Union complicity in UK minimum wage freeze

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4 April 2012

In its annual review of minimum wage standards last month, the government announced that the minimum wage for young people is to be frozen. With inflation running at 3.6 percent, over 1 million low-paid young workers have effectively been handed a wage cut.

The decision has clearly revealed the role of the unions in implementing attacks on wages and conditions. The government's decision was based on recommendations made by the Low Pay Commission (LPC). One third of the LPC's commissioners are trade union officials.

Business Secretary Vince Cable announced the new minimum wage figures, which take effect in October, just two days before the budget. Cable declared cynically that the low wages were to prevent young workers from being priced out of jobs. Describing the wage freeze as "a very hard decision", he said that a higher minimum wage "would have been of little value to young people if it meant it was harder for them to get a job in the long run".

For 16-18 year-olds, the minimum wage will remain at a miserly £3.68 (US$5.88) an hour. This is just over half the 2010-11 median hourly wage for the lowest paid 10 percent of full-time workers. According to the 2011 Annual Survey of Hours and Earnings, the median full-time wage for this group was £7.01 (US$11.19) per hour.

For 18-20 year-olds the minimum wage is to be frozen at £4.98 (US$7.95) an hour. Even to keep pace with current inflation rates, minimum pay for this group would need to rise by 16.5 pence an hour.

Around 1.01 million young workers are affected by this wage freeze. Apprentices will see a rise of 5p to £2.65 (US$4.23) an hour.

There will be a rise in the adult minimum wage, but this also falls well short of inflation. The minimum wage for adult workers will rise by 11p to £6.19 (US$9.88) an hour. This is a rise of 1.8 percent, half the current rate of inflation.

The figures were recommended by the independent LPC, a body established by the Labour government to advise on implementation of its National Minimum Wage Act (1998).

The first universally applicable National Minimum Wage Regulations came into effect in April of 1999, as the part of the newly elected Labour government's "welfare to work" moves, designed to boost the UK's competitive position against its economic rivals by cutting the welfare bill without any significant increase in overall wages costs. In 2001 the Labour Trade and Industry Secretary Stephen Byers said of a rise in the minimum wage, "The best form of welfare is having a job."

Big business, initially hostile to the proposal of a minimum wage, was quickly reassured by the low rates set by the Labour government.

The current coalition government has the same priorities as did Labour. In Cable's words, the aim in setting the current minimum wage was to "strike the right balance between pay and jobs". He was echoing the words of LPC chairman David Norgrove, who announced that the LPC "believe we have struck the right balance between the needs of these workers and the challenges faced by employers".

Norgrove, who has just been re-elected for another four years, told the press that the LPC's nine commissioners had been unanimous, "despite all the economic uncertainties and the different pressures on low-paid workers and businesses".

That unanimity is significant. The most important support offered for this wage freeze has come from the trade unions.

Trades Union Congress (TUC) General Secretary Brendan Barber offered some mild criticism of the decision, but only from the standpoint of defending the British economy. He accepted the argument on job creation by telling journalists that the only reason firms have not been hiring workers is “because they lack confidence in this Government’s ability to set the UK on course for a sound economic recovery.”

In fact, Barber’s Deputy General Secretary at the TUC, Frances O’Grady, was one of the nine LPC commissioners who unanimously reached this decision. O’Grady also sits on the National Employment Panel. The Department for Work and Pensions, which is responsible for this body, describes it as “an employer-led organisation … advising Government on labour market policies and performance” that has looked to develop “jobs that contribute to productivity and growth, particularly through the establishment of Employer Coalitions”.

O’Grady is one of the three trade union representatives on the LPC. John Hannett, another commissioner, is a TUC Executive Committee and General Council member and the general secretary of the shopworkers’ union USDAW, which represents some of the lowest-paid workers in the country.

The third trade union commissioner is Heather Wakefield, national secretary of public sector union Unison’s Local Government Service Group. Unison played a key role in supporting the minimum wage as part of the campaign against low pay. After implementation of the legislation, the union consciously scaled back campaigning. Unison has been instrumental in paving the way for the privatisation and cutting of public services.

Two academic economists are also commissioners. The other four commissioners show clearly the interests being served by this body. Susan Anderson has held several senior posts at the Confederation of British Industry, where she is now a consultant on employment issues. She is a council member of the conciliation service ACAS. ACAS, a non-departmental government office, is routinely identified as an independent body by the trade unions.

Two commissioners who head consultancy firms also have links to health trusts. Neil Goulden is a National Health Service non-executive director and chair of the South Central Ambulance Trust. He is also chairman of the Gala Coral gambling group. Peter Donaldson was formerly a member of the Small Business Council and is a non-executive director of the Northern Health & Social Services Board.

Chairman David Norgrove’s background is even more instructive. He worked at the Treasury, including a three-year period as private secretary to Prime Minister Margaret Thatcher. Between 1988 and 2000 he occupied senior positions at Marks & Spencer prior to his appointment to the board (2000-2004). This was during a period of small shareholder protests at executive pay within the company, while a sordid takeover battle was taking place.

The common interest between trade unions and these representatives of business finds expression in the freezing of wages to some of the worst paid workers in the country. It highlights the need for an independent socialist programme that can only be realised in a fight against the trade unions and their betrayals.