

# Chapter 9

## The changing face of UK public sector policy

Benjamin Hopkins and Melanie Simms

### 1. Introduction

This chapter looks at the changes in the UK public sector over the past 15 years. It focuses first on some of the broad changes over three distinct periods of government: the Labour governments from 1997 to 2010, the coalition government of Conservative and Liberal Democrat parties that ran from 2010 to 2015, and the subsequent Conservative governments. These three periods have been marked by very distinct approaches to public sector management in an increasingly challenging context of austerity and spending constraints.

In common with other chapters, this chapter considers industrial relations in primary education, hospitals and municipalities as examples of changes over time. In the case of municipalities, local councils in general are investigated, rather than just eldercare as seen in some of the other chapters in this book, as local councils in the UK have been particularly affected by the lack of ringfencing for their funding. A number of common pressures are observed in the three subsectors: wage restraint, deterioration in the quantity and quality of available jobs, work intensification and increasingly fractious industrial relations. However, there are also notable differences between sectors. Industrial unrest has been particularly evident in hospitals with sustained strike action by doctors in the National Health Service (NHS). By contrast, municipalities have largely been able to negotiate change without major strikes, partly because of the scale of the job losses, which have weakened union negotiating positions, and also because of the focus on organisational reform which has generally had the effect of retaining front-line staff where feasible. The scale of cuts is also very different; schools and hospitals have had a degree of protection from general budget cuts, whereas municipalities have faced deep cuts across services. Understanding and explaining those similarities and differences in the context of changes in UK public policy is the central objective of this chapter.

To understand these dynamics it is important to remember that prior to the financial crisis of 2007-8, the UK experienced a lengthy period of growth in the economy and in employment, albeit one with increasing levels of wage inequality (Hopkins and Simms 2015). The Labour Party had been elected to power in 1997 with Tony Blair as Prime Minister and this signalled a notable change of direction for public sector policy (Bach and Stroleny 2015). Broadly speaking, there had been a programme of investment in public services, including in employee salaries. This was accompanied by pressure to reform with particular attention to efficiency. Although reforms changed the job

requirements of many occupations, there was a commitment to negotiating these through collective bargaining and social partnership forums (Bach 2005).

The Labour Party was still in power when the financial crisis developed throughout 2007 and 2008 and was headed by Gordon Brown as Prime Minister. During the financial crisis, a particular concern for the UK government was to ensure financial liquidity in the banking and financial systems, leading to a series of massive investment injections and decisions to part-nationalise some financial institutions with Lloyds and Royal Bank of Scotland (RBS) receiving major investment in 2008. Although these rescue plans had the desired effect of stabilising the banking system, they left the UK government with a significant additional deficit and additional assets within the public sector (The Telegraph 2009).

By the time of the general election in 2010, all main parties were clear about the need for public sector spending savings, although there was significant disagreement about the extent and structure of proposed cuts. For the first time in modern history, there was no clear winner of the 2010 election, and a coalition government was formed between the Conservative Party and the Liberal Democrats, headed by the Conservative Party leader, David Cameron. Public spending policy was a major point of disagreement between the two parties but they set about a programme of reform leading to considerable cuts, although these were not on the scale undertaken in some other countries included in this book. That programme of cuts has extended past the general election of 2015 which was won outright by the Conservative Party, although with a very small parliamentary majority. Theresa May took over the role of Prime Minister after the 'Brexit referendum' in June 2016 led to a decision that the UK would start negotiations to leave the European Union. The impacts of Brexit are still uncertain as the UK moves through the transition period to leave the EU. Nonetheless, the effects are likely to be felt in many aspects of employment relations because many workers' rights are derived from EU law and because the decision to leave is likely to impact the UK economy.

The political instability since the 2016 Brexit referendum has been notable, leading to Prime Minister Theresa May calling a general election in 2017. Public sector spending and industrial relations were important areas of debate during the 2017 campaign. Policies such as the long-standing 1% pay rise cap were increasingly gaining critical attention, as were some issues of service quality. The unrest in hospitals was also a feature used by opposition parties to illustrate the problematic aspects of policy direction. Nonetheless, the Conservative Party was able to form a minority government supported in the House of Commons by the Democratic Unionist Party which won 10 seats in Northern Ireland.

Each of these periods of different government approaches to public sector policy have brought their own particular dynamics to industrial relations in the three areas considered here. In general, however, it is reasonable to conclude that the period since the financial crisis has been a time of considerable strain on public sector finances, and there has been significant restructuring in all three areas. Combined with caps on pay rises meaning that most public sector wages have fallen behind those in other areas,

there has been considerable industrial relations unrest which, in places, has erupted into lengthy disputes.

## **2. The public sector – an overview**

### 2.1 General direction of public sector reform

Bach and Stroleny (2015) note the impact of changes of government in the UK on the reform of public services. In particular, they point first to the election of the Labour government in 1997, the first since 1979. This saw a revised emphasis on service quality, targets and choice for users of public services, and also greater integration between service providers. They also note the increased importance of the use of non-governmental organisations and voluntary sector organisations that may have a better understanding of the needs of service users.

As in many countries, the aftermath of the great financial crisis provided a narrative that stable government was required (Williams and Scott 2016) to address the budget deficit. The impacts of the crisis in the UK were profound, including the requirement to ‘bail out’ a number of financial institutions, and the nationalisation of some of these organisations such as RBS. Williams and Scott (2016) point to 2009, the year before the general election in the UK, as a particularly difficult one, with GDP falling by 5.2% and unemployment rising from 1.6 million in January 2008 to 2.5 million in January 2010. With lower tax receipts and higher welfare costs, the budget deficit grew to £163 billion in 2009-10, a figure which makes up 11% of total GDP. The first budget of the coalition government announced that £128 billion of savings were to be made, with 80% of these coming from cuts in public expenditure, although there were protections for politically sensitive areas such as the National Health Service (NHS) and schools in England. Williams and Scott point to unprotected areas, such as spending on local authorities, as those in which the impacts of austerity were particularly felt, with the amount of funding provided to local authorities falling by 37% in real terms from 2010-11 to 2015-16. Thus, the UK has followed the path of austerity in response to the financial crisis – an approach seen in many other European member states as explored in other chapters of this book.

### 2.2 The UK public sector in the context of devolution

The UK is made up of four countries: England, Scotland, Wales and Northern Ireland. Scotland, Wales and Northern Ireland (but not England) have their own governance structures reflecting specific political compromises made at the time of devolution in the 1990s. The Scottish Parliament was established in 1999, and the UK government has devolved responsibility for matters including education, health, justice, and agriculture. The devolved administration for Wales was also established in 1999, with powers extended in 2011 and including education, health, local government, and housing. Largely because of the very specific history of armed conflict in Northern Ireland, the Northern Ireland Assembly is structured to ensure power sharing between

the main parties. It is overseen by the UK government in a very different way to the authorities in Scotland and Wales and has been suspended on several occasions, but retains responsibility for education, health and justice.

Funding is provided to devolved administrations from the central UK government in the form of a block grant. The calculation is normally determined through a formula that provides a population-based share of changes in comparative spending by government departments. Devolved authorities then have a statutory responsibility to provide specified public services with considerable flexibility to target spending as they wish, subject to oversight from the elected bodies. There has been widespread criticism of this arrangement, with HM Treasury figures showing that spending per head in England is around 3% lower than the UK average, while being 10%, 16% and 21% higher than the UK average in Wales, Scotland and Northern Ireland respectively (Office for National Statistics 2017). Nonetheless, changes would inevitably be highly politically contentious and have therefore been repeatedly delayed by successive governments. These arrangements allow devolved authorities to prioritise or deprioritise spending from the block grant in different areas of public services than England. It also allows them to establish different mechanisms of oversight. In practice, however, because the total block grant goes fluctuates depending on the decisions of central government, there is relatively little scope for major variation. Where there are differences, they are mainly in the oversight and approach to administrative accountability.

### 2.3 The shape of the UK public sector

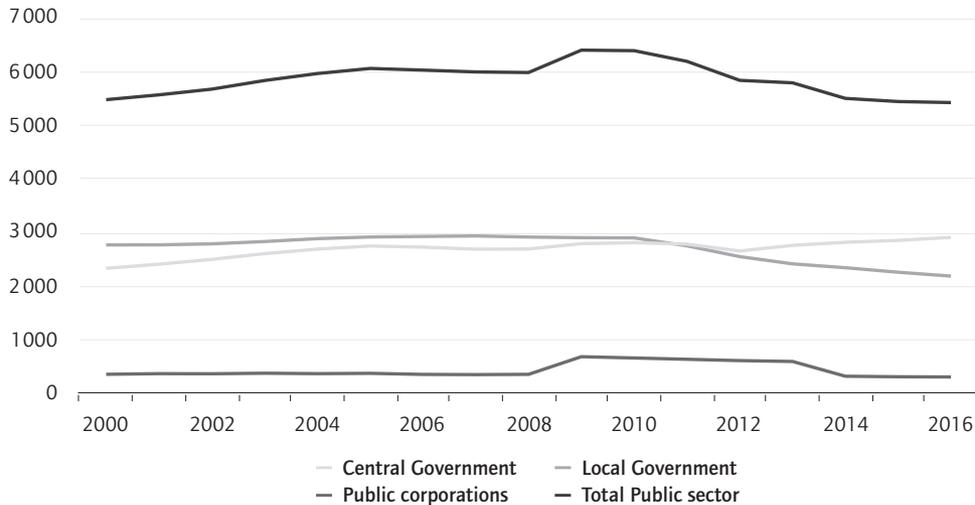
In the UK the public sector consists of five subsectors – central government, local government, public non-financial corporations, the Bank of England, and public financial corporations (in particular RBS which was part-nationalised during the financial crisis). Figures for RBS are omitted from most of this analysis as the size of the RBS balance sheet would distort the international comparability of figures and it remains an objective to transfer ownership back to the private sector. Central government comprises all administrative departments of government, and technically also includes the NHS which has the largest workforce. This also includes the civil service, which as the provider of social protection has the largest expenditure. Local government (municipalities) is comprised of organisations with elected leaders who have some powers to raise funds through taxation, and are responsible for the provision of services such as social care. It should also be noted that the number of public corporations has declined in the UK as successive governments have followed an agenda of privatisation, seen most recently with the example of the Royal Mail postal service.

### 2.4 Employment in the public sector

Data for total employment in hundreds of thousands in the public sector are shown in the chart below. It shows the general trend upwards before the financial crisis. There is then a strong uptick associated with bringing in staff from the nationalised banks. This

is followed by a downward trend as austerity measures kicked in. As mentioned above, these correspond approximately with changes of policy of different governments.

Figure 1 Public sector employment in the UK



Source: Office for National Statistics.

A particularly interesting feature of public sector employment is disparities across regions, with some regions and nations of the UK having much higher proportions of public sector employment. There are lively debates about the extent to which public sector employment ‘crowds out’ local job creation in regions that are heavily dependent on these jobs, making it less attractive to work in the private sector and acting as a disincentive for investment. By contrast Buchanan et al (2009) have argued very convincingly that the public sector in fact ‘fills in’ for the absence of local private sector employment and provides the core of sustainable and relatively good quality jobs, especially in the post-industrial cities of the Midlands and the North of England. Those arguing from this perspective tend to emphasise the importance of public sector employment in providing both a high quantity and quality of employment in these regions.

## 2.5 Industrial relations in the public sector

In contrast to most European Union member states, there are no systematic distinctions in employment regulation between the public and private sectors in the UK. However, a differentiation was established with the Trade Union Act 2016, which is discussed in more detail below, as this places higher voting thresholds for unions in ‘important public services’ before they can take legal strike action. Some public sector employees such as the police service do have selective legal restrictions around their right to take industrial action and the right to join a trade union. Bach (2005) also notes that the position of civil servants is historically different to other public sector employees as a

servant of the crown (the Queen and her delegates). These workers can be dismissed at any time at the will of the Crown, but this is not a right invoked in practice.

The distinctiveness of the public sector in the UK is that it remains the stronghold of collective bargaining in general, and multi-employer collective bargaining specifically. In 2019 there are 3.56 million trade union members in the public sector, as compared to 2.7 million members in the much larger private sector (BEIS 2019). The UK public sector is very much the 'heartland' of trade unionism with high levels of membership and collective bargaining coverage and the collective regulation of terms and conditions of employment is still very common in most areas of the public sector where there are strong social norms of union membership. This can be seen in the membership density figures where 51.8% of the public sector are union members, as compared with 13.5% in the private sector (BEIS 2019).

Collective bargaining coverage is also significantly higher in the public sector (around 59% of workplaces) than in the private sector (under 15%) (BEIS 2019). In many areas of the public sector, there has been a preference for collective regulation of employment through what are known as pay review bodies, rather than free collective bargaining in the widely understood sense in order to take some of the potential for political conflict out of pay-setting mechanisms. Pay review bodies exist in the NHS, armed services, prison service, teaching and for senior civil servants. Each pay review body is established as a non-departmental public body and is sponsored by the relevant central department. Typically, Pay Review Bodies are comprised of a panel of independent experts who receive evidence from stakeholders including unions, employers and economists. They then recommend national pay settlements to the relevant government Minister. Ultimately, however, the Minister has the authority to reject the recommendations of the Pay Review Body. Although there has been a long history of Ministers accepting recommendations, it has become more common since the financial crisis that recommendations are rejected or accepted only in part. It is also important to note that Pay Review Body processes do not prevent collective bargaining over other issues (terms and conditions) or bargaining upwards from the national pay increases. However, as they are not technically a form of free collective bargaining, these processes are referred to in this chapter as collective regulation rather than collective bargaining.

An important consequence of the election of the Conservative government in 2015 was the introduction of new regulation around trade unionism and collective action called the Trade Union Act, 2016. The most immediate effect of the Act is that in what are termed 'important public services' (including fire, health, education and transport) 50% of members must vote in any ballot for collective industrial action in order for it to be legally valid, and 40% of the entire membership within the relevant workforce must vote in favour. The Trades Union Congress (TUC) has voiced strong concerns about these proposals, stating that the government definition of 'important public services' is wider than that of 'essential services' as used in international law. They are also concerned that it acts as a further limit on strike action which is already highly regulated in the UK.

A final centrally important aspect of recent developments in public sector industrial relations has been the introduction of a public sector pay cap. Despite the consumer price index showing that inflation in the UK had reached 2.3% in early 2017, the recommendation of Pay Review Bodies in the UK was to keep an average increase in basic pay of 1%. This policy was relaxed slightly in 2017, and proposals for 2018 were for rises of above 1% for several groups. This includes 2.9% for the armed forces, 2.75% for prison officers, and 2% for police, GPs and dentists (BBC 2018). This is partly in response to considerable concern expressed by unions that below-inflation pay uplifts have led to staff shortages, challenges recruiting to public sector roles, and problems with retention and reward.

## 2.6 The research

Most data collected for this chapter were found in publicly available documents and sources are cited in the text. Research for each sector was supplemented with interviews with social partners and other experts and stakeholders. In primary schools, interviews were undertaken with three main unions, a local council and an expert analyst within the field. Details can be found in the appendix. In hospitals, colleagues Jo Grady and Paul Brook had been undertaking research for over three years with the main doctors' union, the British Medical Association (BMA) around employment relations issues. Rather than repeat much of this research, we worked closely with those colleagues to ensure the accuracy of the data presented here. We are extremely grateful to those researchers for being so generous with their time and data. For municipalities in total ten council leaders in Wales were interviewed over nine interviews. These covered both urban and rural councils, and also those in the more Labour-controlled southern councils as compared to the Welsh political party Plaid Cymru controlled councils in the North. Details of respondents are shown in the appendix of this chapter.

## 3. Primary education

Primary education in the UK covers three 'key stages': Foundation Years (under 5 years old), Key Stage 1 (5-7 years) and Key Stage 2 (8-11 years). Here, we focus on Key Stages 1 and 2 which map most closely to what is understood to be primary education in most comparator countries. Schools are structured in many ways that do not always map to these Key Stages, but common inspection and testing regimes apply no matter how schools are structured. The National Curriculum sets out achievement expectations at each stage, but increasingly schools can deviate from the National Curriculum. The end of KS1 is marked with Standardised Achievement Tests (SATs) and a phonics and reading check. The end of KS2 is marked with further SATs. These give benchmark data and achievement outcomes which input into school performance tables and inspection and performance management systems.

### 3.1 Education policy over the past 15 years

Like other areas of the public sector, each change of government has brought a distinctive approach to education and industrial relations policies, bringing different challenges for social partners. Labour governments prior to 2010 placed strong emphasis on investing heavily in education at all levels. In both primary and secondary school this fostered an approach that involved support for education from a full range of education professionals, including support staff. This approach had a number of important effects on teachers and other occupational groups. For teachers, there was a steady rise in real-terms salaries (Bolton 2008). By 2008, salaries for primary teachers were 22% above the mean for all employees (Bolton 2008). However, it should be noted that during this period, pay settlements for teachers became much more complex than a simple ‘across the board’ pay rise for all staff. Initiatives such as performance related pay and allowances for particular duties became more complex and introduced greater variation within the profession.

At the same time, the investment in and expansion of teaching assistants changed classroom practices giving teachers more responsibility to manage staff and lead – but not necessarily deliver – learning in the classroom. This led to significant changes in the activities of both teachers and teaching assistants (TAs). The role of teachers has become more strategic and involves managing the learning process and progression of students. The role of teaching assistants varies considerably and ranges from routine activities such as supervising particular students or groups of students within the classroom, through to ensuring specialist support, for example for students with special educational needs (SEN). The job grading of TAs increasingly reflects these variations in skills and responsibilities.

A further important aspect of education policy from the Labour governments of 1997-2010 was to increase the types of school supported by the state. To this end, in 2000 a new category of schools was created which enabled ‘academy schools’ to be established. Initially, this allowed under-performing schools to relaunch with the support of links with industry and other backers. A central feature of academy schools is that they receive funding directly from central government rather than local authorities and they have far greater flexibility than other schools around the curriculum, management structures, and terms and conditions of employment. Even before the 2010 change of government, Academy schools quickly took a different form and were seen to be the preferred direction of travel for governance of many, if not all, state-supported schools. Since 2010 other new forms of schools have been developed.

With a focus on industrial relations, an important feature of most of these new forms of schools is that they are not compelled to follow national terms and conditions of employment. Academy schools are now the norm for secondary schools (61%), but only around 15% of primary schools are currently academies. This is accounted for mainly because legislation enabling primary schools to convert to academy status was only introduced in 2012, and partly because of the smaller size of primary schools which means that there are fewer economies of scale in running them. In contrast to secondary schools, therefore, most primary schools are managed by the local authority

(municipality), although we would expect that to change in the future if the political support for academy conversion continues.

Since 2010, there has been a continued focus on developing an even wider range of types of schools including free schools which are often set up by parents. These have not proven popular and only account for a tiny proportion of schools with just over 400 being opened between 2011 and 2016/17. More importantly for the overall picture, the governments of both 2010-2015 and 2015 onwards have actively sought to extend academy schools. At one point a policy was floated that would have required all schools to become academy schools, but that caused considerable disquiet across the country, including in Conservative heartlands with some high-profile Conservative opposition voices. Nonetheless, there remains considerable pressure to require a change of status of schools when the local authority is deemed to be ‘underperforming’, even in the face of concerted opposition from school leaders, staff and parents.

### 3.2 Education funding

Probably the most important change since the 2015 general election has been a shift in the approach to funding schools. Debates rage between social partners and politicians about how to describe funding proposals. Some politicians insist that education funding is increasing, while many social partners insist there is evidence that funding is declining. In practice, the description depends on what is being measured.

Governments in all areas of the UK have tried to protect (ringfence) expenditure on schools since 2008, and primary schools have experienced only a small cut in budgets from 2009-10 to the introduction of the new funding formula. However, there have been a number of important areas where schools have experienced a decline in budgets. Capital expenditure has been cut sharply, leading to an 11% decline in overall expenditure from 2010-2015 (Office of the Children’s Commissioner). Where capital expenditure projects have been required (e.g. repairs to existing buildings) there is growing evidence that some schools have used reserves to co-fund these expenses. It should also be noted that unlike the NHS and foreign aid budgets, the education budget was not ringfenced in the 2015 Conservative Party manifesto. It is therefore likely that school budgets will come under scrutiny in the near future. Primary schools spend around 79% of their budgets on staffing (DfE 2013) so this is likely to be a key focus for cuts.

State-funded schools are funded through a block grant from central government. The way this is calculated reflects historic patterns of spending in local authorities over time. A particular challenge is that as populations ebb and flow, there are insufficient mechanisms to account for that. Additional money is given to schools that have students from groups with particular disadvantages and educational needs through the Pupil Premium. Because of the historic patterns of funding, there can be large discrepancies in per-pupil funding even between schools in the same local authority. At the same time, cohort patterns mean that there has been an upswing in children entering the education system overall.

2017-18 saw the launch of a programme to introduce a new funding mechanism – called the National Funding Formula (NFF) – that aims to remove some of these inequalities. Although the details of the overall effects of these changes are still unclear, there are a number of important aspects that may well affect employment in the sector and which are therefore relevant to this chapter. First, there is a commitment to moving funding allocation away from the remit of local authorities and towards central government. Second, this is taking place within a context of limited public spending investment.

Trade unions disagree on their positions with regard to the proposed changes. While they share very serious concerns about the approach, the nature of the concerns and the response to specific proposals varies. Perhaps most striking is the position of the ATL union which argues that there are relatively large amounts of unspent reserves across the sector, and schools that have reserves should seek to spend these, especially where staff reductions are being considered. Other unions are more focused on arguing for a general uplift in investment across the sector.

Most observers agree that the likely effect of the move to the NFF is that most schools will face a per-pupil reduction in their income. That said, they do agree that the schools most likely to benefit are those with previously low attainment and a high number of disadvantaged pupils. Nonetheless, the changes remain controversial and many schools will face budget cuts. It is probably therefore unsurprising that current political debate is full of examples of schools struggling to provide services and asking parents and carers to contribute to additional costs such as materials, textbooks and events. How this will affect employment and industrial relations is, as yet, unclear.

### 3.3 Industrial relations and social partners

There are well-established mechanisms of collective regulation within the education sector and it remains highly organised. The sector is particularly noted for inter-union competition for staff representation, and the increasingly complex structure of representation on the employers' side. Structures of collective regulation are also, unsurprisingly, complex with agreements concluded at the national level, local authority level and, sometimes, with local employers, especially for academy schools. In practice, however, there has so far been a tendency to 'shadow' national agreements in schools that have the ability to break away from them. This reflects a great deal of effort put in by unions to ensure that flexibility in setting terms and conditions is constrained. Despite some local disputes, there has been little evidence of any wholesale effort to derecognise particular unions and there tends to be a robust and relatively pragmatic approach to employment relations in the sector.

Key aspects of pay regulation are found in the School Teachers' Pay and Conditions Document (STPCD) which is a document issued annually by the School Teachers' Review Body (STRB). It is important to note here that a review body is not, technically, a form of collective bargaining. The STRB is an advisory, non-departmental public body, sponsored by the Department for Education. It is comprised of 8 members who have a range of interests and experiences in HR management, economics, teaching

and consultancy. They take submissions of evidence from interested parties (unions, employer associations, the Secretary of State and others) and produce an annual report on pay, professional duties and working time for teachers. Review bodies have become common across the public sector, partly as a way of distancing governments from some of the most politically problematic aspects of pay determination in the public sector. Historically, governments have tended to implement the recommendations of review bodies although recent austerity initiatives continue to influence the recommendations of the STRB very explicitly (STRB Report 2015). Reforms of teacher pay scales that have been developed since 2011 have increased the flexibility of schools to appoint above the minima of the pay range, to extend performance-related progression to all classroom teachers and to increase the discretion of schools to award allowances to staff.

### 3.4 Quantitative outcomes

The clearest quantitative measure of primary education outcomes are the exams called National Curriculum Tests or SATs. Primary level SATs are taken by children in Year 2 (aged 6-7) and Year 6 (age 10-11). These exams are extremely controversial mainly because of the pressure they put on young children to perform, but also because they focus learning on a relatively narrow set of measurable tests.

It is impossible to compare results over the entire period considered here because the curriculum, tests and levels have all changed during that time. Nonetheless it is possible to compare the 2015-6 results with the 2016-7 results. These show an increase in the proportion of Year 6 children reaching the required standard in reading, writing, mathematics and grammar from 53% in 2015-6 to 61% a year later. This improvement is likely to be partly due to the fact that the previous year's children were in a transition year with new assessments. Many commentators have also highlighted that these results still mean that 39% of children are not achieving the expected primary education standards in these subject areas.

Class sizes are also an important measure in primary education. Class sizes of around 30 students to one teacher are widely regarded as an appropriate ratio (although there may very well also be teaching assistants present in many classes). 30 is also the legal limit for infant classes for children aged 4-8 years. Taking 30 as a limit shows that the proportion of pupils in classes of 31 or more has risen in each of the past 4 years. In January 2016, around 540 000 primary school pupils were in classes of 31 or more. Around 40 000 were taught in classes of 36 or more. Average class sizes are also rising in primary schools and have been since the crisis. While this is partly as a result of schools having difficulties filling teacher vacancies and making other budget choices, it is largely owing to increased cohort sizes entering the school system since 2008, driven in part by higher birth rates among newly settled migrant families. It is difficult therefore to draw any clear causal links between the rising primary class sizes and austerity measures or industrial relations in the sector.

### 3.5 Workload, pay, work intensification and turnover

One of the clearest manifestations of the growing tensions in the sector are the concerns raised by unions about workload increases, work intensification and staff turnover. This has not only been raised by teaching unions, but also by other stakeholders. A recent survey by the Department for Education showed that primary school teachers typically work up to 60 hours a week during term time. A 2014 survey by the National Union of Teachers (NUT) revealed that 90% of teachers had considered giving up the profession in the previous two years, largely owing to the workload (NUT Workload Survey 2014).

It is probably unsurprising that this has been linked to the shortage of teachers within the profession in 2015-16. The scale of the challenge has been recognised as a 'major problem' by the National Audit Office and the chief of the school inspection service, Ofsted, acknowledged that it was having a 'significant impact' on schools (Ofsted 2014). Although it is difficult to disaggregate the data for primary and secondary sectors, it seems that the problem is widespread and evident across both sectors. Indeed, there are some reasons to believe that the problem may become more acute in the primary sector because one of the important routes into training as a teacher in the sector (primary school-based initial teacher training) was shut in early 2016 as a national cap on places had been reached.

Inevitably school leaders try to fill the gaps in recruitment by recruiting agency teachers on short-term contracts. Putting to one side the potential disruption to education experienced by the children, this has the effect of pushing up wage spending for individual schools. A recent government report estimated local authority spending on agency teachers reached £556 million in 2015-16 which was an increase of 18.5% from 2012-13 (NAO 2016). The same report highlighted teacher retention as a serious concern for the sector. It is also important to note that agency teachers are not employed on nationally agreed terms and conditions which has the potential to undermine collective regulation of the sector.

One of the teaching unions called NASUWT has taken up concerns about agency teachers as a specific campaign. Their research indicates that around 65% of these teachers are not paid at the level that recognises their skills and experiences. They also report serious concerns around access to continuing professional development, pension provision and problems for these staff in accessing regular employment. A central feature of their campaign has been to call for national regulation of supply teacher agencies.

### 3.6 Pay cuts for teaching assistants leading to industrial action

Throughout 2016 and into 2017 there was a series of strikes by teaching assistants in various schools and local authorities around the country. The exact nature of the ballot for each dispute reflects local negotiations (as is required by UK legislation on industrial action) but they share a common concern about pay cuts of up to 25%. At the

heart of the disputes raised by teaching assistants is the move to a 'single status' pay policy. This was first negotiated in the late 1990s, but some local authorities are only implementing it now. Driven in part by the squeeze on local government finances, some local authorities are proposing to harmonise teaching assistants with other council workers who work on term-time only contracts. In practice, this would result in a loss of pay over the holiday periods. Other councils have negotiated compromises that either increase the hourly rate to (part) compensate for this, or have upgraded other terms and conditions so that the effects are less dramatic.

In one local authority (Derby) where the implementation has led to five strikes since spring 2016, the council is keen to emphasise that teaching assistants do not work over the holidays, even though they are employed during those periods. North Yorkshire council has left the decision to implement pay cuts to individual schools, also causing industrial unrest. Although these have been extremely high-profile disputes and have gained a considerable degree of national attention, it is important to note that they are local disputes and reflect very specific negotiations and decision making within individual local authorities.

### 3.7 Boycott of Primary Assessment Tests

One of the most controversial areas of employment relations in the period under consideration is the decision by the NUT to boycott the proposed introduction of new forms of SATs for children in primary school. The National Association of Head Teachers (NAHT) which represents many senior leaders within primary schools and the Association of Teachers and Lecturers (ATL) also expressed serious concerns about the proposals. The combined resistance of many of the unions meant that the proposals were postponed until at least 2018/19. Even with this delay to the more complex testing regime, primary SATs are regarded by many education professionals to be extremely problematic and this is likely to be an area where there will be collective resistance and dispute for some time to come.

There are widespread concerns amongst unions that the testing regime for primary school children has some structural problems which may make the data unreliable. This has caused concerns because this kind of data is often used to compile league tables and to rate the standard of education within schools. Further proposals that were intended to develop baseline tests for children in reception year (preschool) were scrapped at the same time.

Disputes around primary school testing regimes have been an interesting addition to the employment relations landscape in the primary school sector because they are driven largely by concerns about performance monitoring (of children, teachers, and schools), rather than immediate terms and conditions of employment. It also illustrates how effective the teaching unions can be when they join forces with senior leaders and parents. Interestingly, however, several of the unions excluded primary teachers from their ballots (NASUWT was an exception) in part because of the challenges of organising and mobilising teachers in lots of small workplaces.

### 3.8 Summary – primary education

Industrial relations in primary schools have been increasingly tense over the past 15 years. This has largely been a result of policy and funding changes informed by the changed context emerging after the financial crisis and an increasing emphasis on reducing public spending. The ringfencing of the education budget for most of this period means that directly allocated budgets for primary schools have been protected. However, changes to the national funding formula mean that many schools will see a reduction in the per-pupil budget in an effort to adjust budget allocations. In addition, services which receive funding from local authorities, and capital spending have seen a considerable squeeze.

Combined with other education policies such as changes to testing regimes, and a decreasing focus on the role of teaching assistants in delivering classroom learning, many teachers and their unions argue that this is a more difficult period for the profession than an initial scan of funding data may suggest. Public sector pay has been under considerable pressure since 2008 and this has resulted in wage growth not keeping pace with changes in the cost of living. This is widely recognised by social partners and the STRB has clearly stated the requirement for pay to start to catch up with inflation in order to maintain a supply of qualified teachers entering the profession.

Unsurprisingly, this difficult context has resulted in increasing staff turnover, an increased dependence on agency teachers, and concerns over workload. Unions in the sector have prioritised their actions and campaigns in different ways but they are all clear that there are profound industrial relations tensions which are likely to result in continued industrial action and tense negotiations.

## 4. Hospitals

Despite a commitment to ringfence the health spending budget, the NHS has been under considerable pressure in the period under consideration and here we focus on the ways in which these changes have affected industrial relations and service provision. This includes the recent ground-breaking industrial action by junior doctors which is evidence of a profound breakdown of the usual mechanisms of collective regulation in hospitals. The junior doctors' dispute is presented here in order to investigate how these changes have affected the quality and quantity of job roles, and how this has impacted upon the quality of service provision.

The latest figures available from the NHS show that in March 2017 across Hospital and Community Healthcare Services (HCHS) the NHS employed (full-time equivalent) 106 430 doctors; 285 893 nurses and health visitors; 21 597 midwives; 132 673 scientific, therapeutic and technical staff; 19 772 ambulance staff; 21 139 managers; and 9,974 senior managers. The total level of health expenditure in the UK was 9.75% of GDP in 2016. This compares to 11.27% in Germany, 10.98% in France, 10.50% in the Netherlands, 10.37% in Denmark, 8.98% in Spain and 8.94% in Italy. As of March

2017, there was a total of 61 934 EU staff working across HCHS – equivalent to 5.22% of the workforce. This equates to 57 737 FTE, or 5.51% of the total (NHS Confederation 2018).

#### 4.1 Healthcare policy in the last 15 years

Although there are a small number of private hospitals in the UK, they account for only around 6% of elective admissions and less than 3% of all hospital admissions. The vast majority of healthcare provision in hospitals therefore comes from the NHS. The NHS provides free healthcare at the point of service, although there have been proposals to charge for some services such as general practitioner (GP – community-based doctors) appointments. These have been met with strong public resistance as anathema to the principles of the NHS and any future similar proposals are likely to face similar resistance. As a result, although there are efforts to review whether services are more efficiently provided by NHS providers or by for-profit providers, the principle that health services (including hospital services) are provided free at the point of delivery to users is not likely to change in the near future.

That said, there have been notable policy shifts in the NHS in general and hospital provision specifically. The most substantial shift from the Labour governments of 1997-2010 to the subsequent coalition and Conservative governments has been changes to the funding of the NHS. NHS funding has been ringfenced since 2010 and a recent report by the King's Fund (2017) shows that, based on the Department for Health's annual report, from 2016 to 2020 the budget for NHS spending in England will rise from £120 billion to £133 billion. Although this represents a real-terms increase of £4.5 billion when inflation is taken into account, the King's Fund (2017) notes that this is at a rate of increase significantly lower than the real-terms average of 3.7% since 1949/50. When combined with an ageing population and increasingly expensive medical treatments, the funding pressures on the sector are profound. As a result, social partners frequently report a squeeze on service provision and pressures to make cuts and find more efficient ways of working.

A further proposed reform of the Conservative administration is to provide a full seven-day service, with appointments for GPs and surgical procedures offered at evenings and weekends as well as during normal working hours. This has been positioned as a central political objective of the government and it is this proposed reform that is at the heart of the industrial action conducted by junior doctors.

#### 4.2 Healthcare funding

Although spending on healthcare has been ringfenced during the implementation of the austerity agenda, there are a number of pressures on healthcare spending. These are also noted by the King's Fund (2017) and include an increasing population, an ageing population, and also longer-term impacts of poor health, including rising levels of obesity and inactivity. Although there is a planned increase in the healthcare budget,

this is lower than historical rates. In short, although funding has been ringfenced, the costs of providing healthcare to the population have been rising, leading to a strain on resources. The King's Fund also notes that spending in the UK is lower compared to other EU countries.

Funding therefore continues to be a major concern for the NHS in general, and hospitals in particular. There are well-established patterns that hospitals, especially through emergency rooms (Accident & Emergency (A&E) departments), provide a 'last point of call' when other health services are not available. Pressures on GP provision, community support, and community health initiatives such as diabetes management, weight loss support, and smoking cessation support all combine to increase pressures on hospital provision. Unsurprisingly, therefore, the winter of 2016/17 saw a growing concern about the capacity of hospitals to provide an adequate level of service, especially in A&E departments.

### 4.3 Industrial relations and social partners

Overall, the sector is highly organised and there are multiple mechanisms for worker voice bargaining and collective negotiation at national, regional and local levels. These have proved relatively robust during the broader changes to collective bargaining in the UK over the past 30 years. Collective regulation of employment relations is still the norm in the sector, and hospitals are a good example of this. The main social partners are the government, local health authorities, unions, professional bodies, and patient groups.

Industrial relations in the hospitals have experienced a period of remarkable conflict in the past 2 years, with the main feature being strike action by the British Medical Association (BMA) which represents doctors. The reluctant resolution of that dispute has been quickly followed by a consultation from the largest association of nurses, the Royal College of Nursing (RCN), about whether it should ballot members on industrial action. A feature of the resolution of the BMA dispute was the unilateral imposition of the new contract for junior doctors by the Secretary of State for Health, indicating a shift in governmental approaches to (non-)negotiation. This unilateral approach has also been seen in the use of the 2008 financial crisis and subsequent austerity agenda as a rationale for the imposition of below-inflation pay increases across the public sector including for NHS staff.

The dispute with junior doctors in England ran through 2015 and 2016 and is one of the most notable examples of a breakdown of collective regulation in the NHS, and hospitals in particular, for many decades. The dispute saw widespread industrial action culminating in several days of strikes in response to the attempts of the government to introduce a reformed contract for junior doctors, linked to a governmental policy to create a 'seven-day NHS', claimed to be in response to demands from service users. The professional body and trade union for doctors is the BMA. The BMA represents three main groups: General Practitioners (community-based doctors), consultants (senior doctors), and junior doctors (all other doctors). This latter group consists of 55 000 people in England, representing around a third of the medical workforce. This is a

disparate group in terms of experience, ranging from those just out of medical school to those with ten years of experience. Many, but not all, work in hospitals for at least part of their training.

The dispute escalated towards the end of 2015, with junior doctors demanding 'concrete assurances' that the new contract would not be imposed. Following a series of protests, the BMA balloted for collective action. In a notable show of dissatisfaction, there was a turnout of over 70% for the strike ballot and 98% of those voting supported strike action. Strikes were planned for three days in December 2015, although they were called off when the government agreed to suspend its threat to unilaterally impose the new contract without collective agreement from the union. Both sides agreed to continue negotiations, but further talks in January broke down and the first doctors' strike in forty years occurred on January 12<sup>th</sup> 2016.

Over 40 000 operations and procedures were cancelled during the 24-hour strike. A new offer was received from the government and further strike plans were suspended by the union, but talks again broke down towards the end of the month. A series of further 24-hour and 48-hour strikes took place throughout the early months of 2016 leading to an agreement to involve the conciliation and arbitration service, Acas, in an effort to reach a negotiated outcome. A new contract was agreed and put to members for approval. 68% of affected BMA members voted in a referendum on whether to accept the proposal, with 42% accepting. The Health Secretary then announced that the new contract would be unilaterally phased in over twelve months, starting in October 2016. The BMA announced further strikes in response, but these were suspended. Despite support for the action, the new contract was imposed. In practice, this means that the new terms and conditions have been integrated into junior doctors' contracts without the negotiated agreement of the relevant professional association. This is a major shift in approach to public sector industrial relations and is a direct challenge to the power of the BMA. Unsurprisingly, it has considerably changed the 'tone' of industrial relations in the sector.

Looking forward, the main industrial relations issues facing the NHS are the collective negotiations around the effects of continuing budget squeezes following the financial crisis, and also the desire of the government to increase the level of service provision without significantly increasing available resources.

#### 4.4 Quantitative outcomes

The NHS has become an increasingly quantified service in recent decades. A short internet search leads to publicly available information on A&E performance (% of patients seen within 4 hours), ratings by the Care Quality Commission (CQC) inspectorate, hospital mortality rates, the proportion of staff who would recommend friends and family to use the hospital, the proportion of patients rating the same, the percentage of patients waiting less than 18 weeks for treatment, as well as specific figures for cancer care. All of these measures can be weighted and aggregated in a plethora of different rankings of hospitals (and other NHS services).

The CQC has combined quantitative measures with its own inspection reports to provide a comprehensive baseline evaluation of acute hospital services in 2016-17. This important report (CQC 2017) shows a mixed picture both across the country and across time. To summarise, the demand on services rose considerably with one third of trusts having to issue an alert in December 2016 that they needed urgent action to cope with the pressure of patient numbers. 10% of patients on the waiting list for treatment in October 2016 have waited longer than the target of 18 weeks. Bed occupancy rates for general and acute services are very high and have been above the 85% target for acute trusts every quarter since 2014-15. The average stay for inpatients has declined dramatically over the past decade from 7.1 days to 5, and for the over-75s age group from 14.4 to 9.1. This reflects both changes in medical practices, and more effective management of the patient journey out of hospital and into other care settings.

The CQC report also highlights the increasing demand and deficits that many NHS providers run. The total NHS deficit in 2015-6 was £2.45 billion, and 60% of acute trusts forecast a deficit at the end of the financial year 2016-17. The CQC is unhesitating in linking this to safe patient care. They find that too many trusts do not have an effective safety culture and reliable systems aimed at avoiding unsafe practices. They also make the point that the quality of care in acute settings is affected by community practices that are also under-funded. Speaking to the state of day-to-day employment relations, the executive summary of the report concludes thus: 'Frontline staff are the heroes of our reports. We have found high levels of compassionate care in virtually every hospital... However, we have found that many hospitals do not listen effectively to the views of their staff. This is having a major impact on their ability to provide safe, efficient, high-quality care.' (CQC 2017: 9)

In this context, and combined with a push for significant service change driven from government, it is probably unsurprising that industrial relations have become more fractious in the sector over the period under consideration.

#### 4.5 Pay and workload

In 2017/18 NHS Employers argued to the pay review body that the NHS continues to face financial and service challenges and that, although there were recruitment issues for some roles, this was a supply issue and not related to pay. In the context of the government policy to cap public sector pay rises at 1%, the Secretary of State (Minister) for Health agreed an increase of 1% in March 2017, angering unions and professional associations, but capped pay has not been the major source of industrial relations unrest facing the NHS.

It is also important to note that at the centre of the junior doctors' dispute was pay during the move to providing seven-day care across the NHS. Although the majority of weekend care is already provided by junior doctors, they receive a pay premium dependent upon day and time. By expanding the definition of what constitutes 'normal hours', it would become less expensive to use these junior doctors at the weekend. Under the existing system, junior doctors received a basic pay rate from 7am to 7pm

Monday to Friday. The government proposal was to increase the basic rate by 13.5%, but to increase the range of hours that would not merit a premium.

Criticism of the proposals by the BMA was strong. In particular, the proposed contract was criticised for incentivising unsafe shift rosters as higher rates of pay would be available for those working longer shifts. In addition, the ending of guaranteed annual increment rises, in preference of increments based on skills development, would mean that pay increases would be slower over the course of careers; rather than receiving increased pay as a result of gaining experience, it would be tied to future promotion and supplemented by working unsociable hours. The proposals would therefore have had a disparate effect for women as they often progress more slowly through skills development because of taking time off and part-time working for care responsibilities.

#### 4.6 Job quality and service provision

Although the BMA has been able to limit some of the proposed changes in the imposed contract, there will be some alterations to terms and conditions of employment. It is important to note here that industrial relations processes have mediated some of these impacts but that job quality will likely be reduced as a result of the need to work at evenings and weekends. If there is no increase in the number of junior doctors, but the hours they are required to cover are increased, this will necessarily result in an increased working time which may heighten workplace stress. The government have promised to protect wage levels up to 2019 for existing junior doctors, but new entrants will be worse off. Additionally, the removal of length of service-based seniority pay increments will have longer term impacts on pay.

Taken together, these raise real concerns about job quality and service provision. Professional associations are paying close attention to evidence of difficulties in retention of doctors and other medical staff, and evidence of effects on patient experience, although it is too early to be certain whether there are any long-term effects of this major breakdown in effective industrial relations in the sector.

#### 4.7 Nurses and other professions

The industrial dispute between junior doctors and the government has been by far the most prominent industrial relations issue in the UK in recent years and reflects a very real deterioration of relationships between social partners. Although there has been less high-profile discontent in other professions, it is not absent. Nurses are also highly unionised and represented mainly by the RCN and Unison. The RCN has never before taken industrial action, but has become increasingly frustrated by the pay cap of 1% imposed by the government.

This has led to the unprecedented step to survey RCN members about their support for possible industrial action. The laws around balloting for industrial action in the UK are quite complex and a survey of members has proved to be a useful interim step

before deciding whether to move to a full formal ballot of members. 78% of members who participated in the survey indicated that they would support a more formal ballot for industrial action. Although the College did not take industrial action, it seems likely that there will be continued dissatisfaction in the near future. Indeed, the fact that the survey was conducted is taken by many observers to be an indication of the breakdown of the normal functioning of industrial relations in the sector.

Unison is also following suit with a ballot for action amongst NHS staff, and many other unions and professional associations are considering their options. It seems likely, therefore, that we are entering a phase of considerable industrial unrest within the healthcare sector in general, and hospitals in particular. Specific issues of concern revolve around low pay and work intensification as a result of high levels of staff turnover.

#### 4.8 Wider issues - Brexit

Brexit is also a central concern for staffing in the NHS. NHS Employers report that there are approximately 62 000 EU workers in the NHS workforce – around 5.2% of the total workforce. The future of all EU nationals is currently being discussed, leaving employers (and staff themselves) across the UK with a great deal of uncertainty. It is likely that existing EU citizens will transfer to a form of ‘settled status’ which is likely to grant them the right to work. What remains entirely unclear is how Brexit will affect immigration controls more generally. Historically the NHS has usually been able to make a successful case to recruit staff overseas, and this is reflected in the fact that a further 75 000 staff for whom nationality data is recorded are from non-EU member states. Unsurprisingly, NHS Trusts are lobbying hard for the staffing impacts on the health sector to be given particular consideration.

#### 4.9 Summary - hospitals

Industrial relations in hospitals, and in particular the case of industrial action by junior doctors, gives a clear example of how the pressures of austerity combined with a need for increased service provision have led to increasingly conflictual relationships between social partners. A central motivation for the government in introducing the reform of junior doctors’ contracts was to increase the availability of service provision under their rhetoric of a seven day NHS. Although the service is likely to remain free at the point of use, the move towards extending the hours of provision is an on-going project. In addition to junior doctors in hospitals, it will require an increase in the availability of general practitioners which may cause further conflict with the BMA. An important argument from junior doctors rejecting these changes was the potential impact on the quality of service provision. Although this is difficult to measure with certainty it seems likely that without an increase in the number of jobs to match the increase in the availability of service, both job quality and service provision will worsen. Downward pressures on real pay are also driving concern in other occupational groups about staff turnover and poor conditions. This is likely to lead to a period of industrial unrest in the near future with pay and job quality as central issues.

## 5. Municipalities

Municipalities (local government) is the area of public spending that has been hardest hit since the financial crisis. Budget cuts since 2011 have varied across the country and have mainly targeted large urban authorities. Municipalities have several sources of income. Grants from central government have been cut by around 38% since 2010, but local authorities also raise income from local taxation. The ability of municipalities to increase local taxes varies considerably, so some councils have experienced a much more dramatic decrease in income than others. Overall, measured on a consistent basis, and excluding grants specifically for education, councils in England have seen an average real-terms cut of around 26% to their funding since 2009–10 (IFS 2016). This has clearly had a dramatic impact on services with adult social care being one of the hardest hit areas.

Local government in the United Kingdom has a rather complicated structure, partly as there are differing systems for the three nations with devolved powers (Northern Ireland, Scotland and Wales) as compared to England. Outside of Greater London, England does not have a devolved parliament or regional assemblies. England has a total of 353 principal authorities, some of which may work together to form a combined authority, such as the Greater Manchester Combined Authority. This was formed in response to the financial crisis of 2007/2008 as it enabled the pooling of resources amongst ten different local authorities in the region. The new combined authority has powers over, for example, public transport, waste management, and housing. The situation in Northern Ireland, Scotland and Wales is rather different owing to the role of national governments as outlined previously.

349 out of 352 English councils are members of the Local Government Association (LGA), as well as a number of authorities including fire services and national parks. This was formed as part of the UK local government reform of the 1990s which saw the creation of unitary authorities, single tier organisations responsible for all local government functions within an area. Further to this, the 22 Welsh councils are members of the Welsh Local Government Organisation, a constituent part of the LGA which retains full autonomy in dealing with matters relating to Wales. By contrast, the Northern Ireland Local Government Association and Convention of Scottish Local Authorities are independent bodies.

### 5.1 Local government policy in the last 15 years

It is notable that in the context of such significant spending reductions employment relations are tense, but there has been little sign of overt conflict. By and large social partners have negotiated significant changes in service provision without major industrial disputes. The exception was the 2011 national strike over pensions which is discussed below. Although there are undoubtedly examples of effective negotiation of reductions in services, it is probable that this relatively low level of overt conflict also reflects the weakness of local authority unions in the face of such significant restructuring and cuts.

Previous sections have highlighted how budget constraints have been a strong feature across the public sector. However, Williams and Scott (2016) stress that unprotected areas such as funding to local authorities have been particularly strongly hit as a result of the way cuts have been managed. This largely results from the fact that many services – social services are an example – require a given level of funding in order to ensure the provision of statutory services. This leaves relatively fewer services as the focus of cuts. The Institute for Fiscal Studies (IFS) (2016) reports that services in that category include planning and development, housing and culture services. Here cuts have been particularly dramatic – often over 40%. A complicating issue is that where services are provided by a company outside the local authority, contracts are usually stipulated to last for a particular duration and cannot be ceased or renegotiated during that period. This leaves even fewer areas where local authorities can make cuts relatively quickly.

Interestingly, the scale of the reduction in funding has led to criticism from Conservative representatives in local government. Lord Porter, the Conservative chairman of the Local Government Association (LGA), argued in 2015 that any further cuts were likely to lead to provision of statutory services and nothing more. A report by the LGA in the run up to the general election of 2017 stated that local government faces an estimated overall funding gap of £5.8 billion by 2019/2020, and a £2.3 billion gap in the funding for social care by 2020. Unsurprisingly, therefore, cuts in local government have been much deeper than in ringfenced areas such as health and education and are likely to continue to worsen. The LGA has predicted that funding will have been reduced by 64% from 2010 to 2020, with inevitable concerns about a reduction in the quantity of jobs, the quality of the pay and conditions of these jobs, and impacts on the services provided.

## 5.2 Industrial relations and social partners

The sector is relatively well-organised and has strong mechanisms of collective negotiation and social partnership. Pay rises have been limited to the 1% public sector pay cap. Generally industrial relations have been mostly constructive, reflecting both the acknowledgement by unions that municipalities have been particularly badly hit by budget cuts, and also the weakened bargaining position of the unions as job losses have hit the sector. An example of the sometimes conflictual nature of industrial relations can be seen in the public sector strike of 2011 over pensions. Workers across all areas of the public sector were facing proposed changes such as a rise in contribution payments, linking the retirement age to the state pension age, a move from final salary to career average schemes, and a move from using the consumer price index rate of inflation for yearly uplifts. Members of 29 different trade unions took action on 30<sup>th</sup> November 2011, and local authority workers were particularly visible. The dispute formed part of wider discontent amongst public sector workers about the effects of the austerity agenda on pensions, pay increases, workforce size and job quality.

Ultimately the industrial action had little effect on the austerity agenda, as the proposed changes to pensions have occurred in almost all occupations. Workforce reductions have also taken place, although mainly through failing to fill vacant posts rather than

compulsory redundancies, and pay increases in the public sector continue to lag behind inflation. The wider context of the financial crisis and the drive towards an austerity agenda has undoubtedly led to changes in job quality and quantity.

National agreements have led to low wage increases in the context of increasing inflation, and the unions were able to do little to negotiate on these issues. This, however, has led to rather more consensual relations at a local level, with both unions and councils reporting that they felt cuts were being imposed upon them. Pension changes have also affected workers in these organisations, although there was little change in other aspects of job quality such as training and development opportunities, qualifications required, and the types of contracts being offered, although some leaders reported a slight increase in the use of agency staff and subcontractors.

### 5.3 Quantitative outcomes

Public data on spending highlights both the dramatic nature of the cuts in this area, and the extremely varied effects of cuts. An influential report from the Joseph Rowntree Foundation (2015) shows the particular effects of budget cuts on poorer communities. The report shows that the municipalities with the most deprived populations have been hardest hit with a £220 cut per head of the population, as compared to just £40 per head in the more affluent municipalities. This is largely explained by policies which have tended to benefit voters in more affluent areas who represent the core vote for the governing Conservative Party.

An alternative source of quantitative data relates to the views of senior managers in municipalities about service quality (IFS 2017). This study interestingly shows that almost 90% of respondents say that they believed they had been able to maintain service quality in 2016-17 despite the cuts, and views did not vary significantly across municipalities with very different income structures. What is striking about this survey is the pessimism of respondents in the longer term. Only one third of respondents was confident that they could maintain service levels in the medium term (2019-20) falling to only one in six who had confidence about the long-term future (2021-22).

There are other measures of service quality that provide important snapshots of the challenges facing local authorities. One such measure is the number of times municipalities have broken the statutory responsibility that has existed since 2003 not to house families with children in insecure accommodation such as B&Bs or hostels for longer than 6 weeks. A report by the Financial Times showed that: 'English councils broke that law 701 times on December 31 2014, affecting an estimated 1 000 children — a sevenfold increase on the same day in 2009 — as they struggled to accommodate the growing number of families caught by Britain's housing crisis.' (Financial Times 2015). Another snapshot is given by the Department for Communities and Local Government which also reported a considerable increase in the sale of assets owned by local government from 2012-13 to 2016-17. As well as council buildings, other assets such as works of art, and areas of natural beauty owned by local authorities have been put up for sale to cover reductions in other income streams.

According to the largest union, Unison, approximately 500 000 jobs have been lost from local councils since 2010, which is approximately half of the total job losses from the public sector during that period. What is remarkable about this figure is that all social partners agree that the real difficulties lie ahead. There are reductions in all income streams projected for at least the next 5 years and little opportunity for most municipalities to raise local taxes to cover any deficits. There is remarkable unanimity that cuts have already affected the quantity and quality of jobs in the sector and that this is only going to get worse in future years.

#### 5.4 Job quality and service provision

As local authority funding has not been protected by ringfencing, the reduced available budget is being felt in this sector even more keenly than in schools and hospitals. Unsurprisingly this is evident in the reduction of jobs in the sector. Council leaders report that their main concern had been to protect frontline services, particularly in social care and education, and that as a result there were few services that had been stopped completely. By contrast, efficiencies had been found in many back-office functions, and council leaders pointed to cost saving schemes such as reducing the number of cleaners, moving to paperless offices, closing satellite offices, requiring people to work from hot desks or in the field, and an increase in digital working. Some of these efficiencies have also translated into the way services are provided to customers, for example through providing online renewal of car parking permits or co-locating services in 'one-stop' shops. Indeed, some leaders suggested that the austerity agenda had forced them into efficiency savings that they would not otherwise have considered.

There is also evidence of some services being moved to the third sector, for example staffing of libraries, or control of local public conveniences being handed over to the local community. Some councils found other innovative ways of raising revenues, for example through engaging with the private sector to provide consultancy, or through more traditional means, such as charging for public conveniences or raising charges at leisure centres. Others employed consultants to conduct cost-cutting exercises. Importantly, the overall line from councils was that efficiencies were found through reductions in the number of staff, and that this had lessened the impact on service provision, although whether that can be sustainable into the future is unclear.

#### 5.5 Job quantity, workload, pay, and work intensification

The main response to the budget constraints has been a reduction in the workforce. These cuts have tended to come from central functions rather than front-line services, and have occurred through natural wastage and not filling vacant posts, with little reliance on redundancy. Some municipalities reported a small increase in the number of agency staff, or the use of outsourced services. One important change had been the number of people acting up into roles above their normal pay grade. A further implication of the reduction in the quantity of jobs was on the reduction of the quality

of jobs of the remaining staff because of workload increases, raising concerns that this was having a negative impact on the well-being of these workers.

Despite some industrial action, most notably around pensions in the early days of the coalition government, neither trade unions nor local councils had been able to significantly influence the direction of UK government policy. Instead, they were having to find ways of meeting the challenges of substantially reduced funding. Interestingly, despite the notable implications of the austerity agenda, relationships between unions and councils were reported to be generally positive by council leaders. This is partly because pay scales are negotiated nationally, and locally there was little scope for unions to negotiate to improve pay. Indeed, there was a feeling that cuts were being imposed on councils from central government, and that managers and unions could work together to help mitigate the impacts.

Performance measures also drive the nature and form of job quality and quantity. All councils must report consumer key performance indicators (KPIs), and in some instances this led to concentrating on meeting KPIs to the detriment of other aspects of service delivery. For example, published targets for recycling waste mean that this service has remained important to local authorities during this difficult period. Interviewees also reported that there has been an improvement in many services as measured by these KPIs despite increased workload for council employees at a time of reductions in the quantity of jobs. This suggests that the impacts of budget cuts on service quality has been mediated by changes to work organisation. Questions remain however as to how many further reorganisations of work there is scope for as budgets are likely to remain tight and continue to be reduced for the foreseeable future.

## 5.6 Summary - municipalities

This section has examined the case of local government in the UK, identifying several areas of similarity with the other case studies, including the influence of the financial crisis, the changing political orientation of the UK government, and the wider austerity agenda. A further consideration is the differing impacts across the nations of the UK as a result of devolved powers. One particular contrast drawn is the importance of ringfencing when comparing this sector to those areas that have had more protection, such as the NHS. The lack of ringfencing protection for local government has led to a severe impact on the quantity and quality of jobs, which has further effects on service provision both currently and in the future. This means that local government is the area in the UK which has seen the most dramatic impact with several councils in severe financial difficulties, and with many indicating that their future provision will not stretch beyond statutory responsibilities.

## 6. Comparison

The aim of this section is to draw comparisons across the three sectors: primary education, hospitals, and municipalities. While there are many commonalities, in the broader context of the austerity agenda, there are also some important differences.

### 6.1 Ringfencing

An important difference between the education, hospital and municipality sectors is whether or not they are subject to ringfenced funding. Although health and education have both faced funding challenges, the challenges facing municipalities are on a different scale. That said, ringfencing does not mean an absence of cuts. Although there is a pledge not to reduce funding in health and education, there are undoubtedly pressures to ensure resources go further which, in turn, create challenges for job quality, work organisation and staff turnover. In all three areas, social partners are expecting even greater pressures on budgets in coming years.

### 6.2 Wage restraint – public sector pay cap

A common theme across education, health, and municipalities has been wage restraint, with a governmental policy since 2010 to cap wage rises to 1% in all three sectors. This does not mean that no-one receives a pay rise of more than 1% because individuals may progress up pay scales, receive bonuses, or receive increases for additional responsibilities. However, this does mean that someone at the top of their scale is likely to not have had a pay rise above 1% for several years. In the context of inflation running above 2%, this has resulted in real-terms pay cuts for large numbers of workers in the three sectors, leading to problems with recruitment into some roles and into some geographical areas.

This wage restraint policy has led to criticism not only from workers and their representatives, but also has seen public opinion become more sympathetic to the wage demands of these workers, particularly in the context of rising inflation. High-profile stories, such as the reliance of some nurses on food banks, have further highlighted the problems of this approach. In summer 2017 the Conservative government agreed to breach the 1% cap for police and prison officers as there have been serious issues of staff retention in both sectors. The latest proposals are for this to continue for both police and prison officers, with increases above 1% for other groups including the armed forces. It remains unclear where the resources will come from to fund this, and what will be expected in return.

### 6.3 Deteriorating conditions

In addition to falling wages in the context of rising inflation, overall conditions in many roles in the cases investigated have deteriorated. The links between quantity of

jobs and quality of jobs can perhaps be seen most clearly in the case of education and local government staff, with a reduction in the number of staff leading to increased workloads for those who remain. Although there were suggestions from council leaders that some efficiencies had been found by working in a different way, particularly the centralisation and automation of some services, there was also broad agreement that workloads had intensified for those workers who remained. Changes to pensions arrangements for many occupational groups has also worsened overall remuneration packages for these jobs. The ringfencing of health and education budgets is likely to be a key explanatory factor in why these services have not had to restructure as deeply as local government services. Even without the massive budget cuts, these services have faced increasing staff turnover.

#### 6.4 Work extensification and work intensification

As noted above, the reduction in the quantity of jobs - especially in education and municipalities - has led to an intensification of roles for those that remain. A further impact on jobs, particularly in hospitals, is the extensification of work. This was seen in the case of the junior doctors' strike, which highlighted safety concerns as the government attempts to move to seven-day service provision in the NHS. Although framed as a response to the needs of patients to have appointments available in the evenings and at weekends, there is also a desire to sweat the assets of the organisation harder, meaning that, for example, operating theatres are routinely used for seven days a week instead of five. This desire to sweat the assets also creates a need to sweat labour, leading to both intensification and extensification of these roles. This is likely to be a major response of public services as future cuts will require the reorganisation of work.

#### 6.5 Workforce composition

In addition to changing the quantity and quality of roles in each sector, important changes to workforce composition are also provoked by the current context of austerity. For example, in the case of primary education this can be seen in the changing roles of teaching assistants. The use of voluntary redundancy schemes in local councils is likely to lead to a younger workforce, but perhaps one for which tacit knowledge about organisational procedures has been lost. In the case of hospitals, the removal of training bursaries for nurses is likely to have significant impacts on the development of new staff from the UK, while Brexit is likely to impact the recruitment of staff from the EU.

#### 6.6 The role of pay review bodies

A further impact of austerity has been the shift from what could be considered as 'steady-state' industrial relations in the public sector. One example of this is the government challenging of the authority of pay review bodies by not automatically implementing recommended pay increases. This is a dramatic shift of approach to public sector pay

management, and industrial relations in general. Pay review bodies are widely regarded to be a mechanism through which to provide an independent assessment of what is a necessary and affordable pay rise within a specific sector or occupational group. In this regard, it is seen as a mechanism to 'depoliticise' the pay-setting process by placing the responsibility for making recommendations into the hands of an independent panel that takes evidence from stakeholders. By rejecting the recommendations of pay review bodies, Ministers risk 're-politicising' public sector pay as well as undermining the role of the bodies.

## 6.7 Resistance

All three case studies have featured examples of resistance. In primary education, this is seen in strike action and the boycott of primary assessment tests. In municipalities, this can be seen in national strike action over pension changes in 2011. National strike action is difficult to co-ordinate in the UK because of laws restricting the use of strikes, so it was noteworthy that unions across the public sector could co-ordinate effectively. In hospitals, the industrial action taken by the junior doctors is extraordinary as the BMA has always preferred to use its significant negotiating power rather than take strike action. The shift of activity represents a very real break with the past and disruption to the largely steady state of collective negotiation in the health sector. BMA representatives are clear that the action was undertaken reluctantly and in the face of what they judged to be very little likelihood of effective negotiation around the form and implementation of the new contracts. It is also worth noting that although there were important concessions, the action was largely ineffective at challenging the core principles underpinning the new contract and its imposition. Although this action has been unsuccessful in preventing these changes, there appears to be a continuing appetite for possible industrial action with the support for a ballot for strike action from the Royal College of Nursing being a particularly striking change of strategic direction.

A summary of these findings can be found in the table below.

## 7. Conclusions

This chapter has highlighted some of the profound changes and challenges facing public sector industrial relations in the UK since the financial crisis. In common with many discussions about public sector employment relations, the key explanation of different approaches relates to the government agendas. The UK has seen three general elections during the period under consideration, and three distinct periods of policy direction: Labour (to 2010), Coalition (2010 to 2015), and Conservative (2015 onwards). From 2010 onwards, there has been a clear policy to reduce public sector spending, cap public sector wage rises, and fundamentally reform the provision of public services. While it is clear that this agenda has led to some similar issues within the health, education and municipalities sectors around wage restraint and job quality, the impacts of this have varied across sectors. Whether or not funding has been ringfenced is a crucial explanatory factor in the sectoral effects.

Table 1 Comparing the three sectors

	Primary education	Hospitals	Municipalities
Evolution of IR since crisis	<p>Ringfenced budget but declining in real terms. Budget allocation formula changing.</p> <p>IR becoming more tense, especially with regard to pay levels and retention of qualified staff (teachers).</p> <p>1% national pay cap applied since 2010.</p>	<p>Ringfenced budget but significantly declining budget in real terms owing to increased demand for services.</p> <p>Dramatic increase in tensions over contracts for hospital doctors. Very high-profile strike action.</p> <p>1% national pay cap applied since 2010.</p>	<p>Budgets not ringfenced. Average cuts of around 26% but considerable geographic variation.</p> <p>Some increase in industrial action – high-profile pension strike 2011. Reports of increasingly tense relations, particularly with central government.</p> <p>1% national pay cap applied since 2010.</p>
Role of IR in shaping the sector	<p>Strong collective organisation. Multiple, competing unions.</p> <p>National terms and conditions for teachers agreed through collective bargaining.</p> <p>Teachers' pay decided through independent pay review body.</p> <p>Locally agreed pay, terms and conditions for other roles e.g. teaching assistants.</p>	<p>Strong collective organisation. Multiple unions and professional associations mainly organised along occupational lines.</p> <p>National terms and conditions agreed through bargaining and pay review.</p> <p>Local pay, terms and conditions for occupations such as healthcare assistants.</p> <p>Sectoral social partnership active.</p>	<p>Strong collective organisation.</p> <p>National terms and conditions agreed through National Joint Council for Local Government Services.</p> <p>Squeeze on differentials at lower grades with notable uprating of national minimum wage.</p>
Reform effects on employment	<p>School funding likely to target schools differentially. Workforce reduction where funding reduced.</p> <p>Development of academy schools encourages schools to break away from national pay, terms and conditions.</p> <p>Increasing labour turnover.</p>	<p>Little change in staffing levels, although significant concerns about recruitment and retention of overseas staff post-Brexit.</p> <p>Imposition of contract on junior doctors indicates significant shift of approach from government.</p>	<p>Significant job losses. Further significant losses almost certain to occur in near future.</p> <p>Increased workload, stress etc. Reduced job quality.</p> <p>Increased labour turnover. Reduction in quality of contracts.</p>
Employment effects on services	<p>Growing dissatisfaction and tensions.</p> <p>Some evidence of large class sizes.</p> <p>Retention concerns.</p> <p>Difficulties attracting quality graduates to sector.</p>	<p>Dramatic change of delivery of services during strike action by doctors.</p> <p>Evidence of increasing problems for many employers achieving national targets. Largely attributed to budget squeeze rather than poor employment relations.</p>	<p>Dramatic cuts in unprotected services.</p> <p>Future cuts likely to be considerable as e.g. contracts with providers end.</p> <p>Most municipalities report difficulties even providing statutory services.</p>

Source: Authors' own composition.

Nonetheless, in all the sectors and regions, common pressures relate to a changing funding context in which service providers are certainly expected to do more with the same resources, and often with more restricted resources. Government pay restraint policies mean that staff are facing below-inflation pay rises while redundancies and higher staff turnover mean there are often fewer staff to perform the revised roles.

This context has caused a great deal of dissatisfaction among staff and unions and is leading to increasingly tense industrial relations in all three sectors. A particularly interesting commonality is the increase in industrial action, although even in the more densely unionised UK public sector, this has had little effect in reversing the impacts of austerity. While there has been an effort to ‘pull together’ to deliver changes, in some cases those changes have created a context that has led to industrial action, especially in the health sector. By contrast, although municipalities have undoubtedly been hit hardest by spending cuts, there are good examples of restructuring of services to attempt to maintain a level of service provision. Two points emerge from this assessment. First, where there has been an opportunity for services to restructure to eliminate inefficiencies and find new ways of working these have been regarded by many providers as ‘low hanging fruit’. In other words, more profound changes will be required to achieve further savings. Inevitably, the more substantial a proposed reorganisation, the longer it will take to negotiate with social partners.

Second, where changes are negotiated, social partners report reasonably constructive relationships even in the municipalities where budgets have been under most pressure. The dispute with junior doctors in the NHS was set in motion largely because of an inability to negotiate change and the eventual imposition of a new contract by the government. This strongly indicates that if large scale industrial disputes are to be avoided, on-going negotiation and compromise will be necessary from all sides as budgets are cut further. In other words, the mechanisms of collective regulation do seem to be effective in providing a ‘safety valve’ for negotiating the pressures of service reorganisation and budget cuts. In short, the mechanisms of industrial relations have largely proved effective in ensuring the continued running of public services even in very difficult circumstances.

This importance of this conclusion should not be underestimated in the context of such deep cuts and against the background of the Trade Union Act. The Act places considerable additional constraints on the actions of public sector unions. This has the potential not only to disrupt the smooth running of collective regulation in the public sector, but also to disrupt service provision if collective negotiation is undermined.

## References

- Bach S. (2005) Industrial relations in the public sector: United Kingdom, Dublin, Eurofound.
- Bach S. and Stroleny A. (2015) New challenges for public services social dialogue: integrating user service and workforce involvement in the United Kingdom, London, King's College.
- BBC (2018) Public sector workers: pay rises announced for a million people, 24 July 2018. <https://www.bbc.co.uk/news/uk-44933009>
- BEIS (2019) Trade union membership 2018. <https://www.gov.uk/government/statistics/trade-union-statistics-2018>
- Bolton P. (2008) Teachers' pay statistics. <http://dera.ioe.ac.uk/22821/1/SN01877.pdf>
- Froud J., Leaver A., Williams K., Sukhdev J. and Buchanan J. (2009) Undisclosed and unsustainable: problems of the UK national business model, Working Paper 75, Milton Keynes, Centre for Research on Socio-Cultural Change.
- Care Quality Commission (2017) The state of care in NHS acute hospitals: 2014-2016. <http://www.cqc.org.uk/publications/major-report/state-care-nhs-acute-hospitals>
- Department for Education (2013) Review of efficiency in the schools system. <https://www.gov.uk/government/publications/review-of-efficiency-in-the-schools-system>
- Financial Times (2015) Austerity's £18bn impact on local services, 19 July 2015. <https://www.ft.com/content/5fcbd0c4-2948-11e5-8db8-c033edba8a6e>
- HM Treasury (2016) Budget 2016. <https://www.gov.uk/government/publications/budget-2016-documents>
- Hopkins B. and Simms M. (2015) Wage (in)equality and wage setting: challenges for the United Kingdom. <http://adapt.it/newin/publications.html>
- Independent (2016) If you think there'll be no money for NHS funding you'd be right: PFI has sucked it dry, 13 July 2016. <http://www.independent.co.uk/voices/nhs-funding-pfi-contracts-hospitals-debts-what-is-it-rbs-a7134881.html>
- Institute for Fiscal Studies (2016) A time of revolution? British local government finances in the 2010s. <https://www.ifs.org.uk/uploads/publications/comms/R121.pdf#page=6>
- Institute for Fiscal Studies (2017) The local vantage: how views of local government finance vary across councils. <https://www.ifs.org.uk/publications/9731>
- Joseph Rowntree Foundation (2015) The cost of the cuts: the impact on local government and poorer communities. <https://www.jrf.org.uk/report/cost-cuts-impact-local-government-and-poorer-communities>
- King's Fund (2017) NHS myth-busters. <https://www.kingsfund.org.uk/topics/productivity-and-finance/nhs-myth-busters>
- Local Government Association (2017) Ten point plan to boost local services: local government sets out key manifesto asks. <http://www.local.gov.uk/about/news/ten-point-plan-boost-local-services-local-government-sets-out-key-manifesto-asks>
- National Audit Office (2016) Retaining and developing the teaching workforce. <https://www.nao.org.uk/report/supporting-and-improving-the-teaching-workforce/>
- NHS Confederation (2018) NHS statistics, facts and figures. <https://www.nhsconfed.org/resources/key-statistics-on-the-nhs>
- National Union of Teachers (2014) Teachers and workload: report of an NUT survey about teachers' views on workload, its impact on teachers and their families and on teacher supply, and the steps needed to make the situation better. <https://www.teachers.org.uk/files/teachers-and-workload-survey-report-september-2014.pdf>

- Office for National Statistics (2017) Public expenditure statistical analyses. <https://www.gov.uk/government/statistics/public-expenditure-statistical-analyses-2017>
- Office for Standards in Education (2014) Ofsted annual report 2013/14: schools report. <https://www.gov.uk/government/publications/ofsted-annual-report-2013-14-schools-report>
- The Telegraph (2009) Banking bailout: the rise and fall of RBS, 20 January 2009. <https://www.telegraph.co.uk/finance/newsbysector/banksandfinance/4291807/Banking-bailout-The-rise-and-fall-of-RBS.html>
- Williams S. and Scott P. (2016) The UK coalition government 2010-15: an overview, in Williams S. and Scott P. (eds.) *Employment relations under coalition government: the UK experience 2010-2015*, London, Routledge, 3-25.

All links were checked on 12.12.2019.

## Appendix

### List of interviews

ATL Officer  
 NUT Officer  
 Unison Officer  
 ATL Senior Activist  
 Local Council Lead – Education – Large urban authority in the Midlands.

### Interviews within municipality respondents:

Interview 1 South Rural  
 Interview 2 North Urban  
 Interview 3 North Rural  
 Interview 4 North Rural  
 Interview 5 South Rural  
 Interview 6 South Urban  
 Interview 7 South Rural  
 Interview 8 South Urban (two interviewees)  
 Interview 9 South Rural

### List of abbreviations

**A&E** Accident and Emergency department of a hospital  
**ATL** Association of Teachers and Lecturers  
**BBC** British Broadcasting Corporation  
**BMA** British Medical Association  
**CQC** Care Quality Commission  
**DfE** Department for Education  
**GDP** Gross Domestic Product  
**GP** General Practitioner: a community-based general doctor  
**HCHS** Hospital and community healthcare services  
**IFS** Institute for Fiscal Studies  
**LGA** Local Government Association  
**NAHT** National Association of Head Teachers  
**NASUWT** The Teachers' Union  
**NFF** National Funding Framework for schools  
**NHS** National Health Service  
**NUT** National Union of Teachers  
**Ofsted** The Office for Standards in Education  
**RBS** Royal Bank of Scotland  
**RCN** Royal College of Nursing  
**SATs** Standardised Assessment Tests  
**SEN** Special Educational Needs  
**STPCD** School Teachers' Pay and Conditions Document

<b>STRB</b>	School Teachers' Review Body
<b>TA</b>	Teaching Assistant
<b>TUC</b>	Trades Union Congress
<b>UK</b>	United Kingdom
<b>Unison</b>	A public sector trade union