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Lucille Thirlby 020 7551 1315
Jon Hoskin 020 7551 1261

To: Secretaries of Local Government Branches in England, Wales
and Northern Ireland (Scotland – for information)
Regional Heads of Local Government
Registered Professional/Sectional Bodies - for information

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NJC Pay 2010 – Examining the Pay Freeze

This circular looks in further detail at some of the consequences of the employers 'no offer'. It looks at the political announcements on pay and raises some additional arguments which can be discussed with local politicians and released to local press outlets. Branches are asked to keep up the pressure on councillors and MPs for negotiations.

1. What the Politicians are saying about Pay:

The main political parties had varied positions on pay before the general election:

- The **Conservative** party have proposed a cap on public sector pay for those earning above £18k from 2011
- The **Liberal Democrats** proposed a maximum £400 increase, irrespective of starting point, 'in future years' for public sector pay
- The **Labour** group on the LGA support a 1% pay increase for local government staff – this remains their position

The government publication in May, '**The Coalition: Our Programme for Government**' (20.05.10) had several important implications for pay within local government:

- **We will freeze Council Tax in England for at least one year, and seek to freeze it for a further year, in partnership with local authorities (p.12).**
- **We will introduce arrangements that will protect those on low incomes from the effect of public sector pay constraint and other spending constraints (p.15).** We

will increase the personal allowance for income tax to help lower and middle income earners. We will announce in the first Budget a substantial increase in the personal allowance from April 2011, with the benefits focused on those with lower and middle incomes. This will be funded with the money that would have been used to pay for the increase in employee National Insurance thresholds proposed by the Conservative Party, as well as revenues from increases in Capital Gains Tax rates for non-business assets. The increase in employer National Insurance thresholds proposed by the Conservatives will go ahead in order to stop the planned jobs tax. We will further increase the personal allowance to £10,000, making real terms steps each year towards meeting this as a longer-term policy objective. We will prioritise this over other tax cuts, including cuts to Inheritance Tax (p.30).

- **We will undertake a fair pay review in the public sector to implement our proposed '20 times' pay multiple (p.18).** The review will be headed by Will Hutton of the Work Foundation. In a letter sent to the Prime Minister from George Osborne on May 16th, commenting on the review, he stated, (the requirement) ...*'to show restraint in public sector pay, consistent with slower earnings growth in the private sector'*.
- For information, the report also states, *'The parties commit to establishing an independent commission to review the long term affordability of public sector pensions, while protecting accrued rights'*.

We have at least **869,000 workers in local government earning below £18,000** a year. That's over 60% of the entire workforce. But freezing council tax will make future pay rounds even more difficult in local government, even if flexibility to increase pay below £18k remains government policy in the future.

We await the detail of arrangements to, 'protect those on low incomes from the effect of public sector pay constraint'. However, a 20 times pay multiple still means that those at the top end could still earn £242,900 (based NJC SCP 4 - £12145, 2009/10). The decision not to include, 'arms lengths bodies operating in a commercial environment' is disappointing.

2. What a 'Pay Freeze' will mean:

Inflation – A Pay Cut

RPI is at 5.3% (April 10). On 18 May 2010, Industrial Relations Services (IRS's) panel of expert economic commentators predicted RPI to average 4% over the second quarter of 2010, before falling back to 3% by the final quarter and to average 3.5% over the year. **This means our members, in effect, will receive a 3.5% pay cut** over the year (based on a conservative estimate of future inflation levels).

Still further away from the 'Average Wage'

Median (average) gross annual earnings for full-time employees (including those whose pay was affected by absence) were £25,800, an increase of 2.6 per cent (2009 ASHE – Released November 2009) (figures relate to the 2008/09 tax year ending on 5th April 2009). The LGA estimates there were 367,238 FTE employees out of 533,903 FTE employees on the NJC pay scale earning on or below scale point 30 or £25,220 in 2008. **Therefore, we can estimate that 69% of the local government workforce earn below the median wage.**

Closer to the Minimum Wage

From the first October 2010 the minimum wage will rise by 2.2% to £5.93 per hour for workers aged 21 and over, **only 37p behind the lowest NJC rate** (2009/10).

'Sharing the Burden' - More Stress and more Free Work

There are 1,571,500 FTE employees working in local government (Qtr 2 2009 QPSES). From the 2008/09 Local Government Earnings Survey we know that overall basic FTE median pay was only £17,182 and that the average hourly rate is £8.91 phr. The TUC have estimated that one in four (25.3 per cent) of public sector workers worked unpaid overtime in 2009, at an average of 7 hours 12 minutes each week, worth nearly £9 billion a year, compared to one in six staff in the private sector (18.3 per cent) (http://www.tuc.org.uk/work_life/tuc-17614-f0.cfm). **Therefore we can estimate that 25% of local government staff work unpaid overtime to the value of £64 each week, £3345 each year, 19% in excess of their average basic pay and in total just under one and a third billion pounds of free work each year (£1,314,166,875).**

Recruitment freezes harm front line services as much as they do back office functions. With many local authorities having high turnover rates this has a dramatic effect on the intensity of work, pressurised even more through rising demand for services. **Local government workers are not being asked to do more for less, they simply are.**

A Careful Look at NJC Pay – From One Government to the Next

From the table overleaf we can see that for 7 out of the 13 years since 1998/9 NJC workers have received, or been threatened with, pay rises on or below the inflation rate. Alternatively, **for 5 out of the last 7 years since 2004/5 NJC workers have received, or been threatened with, pay rises below the inflation rate** (yearly average).

If the pay freeze materialises NJC workers will be worse off than they were in 1998 (relative to inflation by 1.73%), which completely wipes out the relative increases in pay that UNISON achieved between 1999 and 2004 (excludes lowest scale points).

NJC Local Government Pay Compared to Inflation (Headline RPI)

| Year | Headline Settlement Cost | Total Settlement Cost | Index | SCP4 Settlement Cost | Index | RPI (April) | Index | RPI (yearly average) | Index |
|---------|--------------------------|-----------------------|---------------|----------------------|--------|-------------|---------------|----------------------|--------|
| 1997/8 | | | 100.00 | | 100.00 | | 100.00 | | 100.00 |
| 1998/9 | 3.0 | 3.00 | 103.00 | 3.0 | 103.00 | 4.0 | 104.00 | 3.4 | 103.40 |
| 1999/00 | 3.0 | 3.00 | 106.09 | 3.0 | 106.09 | 1.6 | 105.66 | 1.5 | 104.95 |
| 2000/01 | 3.0 | 3.00 | 109.27 | 3.0 | 109.27 | 3.0 | 108.83 | 3.0 | 108.10 |
| 2001/02 | 3.5 | 3.59 | 113.20 | 4.29 | 113.96 | 1.8 | 110.79 | 1.8 | 110.05 |
| 2002/03 | 3.0 | 3.58 | 117.25 | 5.1 | 119.77 | 1.5 | 112.45 | 1.7 | 111.92 |
| 2003/04 | 3.5 | 3.57 | 121.43 | 4.5 | 125.16 | 3.1 | 115.94 | 2.9 | 115.16 |
| 2004/05 | 2.75 | 2.75 | 124.77 | 2.75 | 128.60 | 2.5 | 118.84 | 3.0 | 118.62 |
| 2005/06 | 2.95 | 2.95 | 128.45 | 2.95 | 132.40 | 3.2 | 122.64 | 2.8 | 121.94 |
| 2006/07 | 2.95 | 2.95 | 132.24 | 2.95 | 136.30 | 2.6 | 125.83 | 3.2 | 125.84 |
| 2007/08 | 2.475 | 2.50 | 135.55 | 3.34 | 140.86 | 4.5 | 131.49 | 4.3 | 131.25 |
| 2008/09 | 2.75 | 2.8 | 139.35 | 3.58 | 145.90 | 4.2 | 137.01 | 4.0 | 136.50 |
| 2009/10 | 1% | 1.045 | 140.81 | 1.25 | 147.72 | -1.2 | 135.37 | -0.5 | 135.82 |
| 2010/11 | 0 | 0 | 140.81 | 0 | 147.72 | 5.3 | 142.54 | N/A | N/A |

April 2001 - 3.5% (or £380 for spinal column points 4-10 inclusive)

April 2002 - 3% (£5 per hour (or 4.1%) for spinal column point 4

Oct 2002 - 1% (2% for spinal column points 4&5 only)

2008/09 - 2.45% + £100 on bottom three scale points +0.3% ACAS award

2009/10 - 1.25% on SCPs 4 to 10 and 1.00% on SCPs 11 to 49

Figures up to 2007/08 are LGA produced – they used the RPI April figure (ACAS submission) (RPI yearly average added)

The new government has brought forward major spending reductions in local government, worth £1.165bn. This will bring further pressure to bear on job security and considerations over pay. We are already sharing the burden and are being asked to shoulder even more.

Unless we confront the attack on our low paid members and the vulnerable in our communities then more spending reductions will come. Local government remains one of the most politically un-contentious areas in which to reduce government spending, to reduce pay and to reduce the workforce.

Our arguments remain sound and our alternatives more rational than the cuts agenda that risk sending us back into a recession. We need **to keep up the pressure on councillors and MPs for their support to at least enter negotiations.**

With best wishes,

Heather Wakefield
National Secretary
Local Government Service Group