the contention in this paper that new imaginative and innovative ways must be found to promote economic and sustainable wage growth. Due to the diminishing reliance on collective bargaining for wages the levels of pay inequality have not been effectively addressed, with an increasing reliance on the role of the minimum wage. It is clear that Scotland cannot afford to have the statutory minimum wage as almost the only wage policy tool.

8.2 Unite is arguing for the extension of the accepted principle in the form of the SAWB and in the public sector into other areas of the Scottish economy to discuss a multiplicity of factors beneficial to fostering economic growth such as wages, investment, skills, apprenticeships and productivity levels. Such a strategy would be pivotal in fostering a more balanced economy, challenging inequality and to providing consumer stimulus to the economy. In fact, collective voice arrangements can perform a stabilising role to the economy which can insulate industries to a greater degree as the ILO states:

> 'This system, as a whole, has the potential to create a solid flow of consumption demand for sustained growth and, at the same time, play the role of built-in stabilizer during economic downturns'.[39]

8.3 Countries with stronger collective bargaining coverage, greater degrees of economic balance and greater degrees of regulation in the labour market have arguably been able to mitigate the effects of the global recession to a greater degree than those countries with less strength in these factors. *Hence, it is not a matter of economics it is a matter of political will and the type of society we wish to create*. The policy of the present government is that the UK should be the best place in Europe to start, finance and grow a business. While we share this aspiration, it is of equal importance that Scotland and the UK should also be the best place in Europe in which to work, thrive, and grow a family.

---

[39] ILO, *Global Wage Report 2010/11* (2010), page 81.

Appendix 1: Trade Union Density 2009 – Scotland

	All	Gender		Full time/part time status	
		Male	Female	Full-time	Part-time
All employees	31.8	28.4	35.2	34.6	24.3
Age bands					
16 to 24	10.9	13.1	8.7	14.5	5.7
25 to 34	26.4	21.2	32.2	26.6	25.4
35 to 49	34.6	31.8	37.2	36.5	28.3
50 plus	43.5	38.6	48.0	47.6	33.3
Workplace size					
Less than 50	22.0	18.2	25.2	25.1	15.2
50 or more	42.2	37.9	47.1	43.1	39.0
Sector					
Private	16.8	18.8	14.1	19.0	10.3
Public	63.2	61.0	64.4	67.7	51.4
Occupation					
Managers and senior officials	20.6	16.7	27.3	21.5	11.7
Professional occupations	52.5	39.9	65.8	52.0	55.7
Associate professional and technical	46.6	36.6	55.3	45.4	51.3
Administrative and secretarial	29.1	27.4	29.6	32.1	22.8
Skilled trades occupations	25.3	26.1	17.1	27.1	4.3
Personal service occupations	29.7	28.3	29.9	34.1	23.4
Sales and customer service occupations	18.1	19.2	17.7	20.8	16.3
Process, plant and machine operatives	37.8	38.5	30.3	40.0	15.2
Elementary occupations	21.1	20.8	21.5	25.7	15.8
Managerial status					
Manager	32.1	24.1	42.4	33.1	23.5
Foreman or supervisor	38.9	32.1	46.0	38.2	42.8
Not manager or supervisor	30.4	29.3	31.3	34.3	22.8
Industry					
Agriculture, forestry and fishing	5.9	6.7	0.0	7.0	0.0
Mining and quarrying	16.5	17.1	12.7	17.4	0.0
Manufacturing	25.1	29.9	7.4	26.7	4.2
Electricity, gas and water supply	49.4	50.7	44.6	49.8	43.1
Construction	20.4	18.1	33.6	19.7	29.8
Wholesale, retail and motor trade	15.3	15.6	15.0	17.1	12.6
Hotels and restaurants	3.7	4.0	3.6	3.4	4.1
Transport, storage and communication	41.8	47.1	24.1	45.2	24.7
Financial intermediation	28.4	21.0	34.0	29.0	25.5
Real estate and business services	16.2	15.2	17.6	17.2	12.5
Public administration and defence	60.8	54.8	66.7	63.0	47.1
Education	60.4	60.7	60.3	69.3	44.4
Health & social work	45.8	43.8	46.3	48.1	41.5
Other services	27.2	31.4	23.8	37.7	9.3

Appendix 2: Trade union presence and collective agreement coverage, 2009

	Union density	Trade unions present in workplace	Employee's pay affected by collective agreement
All employees	27.4	46.6	32.7
Sector			
Private	15.5	30.2	17.8
Public	57.1	85.8	68.1
Industry			
Agriculture, forestry and fishing	7.0	13.4	11.6
Mining and quarrying	18.6	39.1	21.4
Manufacturing	20.4	39.6	24.0
Electricity, gas and water supply	41.7	78.7	56.5
Construction	14.5	30.1	19.4
Wholesale, retail and motor trade	11.9	28.2	16.7
Hotels and restaurants	5.4	9.6	6.0
Transport, storage and communication	39.2	59.4	45.6
Financial intermediation	20.9	43.3	28.4
Real estate and business services	10.0	23.4	13.5
Public administration and defence	55.8	81.9	69.4
Education	54.0	82.6	59.1
Health & social work	40.8	63.0	44.8
Other services	18.8	32.0	21.7
Workplace size			
Less than 50	18.0	28.1	19.0
50 or more	36.3	64.0	45.4
Nation			
England	26.1	45.8	31.2
Wales	37.3	54.8	41.1
Scotland	**32.8**	**50.2**	**37.8**
Northern Ireland	35.7	48.5	47.7