

# **A living wage rather than a fair wage: trade union politics and the rise of inequality<sup>1</sup>**

*Roger Seifert*

This short paper starts and ends with a brief discussion of the position of the labour movement with regard to the wages question. It deals with current income inequality, and then discusses the narrow issue of wage determination with regard to the notion of a living wage rather than a fair wage. It does so in the context of state-sponsored austerity measures since 2010 including wage freezes and pension cuts in the public sector, and leads on to a consideration of trade union politics and policies.

Since the start of the modern British trade union movement in the 1840s there has been a debate among workers, union leaders, and other interested socialists about the nature of wages under capitalism (Marx 1849, Rogers 1891, Clay 1929). While the overwhelming labour movement consensus is that collective bargaining is the best method available to determine pay and conditions (Webbs 1897, Phelps Brown 1977, TUC 2014)<sup>2</sup>, this is tempered by economic realities of the business, the sector, the national economy, and the prevalent conventional wisdom of the time. So the slogan a 'fair day's pay for a fair day's work' was one element that captured member support, appealed to a wider public, and was a challenge to both governments and employers. The issue is that such a position assumes shared views of 'fair', namely that labour and capital know their place in the order of things, and that it is possible for a 'fair' outcome to result (Cole 1939, Hobsbawm 1960).

---

<sup>1</sup> A version of this paper was given as: 'A living wage rather than a fair wage: trade union politics and the rise of inequality' paper to Radical Statistics conference *Is Britain pulling apart?* Manchester, March 2014; and 'The living wage or a fair wage? Investment, productivity, and the unions' to North West TUC in Liverpool, March 2014

<sup>2</sup> From 1975-93 ACAS had a statutory duty to encourage collective bargaining.

In contrast the acceptance by workers and their unions of the logic of a capitalist wage determination system linked with markets for the final product (that is the pay of coal miners depended on the price of coal) was challenged in the 1870s when such systems and associated ideologies created circumstances whereby a worker could work hard for a week and not receive enough to keep their family (Arnot 1949). As a result some union leaders developed the doctrine of the living wage (Percy 1893, Webbs 1894 pp. 392-4). A view that whatever the market circumstances of the employer and whatever the nature of the job, that a worker in full employment should earn sufficient to pay for the necessities of life. This went against both conventional economics (see Marx's attack on Nassau Senior's last hour --- 1889 pp.207-213) and the practicalities of highly regulated collective bargaining systems in which wages are limited by ideological and political interventions rather than through economic and social considerations.

This realisation that the state and state-backed theories of wages were open to question paved the way for the wages' struggle (Arnot 1949 pp. 95-101) and therefore for strike action, and wider solidarity class struggles. As such it created fear and consternation amongst the capitalists who sought help from the government of the day to undermine and control trade union action.

Thus a fair and/or living wage is not just a question of economics, but one of social justice and political contention. In addition it forces trade union members and leaders alike to confront the matter not only of industrial tactics and strategy, but also of the entire wages system.

It is of contemporary interest that in 2014 the Labour Party leadership (kicked off with Ed Miliband's speech in November 2012) and the TUC are again talking about a living wage (see TUC campaign in March 2014 'Britain Needs A Pay Rise'), and that they have rediscovered the fact that people in full-time work still cannot always pay their bills and remain in relative poverty claiming benefits (Townsend 1979). This makes the debates of the nineteenth century come alive again just as some economists argue that levels of inequality in Europe are returning to those experienced over a century ago.

Since the 2008 financial crash, and in the UK, since the 2010 election of a Conservative Liberal Democrat coalition government, there has been a steady erosion of real wages, household incomes, and the social wage for most people. This has come at a time when the richest 10% of the population have grown steadily wealthier. Thus the gap between rich and poor, between the upper and working classes, has matched those levels of income and wealth inequality last seen in the

nineteenth century (Piketty 2014). Indeed the ILO has characterised the world economic crisis as a crisis of jobs and wages.

In response the trade union movement worldwide and in the UK have advanced a series of policy initiatives, practical schemes, and taken action to stem the flow of relative economic deprivation with its associated social and political outcomes. Trade unions are among the few socially-constructed mass institutions to take action and espouse policies that counteract the steady erosion of working-class living standards and real wages.

A range of recent studies on inequality and social justice (Sen 2009; Wilkinson and Pickett 2010; Stiglitz 2012) have highlighted the new levels of income and wealth differences escalating since the 2008 crash. Globally, it remains the case that the 400 richest people have more than the 3 billion poorest. In the UK this was typically reflected in evidence from the Office for National Statistics (ONS) data sets on income and wealth distribution showing the gap rising year on year and at an accelerating rate. Typically senior executives of large companies receive 160 times more pay than the average employee (ONS 2013; High Pay centre 2014). Even in the public sector (such as hospitals and universities) senior managers earn more than 20 times that of the average staff member (Grove 2014).

The average annual gross wage for full-time work in UK now is £25,000 (similar for public and private sectors); but the average in the finance sector is £35,000. This is also the rate (£35,000) in London compared with £22,000, for example, in the North East of England. Senior managers and professionals average £40,000; administrative and secretarial staff £20,000; and personal services £16,000. £6.31/hour is the legal minimum wage for adults over 21, and the recently designated living wage is £7.65/hour (£8.80 in London).

These are averages in a skewed distribution with more than half falling below this figure, and with a range in the public sector from (for full-time work) £14,000 to about £550,000; and the private sector from £12,000 to several million (ONS data for December 2013).

The consequences of large-scale persistent inequality in income from earnings as well as income from ownership of assets (rents and profits) include, *inter alia*, for individuals a substantial difference in health and well-being, educational attainment, violence and mortality, homelessness and/or sub standard housing, social and cultural lack. The poorer you are the more likely you to suffer all and any form of discrimination from employers, local communities, and from state institutions such as the police and social services.

There is increasing concern, even among centre-right political commentators in the USA and Europe, that a clear consequence of such widespread and fundamental inequality is political unrest and fragmentation into nationalism, extreme religion, and fascism on the right. In other words along with a 1920s style recession and government responses (austerity and cuts to the public purse) goes a predictable rightwing and xenophobic populist politics.

Such splits and disillusion with conventional means of resistance are not only associated with rightwing politics but also become part of a variety of leftwing responses, some more desperate than others. Traditional socialist and social democratic European parties are either fractured or introspectively soul searching while there is a rise in anarchism and syndicalism as workers turn away from established trade union practices and centre-left politics (Kelly 1988, Sassoon 1998).<sup>3</sup>

While there are several important strands of analysis that help explain the causes of inequality in general and of income inequality in particular, yet the most enduring and persuasive remains a Marxist account of the class nature of society. While it is not the only important factor, it is the determinant cause of difference in wealth and income and all that flows from that lack of access to the necessities of life. Class here follows on from Engels' seminal work of 1844 on the condition of the working class in which he explains that the condition of the working class is that of the vast majority of citizens. The defining quality was that you had to sell the one thing you owned (not being a landlord or capitalist) in order to live. That was a quantity and quality of labour in a labour market to an employer.

Classical and neo-classical theories of wages (Hicks 1932 and his revisionist version 1963) suggest that the market, assuming high levels of social and physical mobility (sloganned by the strong supporter of Thatcherism, Norman Tebbit as 'get on your bike' to find work), will provide a fair market-based wage. This is tempered by the role of the state in setting a minimum wage, legislating against pay discrimination on the grounds of gender, and as the employer of millions of state sector workers. In addition firms themselves may create institutionally based wage differentials in the form of bonuses, overtime, and labour hoarding as part of their wage strategy. Much of this depends on prior inequality before the market, an unequal power

---

<sup>3</sup> See, for example, the rise of the radical left movement (Syriza) in Greece; and the calls for Catalan independence in Spain.

(backed by the state) for employers inside the labour market, and relative deprivation when outside the market (unemployed, retired, and long-term sick).

In the labour markets, effectively, work is exchanged for wages in an economic relationship that becomes a legal one (the contract of employment) and one of power as being in work usually is more important to the worker than the worker is to the employer. But there is a power imbalance before the market which creates the conditions by which workers can be paid less than the value of their contribution to the business, that is exploitation. This exploitation is frequently hidden from all those involved and in its place is the ideologically generated myth that the exchange is and should be considered as fair. The argument being that if the worker does not like the level of wages and conditions they can leave and find work elsewhere thereby forcing employers to pay the going market rate for scarce skills. This was likened by Cohen (1988 p. 245) to the situation where someone holds a gun to your head. They say you are 'free' to leave but if you do they will shoot you dead. The question is what does 'free' mean in such a situation. In other words context gives rise to meaning, and to tell workers they are 'free' to leave and find a better job ignores the entire edifice of social and economic power relations.

This does create, to some extent, the circumstances under which wages are themselves differentiated by skill, region, cultural factors such as gender and age, and by time and sector. In 1891 Thorold Rogers wrote his seminal work tracing developments from the 1150s (Henry II) to the 1850s (mid-Victorian) arguing the liberal case of the need to pay properly (fairly) in order to secure good workers. But in general the labour market does not function on that basis because employers frequently fix the rate among themselves and when that fails the state tends to intervene to keep wages low (Miliband 1972, Chomsky 1999). In all of this the only major institutions to have challenged both the practice and the theory of wage setting has been the trade unions with most economists based either in the Bank of England or large private banks providing a dominant conventional wisdom that wage growth is a purely market phenomenon linked to productivity, affordability, and supply side limitations.

Trade unionists collectively sought to restore the balance of power by acting on behalf of all relevant workers in pay bargaining with the employers. Thus collective bargaining (Webbs 1897, part 2, chapter 2) became their dominant objective as well as their main way of working. In this view collective bargaining includes strikes and arbitration as two ends of the negotiating spectrum. The key principle adopted by

the 'rightwing' social democrats in the labour movement accepted the fundamentals of capitalist market relations and fought for 'a fair days pay for a fair days work'. This has long been part of a labourist set of assumptions about the workings of the labour market, in which collective bargaining was a wage stabiliser and not as an attack on the market as such. In some cases and for some groups this was a significant advance on what went before, as well as a broadly based rallying cry for a wide cross section of working-class sentiment.

In contrast the original doctrine of the 'living wage' developed with coal miners in the late nineteenth century represented a more radical approach to both the political economy of wages, and thereby set wider horizons for trade-union politics. All this remains relevant in the current historical epoch of labour movement weakness in the face of further attacks on living standards from a Conservative-led coalition government.

Even when workers form trade unions and are involved in collective bargaining (including strike action) they remain weaker than the state-backed employers: 'The value of UK workers' wages has suffered one of the sharpest falls in the European Union, House of Commons library figures have shown. The 5.5 per cent reduction in average hourly wages since mid-2010, adjusted for inflation, means British workers have felt the squeeze more than those in countries which have been rocked by the Eurozone crisis including Spain' (*This Is Money* 11/08/2013).

The share of gross national income in the UK going to labour as a factor of production has fallen steadily since the mid-1970s, compared with the rising share going to capital. From 1990 to 2009, the median wage share across all OECD nations (the 34 member club of the world's most economically advanced countries) fell from 66.1 per cent to 61.7 per cent (Lansley and Reed 2013, p.4). The wage share in the UK averaged 59 per cent of Gross Domestic Product in the 1950s and 1960s. It then peaked (at 65.5 per cent) in 1975 during the era of 'the profits squeeze' before falling to 53 per cent by 2007 (ibid., p6), and now in 2014 stands at about 52 per cent.

From a labour movement perspective there can only be two ways to remedy and reverse this trend either accept the current policy of the UK Labour Party (as well as the French and Italian socialists and American Democrats) which remains tied to the use of fiscal and monetary policies to help the money markets work better, thus, they argue, triggering a chain reaction of virtuous Keynesian-style growth. Greater equality, they assert, will emerge from this alongside improvements to the supply side of the labour market. But this option

just shows that ‘there has been a battle between capital and labour and basically capital has won’ (Johnson 2013). Or, the alternative, is to use national collective bargaining and strike action by organised labour to fight sector by sector for higher wages across the board.

Most trade unions fight defensive jobs and wages battles through collective bargaining with dwindling membership, fewer strikes, and worse outcomes. They do not seek to challenge market hegemony. The alternative socialist programmes put forward by some trade unions (UNITE, RMT, PCS) and centre-left think tanks (CLASS) include fundamental shift in power relations throughout society to recognize the value of labour, the nature of exploitation, the emptiness of slogans about ‘fairness’ inside markets, and the need for a wage shift upwards that includes a step shift in the share of national income going to labour in direct and social wages.

Trade-union politics, therefore, becomes a central part of the wages’ movement and with it the debate surrounding a fair wage and a living wage. This explains the bitter splits and contested infighting inside the trade union movement (Allen 1964; Hutt 1975; Taylor 1978, 1993, 1994). These debates are not only about tactics and strategy, but always about principles and purposes. Trade unions are there to interfere with the labour market. In a strike the union is stopping the supply of labour to the employer in the short-term in order to alter the market balance in bargaining. In the longer-term unions seek through government policy, training, and national collective bargaining to have a controlling say over pay and conditions of service through both force of argument and force of action. When and where to use action is a source of division and controversy as between the impossibilists always seeking all-out strikes now (Lenin 1920) and the social democratic pragmatists avoiding strikes and seeking convenient settlements in all seasons. Both are limited in their analysis of class struggle and the balance of class forces and both fail to appreciate the endless dialectic between rank-and-file activists and sympathetic leaders (Seifert and Sibley 2012).

But while trade unionists continue to debate their political positions the evidence is mounting up that relative deprivation has been made worse by both the actual 2008 recession and the explicit policies enacted by the government since 2010. This involves the rough justice of welfare cuts and workfare development, which in turn further creates an objective basis for the politically dangerous rouse of divide and rule.

In the second quarter of 2010, for example, there were 483,000 working-age households in the North West of England, for example,

where no adult worked. This was 21% of the total number of households and 2% higher than a year earlier, and about 17% of children in the region lived in a workless household. Both were the second highest regional proportions, behind London. The latest data for local areas indicates that within the North West, the proportion of workless households ranged from 32% per cent in Liverpool – highest in the UK – to around 11% per cent in Macclesfield. Therefore, there are clear and present pressures on relatively scarce resources throughout the region, such as health and education, social services and local amenities, jobs, housing, and public services. Blackpool has the highest proportion of its workforce in the public sector (nearly 40%), and therefore is most vulnerable to cuts.

This is the basis for divide and rule rather than unity and solidarity. Blaming immigrants of whatever origin for shortages and a squeeze on public services as well as trying to divide public sector workers from those in the private sector, old and young, men and women is well worn, well known and a depressingly successful strategem. However cynical and blatant, nonetheless for those involved, living and working in poor conditions, with limited health and educational resources, distressed local amenities, and bleak outlooks blaming the incoming newcomers is obvious and easiest and makes some sense. To overcome such politically inspired sectarianism requires not only constant counter-argument but alternative strategies as well.

In 1856 the French historian Alexis De Tocqueville explained with reference to the 1789 French revolution that the events that lead up to the first modern revolution indicated a plausible paradox. Namely, that when things were really bad, when the economy was rock bottom, then people did not tend to revolt because they were too tired, too pessimistic, and too busy with survival. It was during the start of the upturn that spontaneous and organised revolt was more likely as people became more optimistic, more angry about what had happened, clearer about those responsible, more willing to fight for an alternative, and had more political energy to mount a serious challenge.

The persistent question for the labour and trade union movement remains that while the upturn does frequently lead to a more aggressive wages' movement and some social activity, it does not become the 'one great flood' required to sweep away the old regime. So with socialism and the wider working-class movement ... yes to NHS, yes to free and decent education, yes to good social services, yes to improved infrastructure, yes to more social housing, yes to public ownership of water, the railways, and yes to regulated planned control



over energy, the environment, and yes to a more peaceful and positive foreign policy. The biggest 'yes' is for greater equality, income security throughout life, and a better future for our children and grand children. The building blocks of socialism are supported, but not socialism itself! There is no current mass desire for socialism among the British working-class, and therefore there is no ever-lasting betrayal by right wing leaders.

If real wages are to rise again in a fresh version of a Keynesian New Deal with the creation of state-sponsored jobs through infrastructure projects, more realistic staffing levels in public services, and the return of full-time work, then the trade unions, through collective bargaining, must be centre stage. This is not wishful thinking but a necessary, although not sufficient, condition for sustained and evenly distributed economic recovery. The unions themselves must embrace a more radical approach to the labour market and wage setting mechanisms within a broader economic context of development.

We need, therefore, an integrated medium-term planned set of economic and social policies that include:

1. directly controlled government investment in skills, infrastructure, and house building;
2. public services to be returned to a fully-owned state sector managed through accountable checks and balances inside and outside given institutions with a cap on senior management pay;
3. return to national collective bargaining as the guarantor of national standards of service delivery;
4. return the Bank of England to direct political control using fiscal and monetary policy as both a stimulus and a means of redistribution alongside interest rates set to maintain sterling, encourage investment, and control inflation;
5. redirect trading patterns away from USA and EU;
6. labour market reforms to improve productivity through wage bargaining, greater mobility, greater flexibility, government-backed apprenticeships, free education and training for UK students, and direct investment in enterprise zones. (White 2012; Seifert 2014).

In conclusion the argument is that a 'fair' wage belongs to a system of capitalist labour markets in which the exchange of work for wages is, generally, predetermined in favour of the buyer of labour due to the social and political inequalities that exist before the market. As such even through collective bargaining trade unions can only hope to win a *pro tem* fair wage at best. The notion of a living wage, aside from its socially just consideration that full-time employment should allow workers to enjoy the main aspects of life without recourse to benefits or payday lenders, essentially challenges the nature of the labour market and its workings. In so doing it creates the possibility of a widespread wages' movement that breaks away from the narrow confines of the market and establishes the need for state intervention, that is the use of political power to support workers' living standards, in order to redress the inequality that undermines workers' wages and access to health, educational, and social services. In this there is a battle inside the trade union movement that allows for a challenge to the ideology of market fairness and develops a socially just and economically viable alternative, the living wage.

## References

Allen, V. (1964) 'Trade Unions in Contemporary Capitalism', *Socialist Register* pp. 157-174

Arnot, R.P. (1949) *The Miners: A History of the Miners' Federation 1889-1910*, George, Allen & Unwin

Chomsky, N. (1999) *Profit over People: Neoliberalism and the Global Order*, Seven Stories Press

Clay, H. (1929) *The Problems of Industrial Relations*, MacMillan

Cohen, G. (1988) *History, Labour and Freedom*, Clarendon Press

Cole, G.D.H.(1939) *British Trade Unionism Today*, Gollanz

De Tocqueville, A. (1856) *L'Ancien Régime et la Révolution*, Anchor Books 1955 edition

Engels, F. (1845) 'The Condition of the Working-Class in England', in K. Marx and F. Engels *On Britain* Moscow 1962 edition

Grove, J. (2014) *Times Higher Education Supplement* (April 2014) 'Pay Survey'.

Hicks, J. (1932 and 1963) *The Theory of Wages*, MacMillan

High Pay Centre (2014) *Income Inequality in the UK*

Hobsbawm, E. (1960) 'Custom, wages and work-load' in A. Briggs and J. Saville (eds.) *Essays in Labour History*, MacMillan

Hutt, A. (1975) *British Trade Unionism: a Short History*, Lawrence & Wishart

Johnson, S. (2013) 'Capital gobbles up labour's share, but victory is empty', *Financial Times* October 2013.

Kelly, J. (1988) *Trade Unions and Socialist Politics*, Verso

Lansley, S. and Reed, H. (2013) *How to boost the wage share*, Touchstone for the TUC. London.

Lenin, V. (1920) *Left-Wing Communism: an Infantile Disorder* *Collected Works*, Volume 31, p. 17—118, Progress Publishers 1964 edition

Marx, K. (1849) *Wage Labour and Capital* in K.Marx and F.Engels *Selected Works*, Progress Publishers 1969, pp.150-174

Marx, K. (1889) *Capital*, George Allen & Unwin, 1957 edition, pp. 207-13.

Miliband, R. (1973) *The state in capitalist society*, Quartet Books

Office for National Statistics 2013 (ONS) *Annual Survey of Hours and Earnings* \*\*\*

Percy, C (1893) 'The coal dispute of 1893; its history, policy and warnings' in the *Economic Journal III*, pages 644-649

Phelps Brown, H. (1977) *The Inequality of Pay*, Oxford University Press

Piketty, T. (2014) *Capital in the Twenty-First century*, Harvard University Press

Rogers, T. (1891) *Six Centuries of Work and Wages*, WS Sonnenschein & Company

Sassoon, D. (1998) *One Hundred Years of Socialism: The West European Left in the Twentieth Century*, I.B.Tauris

Seifert, R. and Sibley, T. (2012) *Revolutionary Communist at Work: a Political Biography of Bert Ramelson*, Lawrence & Wishart

Seifert, R. (2014) *Public Services: the good, the bad, and the future*, CLASS

- Sen, A. (2009) *The Idea of Justice*, Harvard University Press
- Stiglitz, J. (2012) *The Price of Inequality*, Penguin
- Taylor, R. (1978) *The Fifth Estate*, Pan Books
- Taylor, R. (1993) *The Trade Union Question in British Politics*, Blackwell
- Taylor, R. (1994) *The Future of the trade Unions*, Andre Deutsch
- This Is Money* (11/08/2013) 'Wages in Britain suffer one of the sharpest falls in EU as workers feel the squeeze more than those in Spain and Cyprus'.
- Townsend, P. (1979) *Poverty in the United Kingdom*, Penguin
- TUC (2014) *Collective bargaining pays*
- White, J. (ed) (2012) *Building an economy for the people: an alternative economic and political strategy for 21<sup>st</sup> century Britain*, Manifesto Press
- Webbs, B. and S. (1897) *Industrial Democracy*, Longmans Green
- Webbs (1894) *Trade Unionism*, printed by the authors
- Wilkinson and Pickett (2010) *The Spirit Level: why equality is better for everyone*, Penguin Books

*Professor Roger Seifert, Wolverhampton Business School.*  
Email: [R.V.Seifert@wlv.ac.uk](mailto:R.V.Seifert@wlv.ac.uk)