

UNISON National Joint Council Committee (England, Wales & Northern Ireland)

REPORT



Background Economic Paper 27 April 2017

Item 3b Appendix B

Summary

- **Context of pay claim:** The sector faces the phasing out of revenue support grant and reliance on business rates; unprecedented cuts to funding; implementation of the NLW; an ongoing pay spine review to maintain pay differentials.
- **Pay at the bottom:** linked to legal minimum and remaining below the real Living Wage. NJC continues to be one of the lowest pay rates in the public sector.
- **Low pay:** a problem throughout the pay spine with those in the middle and **top of the spine** receiving scant reward and differentials being threatened following years of bottom loaded pay settlements.
- **Terms and conditions:** savaged across the board and impacting on overall income.
- **Job losses:** Employment in local government has fallen by over three quarters of a million since June 2010.
- **Recruitment and retention problems:** developing as value of pay plummets, with market supplements re-emerging in some occupations.
- **Inflation:** RPI at 3.2% and CPI at 2.3%. RPI to average 3.5% over 2017 and remain over 3% to 2021.
- **Average earnings:** predicted to be 2.6% in 2017 rising to 3.6% by 2021.
- **Average pay settlements:** 2% for private sector; 1% for public sector.

1. Context of 2018/19 pay claim.

This year is pivotal for pay in local government. The sector faces unparalleled financial challenges. The phasing out of the revenue support grant and full devolution of business rates to fund local services being high on the list of concerns. This is on top of unprecedented cuts to funding since 2010 and the implementation of the National Living Wage (NLW) without any additional funding. Added to this, there will be extra spending responsibilities in relation to help for older people with personal care costs and public health.

Research by the New Policy Institute shows that by 2020, current and capital spending combined will be lower than at any time since before 1948. Council tax, until recently a minority source of local government finance, will account for at least half the money coming in to every English local authority by 2020 and revenue support grant will be mainly confined to metropolitan and unitary districts, and London boroughs. Shire counties and districts will be almost entirely reliant on council tax and business rates.¹

This means that our members are under immense pressure, experiencing an incomparable deterioration in the value of their pay, the widespread shredding of terms and conditions, job losses on a historic scale and persistent insecurity, as well as ever-increasing workloads, pressure and stress. The sector is being hit harder than any other part of the public sector. If the decline in the value of local government pay is not addressed, the bargaining machinery is at risk of being seen as irrelevant.

At the same time as the Trade Union Side formulates and submits its pay claim, the National Joint Council is reviewing the NJC pay spine. The implementation of the NLW, means this work is critical if job evaluated pay structures which deliver equal pay for work of equal value are to be maintained.

Currently, pay differentials are being squashed as pay points at the bottom are deleted or pay settlements are bottom-loaded to keep pay rates at the bottom at, or marginally above, the legal minimum. Increments throughout the structure are uneven and occupational segregation remains rife with women, 78% of the workforce, still largely occupying the lower pay rates. The pay spine review is attempting to address these inequalities and provide more transparency and equality in pay progression.

2. Local government: a unique case for a decent pay rise

Pay for those working in local government and schools has declined more than for any other workforce in the public sector. The following section outlines how low pay has dogged the pay points at the bottom of the structure and how low pay is systemic throughout the NJC pay spine.

2.1. Pay at the bottom

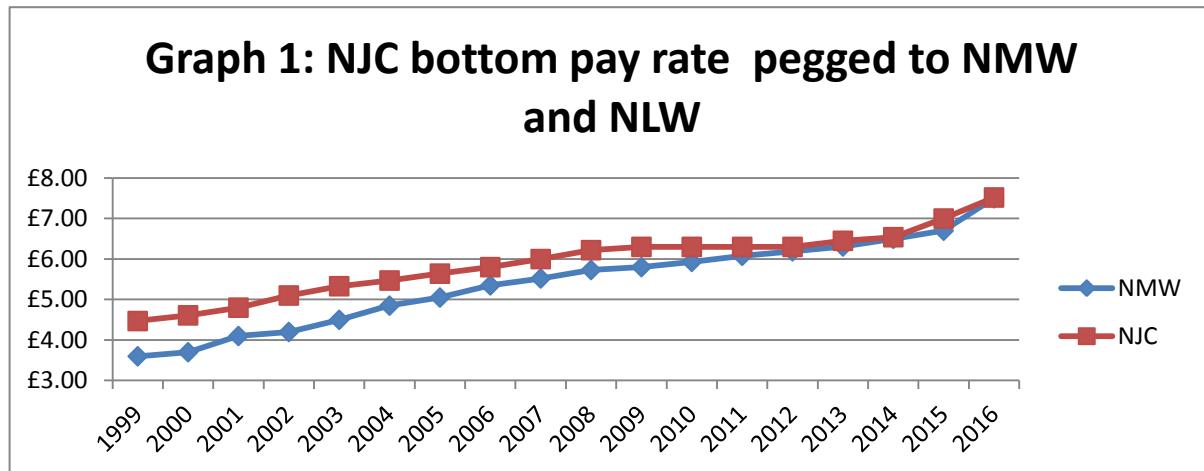
At the same time as facing 40% cuts to local government funding, the introduction of the new NLW has led to pay at the bottom being linked to the legal minimum to prevent the employers breaking the law. Recent pay awards have been bottom-loaded and job evaluated pay differentials throughout the pay spine are under threat.

Graph 1 below shows the decline in the value of the bottom rate of pay in local government compared to the legal minimum rate of pay for the rest of the economy. The comparison is between the National Minimum Wage (NMW) adult pay rate and

¹ <http://www.npi.org.uk/publications/local-government/sustainable-local-government-finance-and-liveable-local-areas-can-we-survive-2020/#sthash.BT9IOR2X.dpu>

the bottom NJC pay point for each year at 1 October. The NMW is replaced by the NLW for 2016.

The graph brings into clear focus the need to tackle the years of pay neglect now, rather than focussing on skirting the NLW.



In 1999, there was a 24% difference between the bottom rate of pay for NJC workers and the NMW. By 2016, the difference between the bottom NJC rate and the National Living Wage, the new legal minimum for those over 25, has plummeted to a shocking 0.3% difference.

The legal minimum wage ‘floor’ for the whole economy, has essentially been used as a benchmark for our members’ pay. Local government workers are used to being the poor relations of the public sector and are now the poor relations of the UK economy.

2.2. NJC minimum pay – comparisons with the public sector.

With pay at the bottom of the NJC pay spine pegged at minimum wage levels, it is no surprise that compared to minimum pay elsewhere in the public sector, pay rates for those working in local government are shocking.

Table 1 below shows minimum pay rates across the public sector. The only sectors paid less than local government are higher education, further education and the probation service. Pay for the NHS in Northern Ireland is still pending.

Table 1: Minimum pay rates across the public sector			
UNISON bargaining groups	From	Rate (£)	Hourly (£)
Local government (England, Wales & Northern Ireland)	01/04/2017	15014	7.78
NHS Agenda for Change (England)	01/04/2017	15404	7.88
NHS Agenda for Change (Wales)	01/04/2017	16302	8.45
NHS Agenda for Change (Scotland)	01/04/2017	16302	8.45
NHS Agenda for Change (Northern Ireland) 2017 pay award pending.	01/04/2016	14437	7.38
Sixth form college support staff (England & Wales)	01/01/2017	14778	7.66
Higher education	01/08/2016	14767	7.65
Further education (England)	01/08/2016	14962	7.78
Police staff (England & Wales)	01/09/2016	15486	8.03
Probation Service*	01/04/2016	14609	7.57
Youth and Community Workers	01/09/2016	15507	8.04
Central government			
Crown Office and Procurator Fiscal Service	01/08/2016	18113	9.39
Crown Prosecution Service	01/04/2016	16601	8.61
Department for Business, Energy and Industrial Strategy	01/08/2016	16988	8.81
Department for Education	01/04/2016	18659	9.67
Department for Works and Pensions	01/07/2016	16772	8.69
Environment Agency	01/07/2016	15715	8.15
HM Revenue and Customs	01/06/2016	16453	8.53
Home Office	01/07/2016	16641	8.63
Northern Ireland Civil Service	01/08/2016	17352	8.99
Scottish Government	01/08/2016	17242	8.94

Notes to table

Scotland pays the Living Wage across the public sector. Therefore, minimums agreed from November 2016 in Scotland will be at the rate of £8.45 an hour, which translates to £16,302 for a 37 hour week and £16,522 for a 37.5 hour week.

*Probation Service rates have not increased since 2013.

2.3 Low pay: a problem throughout the pay spine.

While we have seen pay rises at the bottom being linked to the legal minimum in an attempt to save money, we have also witnessed little or nothing being left for everyone else in the pay structure. Local government workers have suffered a three year pay freeze, from 2010 – 2012, in stark contrast to the rest of the public sector, who suffered two years of a pay freeze.

Pay for those working in local government and schools has declined more than for anyone else working in the public sector. Those on SCPs 6 – 12 are paid below the real Living Wage of £8.45 (UK rate), while the majority of their colleagues above them on the pay spine have endured pay rises of 1% in 2013, 1.1% in 2014 and 2015, and a pay rise capped at 1% for 2016 and 2017. To prevent equal pay claims

being lodged against local authorities, differentials must be maintained and everyone on NJC pay, not just those at the bottom, deserve a decent pay rise.

2.4 Pay comparisons across the pay spine

If you compare pay for specific jobs in local government with similar roles in the NHS, you can see that NJC workers are the poorer relatives to those with equivalent roles under Agenda for Change. With transfers within the public sector becoming more common, NJC workers face the scenario of working alongside someone doing the same job for less money. This is no way to motivate staff and has real implications for recruitment and retention in local government.

Table 2 below shows the difference in pay levels for selected occupations and equivalent roles across the NJC and Agenda for Change pay structures.

Table 2: NJC and NHS pay compared					
NHS Job title	NJC job title	<u>NJC Median Maximum Salary[1]</u>	NHS 37 Hour Week Equivalent (1.4.16) England	Difference between NJC And NHS (£)	% NHS pay exceeds NJC Pay
Domestic Support Worker	Cleaner	£14,311	£15,047 min. or £15,309 max	£736 - £998	5.1% – 7%
Catering Support Worker	Catering Assistant	£14,332	£15,047 min. or £15,309 max	£715 - £977	5.1% - 6.8%
Nursery Nurse	Nursery Worker	£18,379	£20,771	£2,392	13%
Librarian (1/4/16)	Librarian (1/4/16)	£23,166	£24,960	£1,794	7.7%
School Business Manager*	Business Manager**	£26,000	£32616	£6616	25.5%
Principal Environmental Health Officer*	Health Improvement Principal**	£38,171	£50,529	£12,358	32.4%
Principal Information Analyst*	Principal Information Analyst**	£46,225	£47,394	£1,169	2.5%
Principal Solicitor (Solicitor/Consultant)*	Principal solicitor**	£48,291	£53784	£5,493	11.4%

[1] IDS 2013 is the last national data available. 1% in 2013 and 2.2% for 2014-16 are the NJC pay awards.

*Municipal Journal Jobs Go Public, 1/4/2016. **AfC profiles 1/4/16

The top of the NJC pay spine compares badly with the rest of the public sector too. It is just over £43,000. Compare this with nearly £100,000 for the NHS and nearly £65,000 for Higher Education. This has led to nearly two thirds of authorities extending their pay spine locally. At the top, NHS and local government jobs are very similar. UNISON has demonstrated this by doing ‘dummy’ job evaluations using the NJC JE scheme.

3. Terms and conditions

In an attempt to save costs, for the last seven years councils across the board have been shredding conditions. Nearly half, 46%, of UNISON members responding to UNISON’s local government members’ survey in 2016 reported that their pay and conditions had changed since 2010. Two-thirds of these saying the changes had been imposed. Members told us whether terms and conditions had got worse or improved and the responses, shown in Table 3 below, show how the full range of terms and conditions are under attack.

Table 3: Changes to pay and conditions since 2010	Got worse %
Unsocial hours payments	85
Weekend payments	84
Bank holiday payments	83
Evening/night payments	81
Bonuses/performance-related pay	79
Car allowances	78
Paid overtime	77
Sick pay	75
Holidays unpaid	75
Shift payments	74
Paid holidays	65
Pay progression	54

Slashing terms and conditions has a real impact on our members’ pay packets. Many are dependent on these additional payments to make ends meet.

4. Job losses

Local government has been decimated by job losses over the last seven years as funding cuts bite. Local government has seen 760,000 job losses since June 2010.² Over the same period, employment in central government has increased by 160,000. This trend continues, with local government employment in the UK falling by roughly 30,000 workers in the year to December 2016.³ In comparison, NHS, central government and private sector employment continue to rise. NHS employment reached a record high in December 2016, rising for the 14th consecutive quarter and by 38,000 in the year up to December 2016.

Meanwhile private sector employment has been increasing strongly for nearly seven years, reaching a record high in December 2016. Since June 2010, it has risen by three million. It rose by 324,000 in the year up to December 2016.

With considerably fewer workers to provide local services, members deserve a pay rise that reflects the massive increase in their productivity as those workers left behind attempt to pick up the workloads of former colleagues.

Local government workers face job insecurity and frequent reviews and reorganisations. Thirty-eight percent of members reported job losses in their department.⁴ Sixty-three percent reported having experienced a review or reorganisation in the previous year driven by cost-cutting exercises.

5. Recruitment and retention

With pay in local government comparing badly with the rest of the public sector and the private sector, recruitment and retention is fast becoming an issue. If pay is not addressed, this situation can only worsen with widespread use of agency workers coming at a hefty cost to the public purse.

[LGA evidence on recruitment and retention issues will be available shortly. Not published at the time of going to print]

Many councils have become heavily dependent on temporary workers. During the last ten years, agency staff in some London boroughs have made up to a quarter of the total headcount. Recently, Northamptonshire hit the headlines after local media uncovered an annual spend of £1.5 million on temporary workers.⁵ Facing funding cuts, councils find themselves unwilling to authorise permanent jobs but key roles need to be filled.

²

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/publicsectorpersonnel/bulletins/publicsectoremployment/dec2016>

³ *ibid*

⁴ <https://www.unison.org.uk/content/uploads/2016/06/23864.pdf>

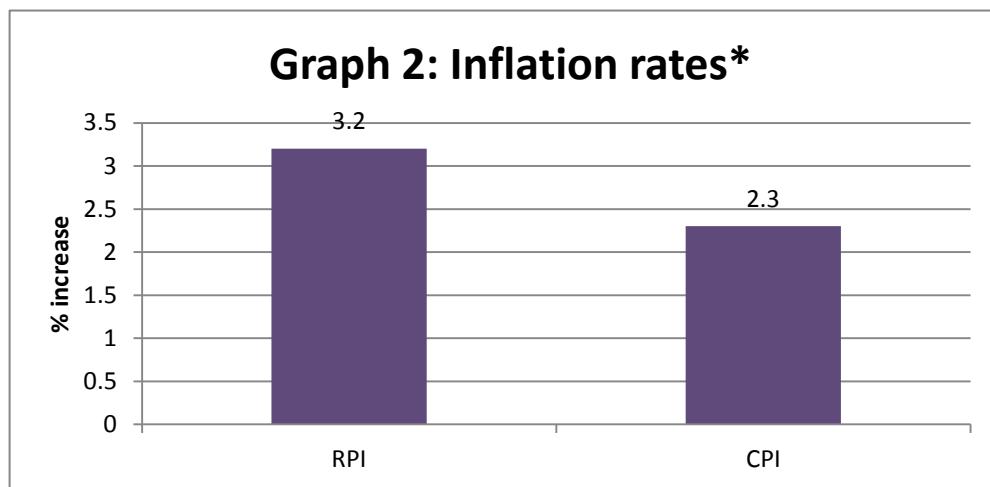
⁵ <https://www.theguardian.com/local-government-network/2013/jan/29/local-government-temporary-staff>

6. Economic background

6.1 Current inflation rates

Between the start of 2010 and the end of 2016, the cost of living, as measured by the Retail Prices Index (RPI) has risen by a total of 22.6%.

Over 2010 and 2011, RPI inflation centred on the 5% mark, before a decline saw the rate cluster around 3% during most of the three years between 2012 and 2014. Inflation then went into a further slide, with CPI running at around zero and RPI around 1% over most of 2015. However, inflation has been on the rise again since 2016 and the latest inflation figures to February 2017 saw a sharp jump that put RPI at 3.2% and CPI at 2.3%.



*Inflation rates to February 2017

Main factors affecting inflation

Price changes to commodities that make up the RPI over the year to February 2017 are shown in Table 4 below.

Table 4: Price changes to February 2017

Item	Average % increase
Travel and leisure	5.5
Consumer durables	4.6
Personal expenditure	4.2
Alcohol and tobacco	2.8
Housing and household expenditure	2.5
Food and catering	1.2
All goods	3.8
All services	2.6
All items	3.2

Source: Office for National Statistics, Consumer Price Inflation Reference Tables, February 2017

Within these figures, some costs are rising significantly faster, such as clothing and footwear at 6.7%, bus and coach fares at 15.9%, and petrol/oil at 19.4%.

The price of housing also remains one of the biggest costs facing members. Across the UK, house prices rose by 6.2% in the year to January 2017, taking the average house price to £218,000⁶. England experienced the biggest increase at 6.5%, while Northern Ireland, Wales and Scotland experienced 5.7%, 4.2% and 4% respectively. Latest estimates of the ratio between average house prices and average earnings stands at 7.7 in England (12.9 in London), 5.7 in Wales⁷, 5.2 in Scotland⁸ and 7.1 in Northern Ireland⁹.

Private rental prices jumped 2.2% in the year to January 2017 (rents grew 2.3% in England, 2.2% in Northern Ireland, but more modestly at 0.1% in Scotland and 0.4% in Wales)¹⁰.

Though not assessed by inflation figures, childcare costs are also significant. The Family & Childcare Trust survey for 2016 found that the annual cost of a part-time nursery place for a child under two hit £6,061 per year or £11,594 for a full-time place.

Current inflation rates can mask longer term changes in the cost of living that have taken place since 2010. For instance, food price inflation is currently quite low, but between 2010 and 2016 it saw significant rises, as reflected in Table 5 below.

Table 5: Price rise from 2010 – 2016 (%)

Item	Price rise
Food	11%
Rail fares	24%
Bus and coach fares	26%
Water	19%
Electricity	28%
Gas	24%

6.2 Forecast inflation rates

The Treasury average of independent forecasts predicts that RPI inflation will accelerate sharply to average 3.5% over 2017¹¹ and remain in excess of 3% every

⁶ Office for National Statistics, UK House Price Index Summary, March 2017 – LSL Property Services puts average UK house prices at £297,832. The stark difference with the ONS figure is principally down to the statistical method used in the calculation.

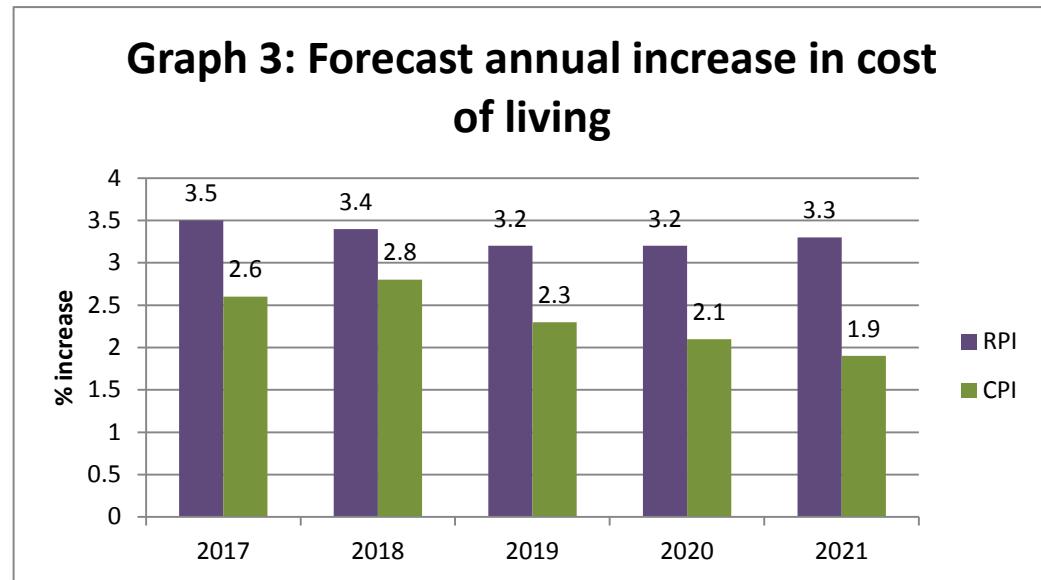
⁷ Office for National Statistics, Housing affordability in England and Wales, March 2017

⁸ Emoov - <https://www.emoov.co.uk/reality-gap-uk-property-costs-eight-times-average-wage/>

⁹ Office for National Statistics, Trends in the UK Housing Market, 2014

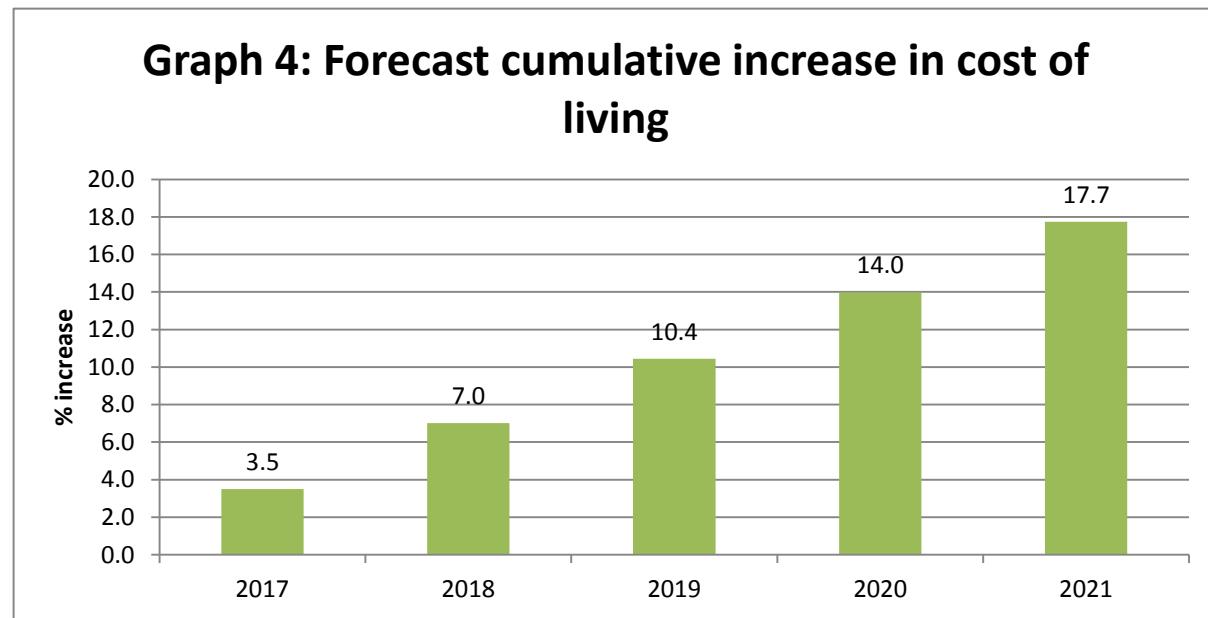
¹⁰ Office for National Statistics, Index of Private Housing Rental Prices, January 2017 for Great Britain figures, Performance of the Private Rental Market in Northern Ireland Jan – June 2016 for Northern Ireland

year between 2018 and 2021, following the pattern shown in Graph 3 below. These annual rates show the rate at which pay rises would be needed for wages just to maintain their current value.



Source: HM Treasury Forecasts for the UK Economy, February 2017

If these rates turn out to be correct, the cost of living employees face will have grown by almost 18% between 2017 and 2021, following the pattern set out in Graph 4 below.



The potential impact of this inflation forecast on the value of an average public sector wage, against the background of the 1% public sector pay cap until 2019, is shown

¹¹ Regulated rail fares for 2017 are set to rise by an average of 1.9% because they are linked to the July RPI figure, though unregulated increases are expected to lift average rail prices by 2.3%.

in Graph 5 below. Over the next three years, the average wage would have declined in value by over £2,000 under this scenario.

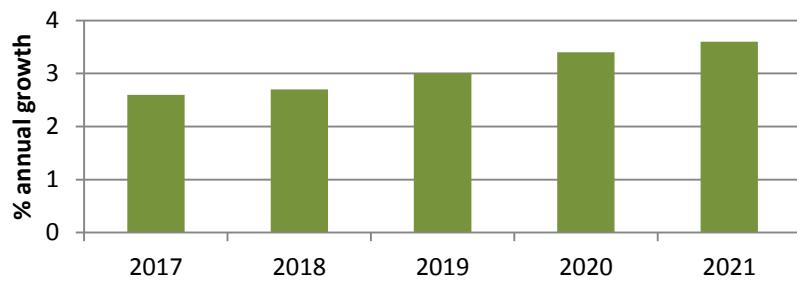
Graph 5: Impact of 1% pay cap on value of average public sector wage



6.3 Average earnings growth

Forecasts of average earnings predict that growth will average 2.6% in 2017, before escalating every year to reach 3.6% by 2021, following the pattern shown below in Graph 6¹².

Graph 6: Forecast average earnings growth



¹² Office for Budgetary Responsibility, Economic and Fiscal Outlook, March 2017

6.4 Average pay settlements:

Pay settlements across the economy stand at 2%, which is well below the long-run median of between 3% and 3.5% that prevailed for over two decades until the 2008 economic crisis.

Pay settlements in the private sector stand at 2%, which is double that in the public and not-for profit sectors. Private sector settlements have been running far in advance of the public sector since 2010 (when the public sector pay freeze was in place between 2011 and 2013, average private sector pay rises were running at 2.5%).

Table 6 below shows average settlements for other sectors where UNISON represents members or sectors that compete for similar types of worker as public services.

Table 6: Average pay settlements across the economy	
Sector	Average pay settlement
Across economy	2.0%
Private sector	2.0%
Public sector	1.0%
Not for profit	1.0%
Energy & gas	1.6%
Water & waste management	1.7%
Retail & wholesale	2.4%
Information & communication	2.0%
Admin & support services	2.0%

Source: Labour Research Department, settlements year to March 2017