

**What's in this issue?**

In this issue of *Negotiators' briefing* we see the public sector pay freeze continue to take effect with the median firmly fixed at zero. Job losses are also taking their toll, with private-sector job creation no longer offsetting losses in the public sector. Meanwhile inflation is forecast to remain high until the end of the year.

**Useful links**

TUC Agency Workers Guidance  
[TUC Agency Workers Guidance](#)

IDS Report on Regional Pay  
[Acrobat PDF \(217106 bytes\)](#)

Bribery Act Factsheet  
[Word document \(108544 bytes\)](#)

The Impact of Spending Cuts on UNISON Members - in depth interviews  
[Word document \(272384 bytes\)](#)

Agency Workers Directive and Regulations Factsheet  
[Acrobat PDF \(127488 bytes\)](#)

Public Sector Equality Duty Guidance  
[Word document \(130560 bytes\)](#)

Negotiating apprenticeship schemes in your workplace 2011  
[Word document \(107008 bytes\)](#)

**Key statistics**

**Pay settlements**

Sector	Reference period	Median %	Interquartile range %
Whole economy	July to September 2011	2.4	1.5 to 3.0
Public	July to September 2011	0	-
Private	July to September 2011	2.6	2.0 to 3.0

Source: IDSPay.co.uk

**Inflation**

Reference data	Reference period	Growth rate %	Index
Retail Prices Index (RPI)	Year to September 2011	5.6	237.9
Consumer Prices Index (CPI)	Year to September 2011	5.2	120.9

Source: ONS

**Average weekly earnings\***

Reference data	Reference period	Growth rate %	£pw
Whole economy	June to August 2011	2.8	463
Public sector (excl financial services)	June to August 2011	1.7	467
Private sector	June to August 2011	3.0	458

\*Seasonally adjusted series, annual growth in three-month average, total pay including bonuses  
Source: ONS

**Labour market statistics**

Reference data	Reference period	Level	Quarterly change
Employment	June to August 2011	29,101,000	-178,000
Unemployment	June to August 2011	2,566,000	114,000
Claimant count	September 2011	1,597,200	17,500
Economic inactivity	June to August 2011	9,354,000	26,000

Source: ONS

**Renewed divide between private and public sector pay awards**

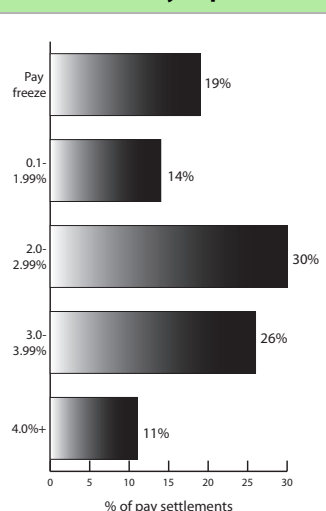
In the latest three-month period to September 2011, figures from IDSPay.co.uk show that the median pay award has fallen slightly to 2.4%, down from 2.5% in the three months to August. There is a renewed divide between the level of pay awards in the public sector, where the median is zero, and the private sector where the median settlement level is 2.6%.

The latest figures are based on 57 pay settlements, covering 1,797,319 employees in total. Over a third of this figure are public

sector employees including those in the fire service, school teachers in England and Wales and staff at the Department for Work and Pensions. All of these groups are currently covered by the Government's pay freeze policy.

Pay freezes in the public sector, along with lower pay awards across different parts of the economy including the private sector, have had an impact on the lower quartile which has fallen from 2% to 1.5% in the latest period.

**Distribution of pay settlements, July-Sep 2011**



Source: IDSPay.co.uk

**Key new settlements**

Private sector			
Organisation	% increase	Employees covered	Effective date
Asda	2.1	143,203 retail colleagues	1 October 2011
Sainsbury's	2.7	128,000 retail staff	4 September 2011
Vauxhall Motors	5.0	2,200 manual & craft workers	1 September 2011

Public sector			
Fire Service	Pay freeze (no employer offer)	53,000 firefighters & control room staff	1 July 2011
Police	Pay freeze, £250 for staff earning £21,000 or below	150,000 federated ranks	1 September 2011
School Teachers (E&W)	Pay freeze, £250 (unconsolidated) for those on the lowest points of the unqualified teachers' pay scale	482,000 teachers	1 September 2011

## Economic backdrop

### Inflation: RPI at 5.6%

The Retail Prices Index (RPI) measure of inflation rose to 5.6% in September up from 5.2% in August. This is the highest annual inflation rate for 20 years. It was last higher in June 1991 when it stood at 5.8%. The main upward pressures to the RPI annual rate came from higher prices for clothing and footwear and from petrol and household energy costs.

The Consumer Prices Index (CPI) which excludes mortgage interest payments and council taxes also rose, from 4.5% in August to 5.2% in September. The latest figures mean that the CPI has overshoot the Bank's target of 2 per cent for 37 of the past 43 months.

*The release date for the September inflation figures is Tuesday 15 November.*

### Labour market recovery stalls due to public sector cuts

Following a period of relative stability, the latest set of labour market statistics from the Office for National Statistics (ONS) paint a less positive picture, especially for the young and for those employed in the public sector. Unemployment rose by 114,000 in the three months to August 2011, mostly due to an increase in unemployment among 18 to 24 year-olds. The claimant count, or the number of people claiming Job Seeker's Allowance, was 1.6 million in September 2011, up 17,500 on the previous month.

In November 2010, George Osborne stated that private sector job creation would 'far outweigh' the reduction in public sector employment. Since the third quarter of 2009, this has largely been the case, with public sector job losses being offset by private sector job creation. However, the latest available figures indicate a break in this trend, with public sector employment falling by 111,000 in the second quarter of this year, compared with a rise of just 41,000 in private sector employment.

*The release date for the September labour market figures is Wednesday 16 November.*

### Earnings growth: private sector 3%, public sector 1.7%

Average weekly earnings in the private sector rose by 3% in the year to August according to new figures from the Office for National Statistics (ONS). Meanwhile, average earnings growth in the public sector (excluding financial services) was 1.7%.

Pay growth in the private sector is being driven by strong growth in certain sectors, with growth in average earnings in the finance and business services sector astonishingly high at 6.2%. Average weekly earnings across most other sectors were broadly steady, or fell slightly.

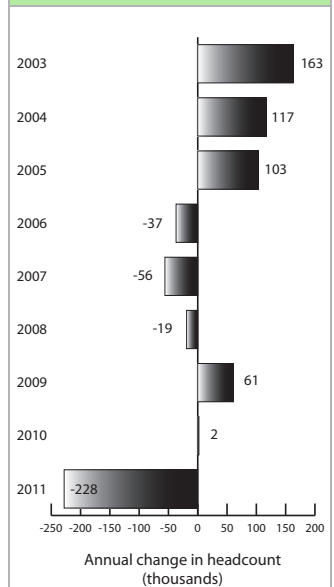
The modest increase in the public sector is despite the pay freeze and is coming in part from the £250 minimum increases some organisations are paying to those earning £21,000 and below. Some contribution will also come from progression increases. Workforce composition changes will also have an effect, since it will affect the average of the earnings in each sector.

For more details on why public sector earnings have continued to rise see the article published by the ONS 'Zero pay growth in public sector average weekly earnings; is it likely?' available at [www.ons.gov.uk](http://www.ons.gov.uk)

### Government's CPI pension link challenged

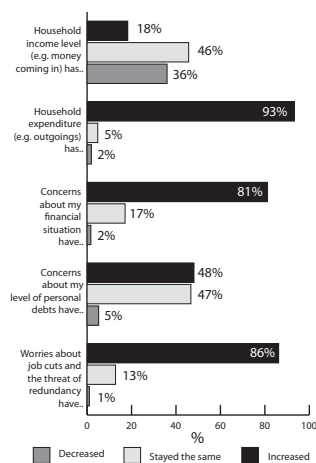
The High Court has set a date to hear an application for judicial review of the Government's decision to uprate public sector pension payments by the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). The legal challenge has been made jointly by unions including the NASUWT, UNISON and PCS and will be heard on 25 October 2011. Separately, organisations including Prospect, the Police Federation and the Civil Service Pensioners' Alliance began an action against the Government over the CPI in the High Court in April, also with the aim of blocking the change.

### Public sector employment changes 2003 to 2011



Source: ONS

**Compared to this time last year, how would you say your situation has changed...**



Source: Unison/PCS members incomes survey, January and February 2011.

**Pay rates for key call centre and housing and social care roles**

Category	Median
<b>Call centres</b>	<b>£pa</b>
Entry-level call advisor	15,700
Senior call advisor	18,100
<b>Housing and social care</b>	<b>Median £ph</b>
Unqualified care assistant	6.50
Care assistant (NVQ2)	6.93

Source: IDS pay and conditions in call and contact centres 2011/12

**Tribunal claims falling**

The latest annual report from the conciliation service, Acas, shows that the number of claims for conciliation via employment tribunals has fallen, from 87,421 in 2009/10 to 74,620 in 2010/11, a drop of nearly 15%. These figures exclude the continued large numbers of multiple claims involving equal pay in local government and the NHS, though even in local authorities the numbers are down slightly, with a 6% fall in conciliation claims, from 25,503 in 2009/10 to 23,875 in 2010/11.

Source: Acas 2010/11 annual report

*Pay developments*

**Survey shows household finances are a major worry for many members**

Earlier this year Unison conducted joint research with PCS on the combined effects of the public sector pay freeze and wider welfare reforms. The survey contained a range of questions aimed at gauging members' perceptions of changes in their financial situation over the last year and the responses show that household finances are already a major worry for many members. When asked about changes in income and expenditure over the last year, some 93% of respondents said that household expenditure had increased,

compared with just 18% reporting that household income had increased. Some 81% said concerns about their financial situation had increased. Concerns about personal debt levels have risen for 48% of respondents, stayed the same for 17% and decreased for just 2%. Overall 86% of respondents report that worries about job cuts and redundancies have increased over the last year. Further details are available from Bargaining Support at [bsg@unison.co.uk](mailto:bsg@unison.co.uk)

**Pay growth for key roles in call centres and housing and social care**

There has been significant pay growth for both entry-level and senior call advisors over the last year, according to the latest IDS survey of pay and conditions in call centres. There has also been significant growth for team managers. Pay growth for these groups of employees comes after a period of little or no change in 2010, when salaries were held back as recruitment and retention issues eased significantly during the recession. However, concerns around staff retention are becoming more prominent and this year's survey showed that a third of companies were finding retention either 'fairly' or 'very' difficult, and the role most affected is that of call advisor.

Meanwhile, findings from the latest IDS survey of pay in the housing and social care sector finds that despite the squeeze on funding, employers have continued to make adjustments to pay rates for key roles and there is evidence that the differentials between unqualified and qualified care assistants have been restored. According to the results of a matched sample – which looks at salary levels at the same companies year-on-year – pay rates for qualified care assistants have risen by 6.5% at the median. However, there is comparatively little change to basic pay rates for all other jobs covered in the IDS survey.

**Benefits under review with focus on cost reduction**

The downturn has led to a renewed focus on benefits, with some employers looking to harmonise or restructure employee benefits as part of cost-cutting exercises, according to IDS. In the public sector, many employers, particularly in local government are preparing to make changes, with a focus on reducing premiums, reducing sickness entitlement and annual leave. IDS research on changes to terms and conditions in local authorities shows that while less than a fifth made significant changes in the last year, more than half intend to make changes in the forthcoming year.

Furthermore, around a quarter said that they planned to make changes to the way progression is paid, with a trend towards linking progression to competency, contribution and performance.

Elsewhere in the public sector, terms and conditions are under review for police and teachers, with performance-related progression a key issue for teachers. There are also indications that benefits such as sick pay will be reduced in the Civil Service, although so far IDS has not monitored any changes.

## Prospects

### Inflation predicted to be around 5.5% for the remainder of 2011

IDS's most recent round-up of City economists' forecasts for inflation, conducted in early September 2011, predicts the all-items Retail Prices Index (RPI) to be around 5.5% for the remainder of 2011, and between 3 and 4% in 2012. The Consumer Prices Index (CPI) is expected to be an average of 2.9% in 2012.

'Temporary' effects, such as the VAT hike and the rise in oil prices, will continue to affect prices in 2011 and rises in utility prices in September are expected to impact both the CPI

and RPI. Planned increases in rail fares will also likely to affect inflation during the first half of next year.

There are strong concerns about economic growth, with the GDP forecast being revised down: the consensus is for GDP to grow by just around 1.1% in 2011 and 1.5% in 2012. Given the outlook for growth, the consensus forecast for interest rates is for the Bank of England to maintain the base rate at 0.5% until at least the summer of 2012.

#### RPI inflation forecasts, 12 September 2011

	CI	CB	LTSB	MS	NO	RBS	SC	UBS	Rounded average
2011 4th quarter	5.3	5.4	5.3	5.2	5.1	5.2	5.4	5.4	5.3
2012 1st quarter	4.2	3.9	3.9	4.0	3.6	4.1	4.4	4.1	4.0
2nd quarter	4.0	3.6	4.0	3.7	3.4	3.8	4.1	3.8	3.8
3rd quarter	4.1	3.3	3.6	3.5	3.3	3.3	3.9	3.7	3.6
4th quarter	3.9	2.8	3.7	3.3	2.7	2.7	3.4	3.2	3.2

Forecasters: CI Citigroup; CB Commerzbank; LTSB Lloyds TSB Corporate Markets; MS Morgan Stanley; NO Nomura; RBS Royal Bank of Scotland; SC Scotia Capital; UBS UBS.

#### Changes to terms and conditions at local authorities

	Proportion of councils responding...	
	Yes	No
Has the council undergone any significant changes to T&Cs in the past year?	17%	83%
Does the council intend to make any significant changes to T&C in the coming year?	51%	49%
Do you intend to make any changes to progression payments to staff in the coming year?	25%	75%

Source: IDS pay and conditions in local government, April 2011

### Employers' intentions on pay in 2012

Findings from a recent IDS survey of 81 (mostly private sector) subscribers reveals that over half of respondents intend to make the same level of pay award in 2012 as they made in 2011. However, almost a third indicate that they will pay a higher award in 2012. This indicates that awards may edge up towards the 3% mark in 2012.

However, employers said the most important factor for determining pay rises in 2012 will be

affordability and this may lead to restraint in pay setting. Competitor benchmarking, the going rate for pay reviews across the economy and market rates were also high on employers' agendas taking part in this year's IDS survey.

Keeping employees engaged and motivated, and recruiting and retaining key members of staff were the most important issues driving reward strategy for employers in 2012.

### Recent and forthcoming employment law changes

Date	Employment law change
September 2011	<b>Specific Public Sector Equality Duties take effect.</b> The draft Equality Act 2010 (Specific Duties) Regulations 2011 have now been laid before Parliament. The specific regulations are intended to promote 'the better performance' of the general public sector equality duty in S.149 of the Equality Act 2010. The duty will require public bodies with 150 or more staff must publish information on the effect that its policies and practices have on equality for their employees. More information can be found here: <a href="http://www.homeoffice.gov.uk/equalities/equality-act/equality-duty/">http://www.homeoffice.gov.uk/equalities/equality-act/equality-duty/</a>
1 October 2011	<b>National minimum wage rises.</b> The adult rate for works aged 21 and over will increase from £5.93 to £6.08 an hour; the rate for 18-20 year olds will increase from £4.92 to £4.98 an hour; the rate for 16-17 year olds will increase from £3.64 to £3.68 an hour; and the rate for apprentices will increase from £2.50 to £2.60 an hour. The Government estimates that 890,000 of Britain's lowest-paid workers will gain from these changes. The announcement can be viewed here: <a href="http://nds.coi.gov.uk/content/Detail.aspx?ReleaseID=419057&amp;NewsAreaID=2">http://nds.coi.gov.uk/content/Detail.aspx?ReleaseID=419057&amp;NewsAreaID=2</a>
1 October 2011	<b>Agency workers to get equal rights.</b> The Agency Workers Regulations 2010 implement the Temporary Agency Workers Directive (2008/104/EC) and grant agency workers the right to equal treatment in matters of pay and conditions as staff hired directly by the employer once the worker has satisfied a 12-week qualifying period. More information and guidance on the Regulations can be found here: <a href="http://www.bis.gov.uk/policies/employment-matters/strategies/awd">http://www.bis.gov.uk/policies/employment-matters/strategies/awd</a>
October/ November 2011	<b>The Government response to its consultation 'Resolving workplace disputes' is expected to be published.</b> The Government has, among other things, proposed increasing the minimum qualifying period for unfair dismissal claims to two years, requiring the payment of a fee in order to lodge a tribunal claim, and requiring all claims to be submitted to Acas before they reach a tribunal.
4 January 2012	<b>Last day on which an employee can make a statutory request to his or her employer not to retire on the intended date of retirement under the statutory retirement procedure.</b>