

**What's in this issue?**

In this issue of *Negotiators' briefing* we look at what has happened to pay over the last year and find that while the median pay award for the private sector was 2.5% for most of 2011, public sector pay remained mostly frozen. An early look at the picture for 2012 shows a private sector median settlement so far of 3%. Meanwhile, the latest forecasts on inflation show that RPI is set to fall throughout 2012, with most analysts expecting it to drop to between 3 and 3.5% by the end of the year.

**Useful links**

The new **Facility Time Guide** is here <http://www.unison.org.uk/file/Facility%20Time%20Guidance.pdf>

New **TUC Guidance on Enforcing Workplace Rights** is here <http://www.tuc.org.uk/tucfiles/177/enforcingbasicworkplacerrights.doc>

Unionlearn online module on paternity rights is here (registration required) <http://www.tuclearning.net/>

Factsheet on **Changes to Employment Law 2012-13** is here <http://www.unison.org.uk/file/Changes%20to%20Employment%20Law%2012-13.doc>

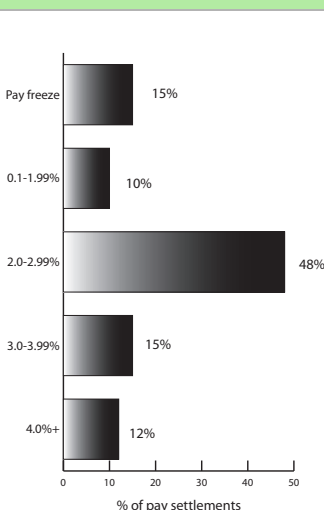
Agency Worker Regulations Factsheet is here <http://www.unison.org.uk/file/Agency%20Workers%20Directive%20Factsheet.doc>

Full **TUC Guidance on Agency Worker Regulations** is here <http://www.tuc.org.uk/workplace/tuc-20147-f0.cfm>

**Public Sector Equality Duty Guidance** is here <http://www.unison.org.uk/acrobat/20313.pdf>

Follow **Bargaining Support on Twitter** for links to bargaining guidance and advice here [https://twitter.com/#!/UNISON\\_BargNews](https://twitter.com/#!/UNISON_BargNews)

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



Source: IDSPay.co.uk

**Key statistics**

**Pay settlements**

Sector	Reference period	Median %	Interquartile range %
Whole economy	September to November 2011	2.5	2.0 to 3.0
Public	September to November 2011	0	-
Private	September to November 2011	2.5	2.0 to 3.0

Source: IDSPay.co.uk

**Inflation**

Reference data	Reference period	Growth rate %	Index
Retail Prices Index (RPI)	Year to December 2011	4.8	239.4
Consumer Prices Index (CPI)	Year to December 2011	4.2	121.7

Source: ONS

**Average weekly earnings\***

Reference data	Reference period	Growth rate %	£pw
Whole economy	September to November 2011	1.9	464
Public sector (excl financial services)	September to November 2011	1.4	467
Private sector	September to November 2011	2.0	462

\* 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	September to November 2011	29,119,000	18,000
Unemployment	September to November 2011	2,685,000	118,000
Claimant count	December 2011	1,597,000	1,200
Economic inactivity	September to November 2011	9,293,000	-61,000

Source: ONS

**Median pay settlement holds at 2.5% across the private sector**

The latest figures from IDSPay.co.uk show that the median pay settlement in the three months to November 2011 is 2.5%, up from 2.4% in the three months to October. A small increase in the number of pay awards at and above 2% recorded in the private services sector has contributed to this rise in the median award for the wider economy. The interquartile range is between 2 and 3%, reflecting the marked clustering of deals at this level. The latest figures are based on 73 pay settlements, covering 2,184,712 employees in total.

The median pay award for the whole economy was 2.5% for most of 2011, with a significant clustering of pay deals in the 2 to 2.99% range. The number of pay freezes fell back overall in 2011, despite the impact of the Government's pay freeze policy on public sector pay. Pay freezes accounted for 12% of all pay settlements in 2011, with over a third of these covering employees in the public sector. Pay freezes continued to decline in the private sector and last year just 6% of settlements resulted in a pay freeze.

**Key new settlements**

**Private sector**

Organisation	% increase	Employees covered	Effective date
Bombardier Aerospace	2.5	4,500 manual workers & staff	25 January 2012
Carlsberg UK	3.0	762 distribution & warehouse workers	1 January 2012
Nissan Motor Manufacturing	3.5	5,964 employees	1 January 2012

**Public sector**

Department for Business, Innovation & Skills	Pay freeze, £300 for staff earning £21,000 and below	2,500 civil servants	1 August 2011
Forestry Commission	Pay freeze, £300 for staff earning £21,000 and below	3,010 industrial & non-industrial staff	1 October 2011
Ministry of Defence	Pay freeze, £250 for staff earning £21,000 and below	8,189 industrial workers	1 August 2011

## Economic backdrop

### Inflation: RPI falls back to 4.8%

The annual rate of Retail Prices Index (RPI) inflation was 4.8% in December 2011, down from 5.2% in November. The largest downward pressures on the index between November and December came from reduced prices for petrol, oil and other fuels, gas, clothing and footwear. Partially offsetting these price falls were upward pressures from car insurance and telephone charges.

The Consumer Prices Index (CPI), which excludes housing costs, also fell in December

2011, to stand at 4.2%. This is a fall of 0.6 percentage points on the November figure of 4.8%, and is expected to fall further throughout 2012. The largest reductions affecting the CPI were from lower prices for petrol, gas and clothing. There were upward pressures from higher prices for air fares and for higher phone charges.

**The release date for the January inflation figures is Tuesday 14 February.**

### Latest data reflects a fragile labour market

According to the latest figures released by the Office for National Statistics (ONS) the total number of unemployed people increased by 118,000 over the three months to November 2011 to reach 2.69 million. The unemployment rate was up by 0.3 percentage points on the previous quarter to stand at 8.4% of the economically active population.

The rise in unemployment was driven, in part, by an increase of 52,000 in the number of 16 to 24 year-olds unable to find work over the quarter. The level of unemployment for the 16 to 24 year-old age group has reached 1.04 million, the highest since comparable records began in 1992.

The claimant count, the number of people claiming Job Seekers Allowance (JSA), continued to rise, albeit at a slower pace than in previous quarters. The total number of people claiming JSA in December 2011 stood at 1.597 million, unchanged on the previous month, but a 9.8% increase on the same period the year before.

#### Vacancies

Despite rising unemployment the number of vacancies has remained relatively flat over the previous three quarters, falling by just 18,000. In the three months to November 2011 the number of vacancies fell by 3,000 to stand at 459,000.

In terms of vacancies and unemployment, in the three months to November 2011 there were 5.8 unemployed people per vacancy. In November 2010 the Chancellor stated his belief that private sector job creation would 'far outweigh' job losses in the public sector. However, this has not happened and in the three months to September 2011 some 67,000 jobs were lost in the public sector, while the private sector created just 5,000 jobs in the same period.

**The release date for the December labour market figures is Wednesday 15 February.**

### Earnings growth declines reflecting weakening economy

The latest statistics released by the Office for National Statistics (ONS) show that average weekly earnings growth, under the total pay measure, has continued to fall in the three months to November 2011. The data shows that weekly earnings across the whole economy had grown by 1.9% in the three months to November 2011, down 0.1% on the previous rolling three-month average.

Growth in public sector earnings (excluding the nationalised banks) dropped from 1.7% in the previous period to 1.4% in the three months to November. By comparison, growth

in the private sector fell by 0.1% to 2.0% in the same period. Earnings growth in the private sector has run ahead of the public sector for the whole of 2011.

The only two sectors to see a rise in average weekly earnings growth were manufacturing and wholesale, retail, hotels and restaurants. Earnings in manufacturing grew by 1.5%, up from 1.3% in October but down from 1.7% in August. The wholesale, retail, hotels and restaurants sector saw earnings growth increase to 1.7%, although the sector saw very low, sometimes negative earnings growth throughout most of 2011.

#### High Court rules CPI pensions switch was lawful

The High Court has ruled that the Government's move to switch uprating of public service pensions from the RPI to the CPI measure of inflation was legal. Three of the four objections to the switch were dismissed by all three High Court judges. The remaining argument, that the Government's decision was prompted by the need to reduce the deficit, was accepted by one judge. Leave to appeal has been granted for two of the grounds for the challenge: whether the adoption of the CPI is consistent with the Government's statutory obligation, and whether – in moving to use the CPI – the Government 'took into account irrelevant considerations or acted for an improper purpose', such as deficit reduction. According to the National Association of Pension Funds, one in four private sector final salary schemes are permitted to move from the RPI to the CPI under scheme rules.

#### Pay awards in 2012

A look at pay settlements effective in January 2012 shows a median of 3%. Many of these awards are subsequent stages of long-term deals, some with pre-agreed increases. Examples of these awards include the 4.75% increase at Rolls-Royce Motor Cars, covering 847 non-management employees, and the increase for cabin crew at Thomson Airways which resulted in an increase of 5.05% due to its link with RPI inflation. But new deals effective for 12 months are coming in at or above the median as well. These include the 3% award at ITV, covering 4,000 staff. Mobile telecoms provider Three has paid increases from a 3% budget to 2,200 retail staff. ITN has paid all staff earning less than £75,000 increases of 3.25%, plus non-consolidated payments of £500.

**Annual Survey of Hours and Earnings, 2011**

Median hourly earnings, excluding overtime (full-time)		
	£ph	% change
All	12.62	1.0
Men	13.11	0.8
Women	11.91	1.9
Median gross weekly earnings (full time)		
	£pw	% change
All	500.70	0.4
Men	538.50	0.2
Women	445.10	1.4

Source: ASHE (ONS)

## Pay developments

### Chancellor announces public sector pay cap

The Chancellor, George Osborne, has announced a new policy on public sector pay for the period after the current two-year pay freeze policy ends in 2013. He said: 'we will set public sector pay awards at an average of 1% for each of the two years after the pay freeze ends.' He went on to say that civil service departments' budgets will be adjusted in line with these pay rises, implying a downward adjustment in the projected budget increases. These had previously been set at 2%, though the NHS and school budgets will be protected 'in real terms'. The Chancellor's announcement was ambiguous on

the issue of whether the 1% average increase includes or excludes pay progression.

The Chancellor also announced that he had asked the independent pay review bodies that advise the Government on pay for the NHS, senior civil service, teachers and prison officers, to explore ways in which public sector pay can be made 'more responsive to local labour markets', and to report on this by July 2012. For comment on some of the issues involved, see <http://idseye.com/2012/01/17/growing-number-of-myths-about-local-pay-determination/>

**Summary IT salary levels 2011/12**

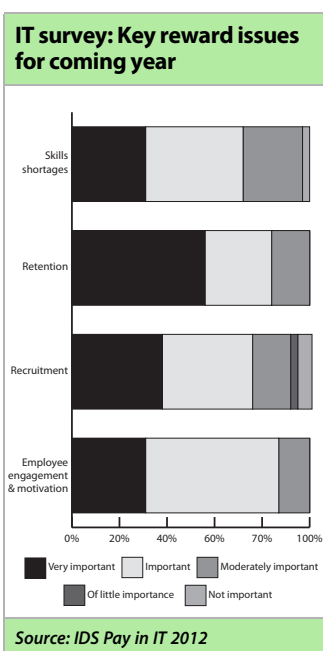
Job title	Median midpoint £pa
IT User Support Technician	24,759
IT User Support Team Leader	36,675
Network Systems Engineer	29,986
Network Systems Team Leader	44,262
Software Developer	30,375

Source: IDS Pay in IT 2012

### Gender pay gap narrows

According to the latest figures from the Office for National Statistics (ONS) the gender pay gap has dropped to its narrowest ever reading. Using median hourly earnings excluding overtime (the ONS' preferred measure) women's earnings rose by 1.9% to £11.91 an hour in 2011, while men's earnings rose by just 0.8% to £13.11. This led to the earnings gap narrowing to 9.1%, the lowest figure on record and the first time the gap has

dropped below 10%. It is unclear at this stage what, if any, effect public-sector job losses may have had on the figures. The ONS' Annual Survey of Hours and Earnings (ASHE) provides a comprehensive snapshot of earnings each April, and the impact of job cuts in the public sector, with its large proportion of female workers, may not feed through until the gender pay gap is measured again in April 2012.



### Private and public sector pay changes during the recession

In his autumn statement, the Chancellor argued that public sector pay had risen at double the rate of private sector pay over the last four years. He made the point at the time of announcing that public sector pay awards would be restricted to 1% in each of the next two years, in part because 'many are helped by pay progression – the annual increases in salary grades that many people are entitled to, even when pay is frozen.'

However, according to IDS analysis, the rate of growth in private sector pay was above the public sector in the three years up to 2008, before the recession. But it was during 2009 and part of 2010 that private sector pay fell behind because of the recession. Subsequently, from the autumn of 2010, private sector pay growth went ahead of the public sector. In fact, in the year to September 2011, earnings grew by 2.4% in the

private sector and by 1.8% in the public sector (excluding the nationalised banks). This was the result of modest pay growth building up in the private sector at the same time as pay freezes spread across the public sector.

While basic pay awards have been frozen for the public sector, many in the private sector have been getting no more than 2% a year at a time when inflation has been running at around 5%. The big issue is that around 90% of all employees – whether in the public or private sectors – are seeing substantial falls in their real disposable incomes.

Read the full article, 'How did private and public sector pay change over the recession years?' on <http://idseye.com/2011/12/08/how-did-private-and-public-sector-pay-change-over-the-recession-years/>

## Prospects

### City economists expect RPI to fall in 2012

IDS's latest round-up of economic forecasts, conducted in early December 2011, shows that the RPI measure of inflation is expected to be around 4% at the beginning of 2012, falling to between 3 and 3.5% by the end of the year. Forecasters have continuing concerns over economic growth, with the GDP forecasts being revised down further. The Consumer Price Index (CPI), which does not include most elements of housing costs, is also expected to fall, to an average of 2.5% over 2012.

The initial drop in prices in early 2012 is due in part to the 'temporary' effects of the increases in

VAT, oil and utility prices in 2011 that will drop out of the year-on-year comparisons in 2012. Other reasons for the lower forecasts in 2012 will come from lower petrol prices, due to the Chancellor's announcement in the Autumn Statement that the planned fuel duty increase in January will be postponed until August.

The average forecast for growth, in terms of GDP over the year, is just 0.9% for 2011 and 0.4% for 2012. As a result of the weak prospects for growth the Bank of England is expected to maintain its interest rate at 0.5% until at least 2013. GDP fell by 0.2% in Q4 2011.

#### Government to enable more councils to address equal pay disparity

Communities Minister, Bob Neill, has granted a further 12 councils permission to borrow against or sell assets worth up to £200 million this financial year to tackle historic pay inequality. The move is intended to enable councils to settle equal pay claims without having to raise council tax or cut frontline services. The Government has given councils permission to raise over £1.89 billion for equal pay costs under a process known as capitalisation, which essentially gives permission to local authorities to meet revenue costs out of capital resources, either through borrowing or capital receipts. Councils given these permissions include Birmingham, Dorset and Stockport.

#### RPI inflation forecasts, 12 December 2011

	CI	CB	DB	MS	NO	RBS	UBS	Rounded average
2012 1st quarter	3.8	3.8	4.0	3.7	3.5	3.8	4.0	3.8
2nd quarter	3.4	3.5	3.6	3.6	3.4	3.5	3.5	3.5
3rd quarter	3.2	3.2	3.4	3.2	3.4	3.1	3.6	3.3
4th quarter	3.1	2.7	2.8	2.9	3.2	2.6	3.4	3.0
2013 1st quarter	2.9	2.3	2.3	2.7	3.4	2.1	2.8	2.6
2nd quarter	3.0	2.2	2.1	2.5	3.2	1.9	2.7	2.5

Forecasters: CI Citigroup; CB Commerzbank; DB Deutsche Bank; MS Morgan Stanley; NO Nomura; RBS Royal Bank of Scotland; UBS UBS.

### Recent and forthcoming employment law changes

Date	Employment law change
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>
1 February 2012	<b>New compensation limits come into force.</b> The Employment Rights (Increase of Limits) Order 2011 SI 2011/3006 increases, among other things, the limit on the amount of a week's pay used to calculate statutory redundancy payments and the basic award for unfair dismissal from £400 to £430 as well as raising the maximum compensatory award for unfair dismissal from £68,400 to £72,300. More information can be found here: <a href="http://www.legislation.gov.uk/ukSI/2011/3006/made">http://www.legislation.gov.uk/ukSI/2011/3006/made</a>
6 April 2012	<b>Qualifying period for unfair dismissal claims becomes two years.</b> Further information can be found here: <a href="http://www.bis.gov.uk/assets/biscore/employment-matters/docs/r/11-1365-resolving-workplace-disputes-government-response.pdf">http://www.bis.gov.uk/assets/biscore/employment-matters/docs/r/11-1365-resolving-workplace-disputes-government-response.pdf</a>
9 April 2012	<b>New rates of statutory maternity pay and sick pay.</b> Statutory Maternity, Paternity, Additional Paternity, Adoption Pay and Maternity Allowance will increase from £128.73 to £135.45; and Statutory Sick Pay will increase from £81.60 to £85.85. Further information can be found here: <a href="http://www.publications.parliament.uk/pa/cm201011/cmhansrd/cm111212/wmstext/111212m0001.htm#1112123000009">http://www.publications.parliament.uk/pa/cm201011/cmhansrd/cm111212/wmstext/111212m0001.htm#1112123000009</a>
April 2012	<b>Witness statements will be taken as read, expenses withdrawn for witnesses, the maximum amounts for costs and deposit orders will increase, and judges will sit alone for unfair dismissal claims.</b> The changes, announced in the response to the resolving workplace disputes are designed to lower costs and speed up tribunal claims. Download the document here: <a href="http://www.bis.gov.uk/assets/biscore/employment-matters/docs/r/11-1365-resolving-workplace-disputes-government-response.pdf">http://www.bis.gov.uk/assets/biscore/employment-matters/docs/r/11-1365-resolving-workplace-disputes-government-response.pdf</a>
April 2012	<b>Revised procedural code for Employment Tribunals.</b> Following a fundamental review of the rules of procedure for employment tribunals Mr Justice Underhill, outgoing President of the Employment Appeal Tribunal, will present his revised Code. The draft terms of reference for the review can be found here: <a href="http://www.bis.gov.uk/assets/biscore/employment-matters/docs/f/11-1379-fundamental-review-employment-tribunal-rules-terms.pdf">http://www.bis.gov.uk/assets/biscore/employment-matters/docs/f/11-1379-fundamental-review-employment-tribunal-rules-terms.pdf</a>
June 2012	<b>Extra bank holiday to celebrate the Queen's Diamond Jubilee.</b> The late May bank holiday will be moved to Monday 4 June and an extra bank holiday added on Tuesday 5 June to form a long weekend of celebration. Further details can be found here: <a href="http://www.culture.gov.uk/what_we_do/honours/diamondjubilee.aspx">http://www.culture.gov.uk/what_we_do/honours/diamondjubilee.aspx</a>