Bargaining Support Group

Bargaining on Annual Pay Rises

UNISON
the public service union

BARGAINING ON ANNUAL PAY RISES

How can this guide assist me?

This document seeks to provide negotiators with the following material to assist in bargaining over annual pay increases:

- An outline of the latest developments in key economic factors that shape pay claims, particularly:
    - Changes in the cost of living facing workers, which pay claims need to keep pace with if the buying power of wages is not to fall;
    - Pay settlement and average earnings growth figures, which can act as a benchmark for pay claims;
    - The context for pay claims in terms of the labour market, the National Minimum Wage, the Living Wage and other dimensions of the economy.
- Directions to model pay claims, which are likely to be of most value to branches representing staff working in private companies and community / voluntary organisations, who are not covered by the major national bargaining bodies in local government, the NHS and education;
- Advice on supplementing a claim through a staff survey and a model questionnaire that can be amended to suit local circumstances;
- Word versions of the model pay claim and model survey can be downloaded from the UNISON bargaining guides page at https://www.unison.org.uk/bargaining-guides/

Contents of the guide

Latest headline figures 4

Inflation as benchmark for pay claims 5

Historical inflation rates 5

Impact on real wages 6

Main factors affecting inflation 7

Forecast inflation rates 8

Reason for comparing wages to RPI 9

Pay settlements and average earnings as benchmark for pay claims 11

Pay settlements 11

Average earnings 13

Wider context to consider referencing in pay claims 16

Labour market 16

National Minimum Wage 18

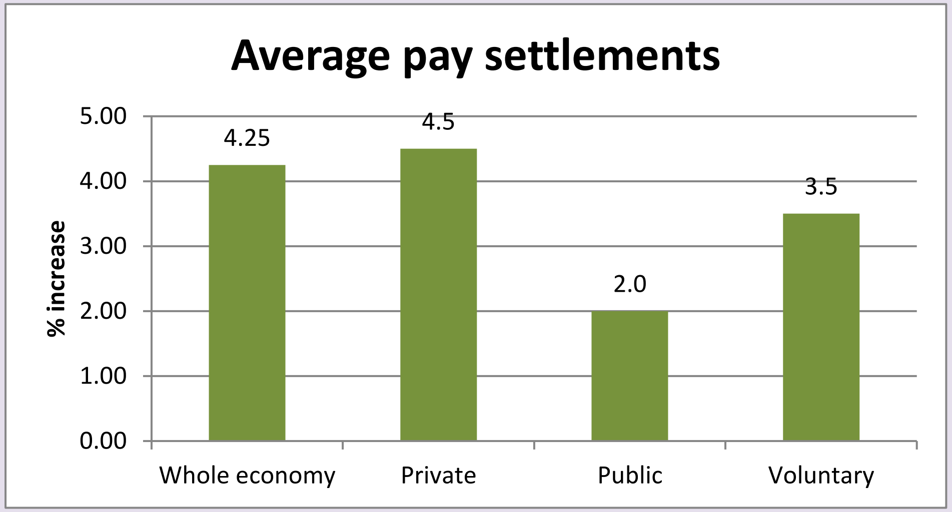
Living Wage 19

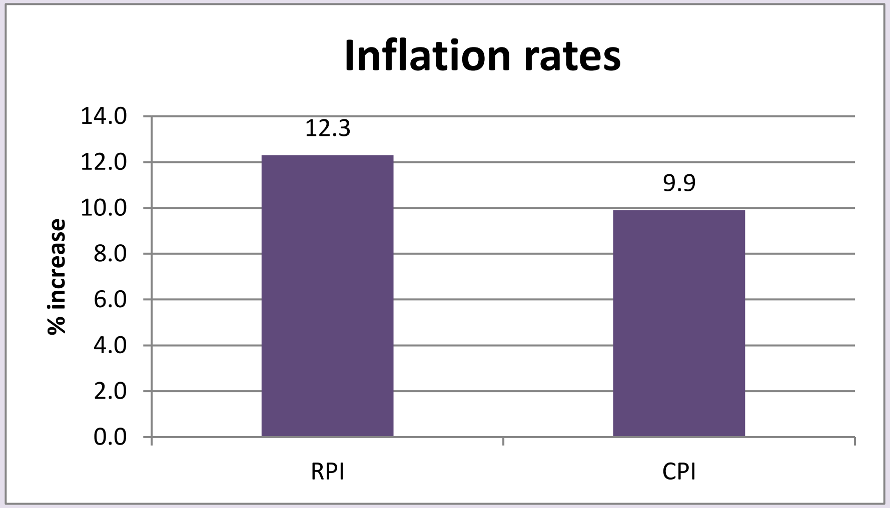
Appendix 1 - Model pay claim 20

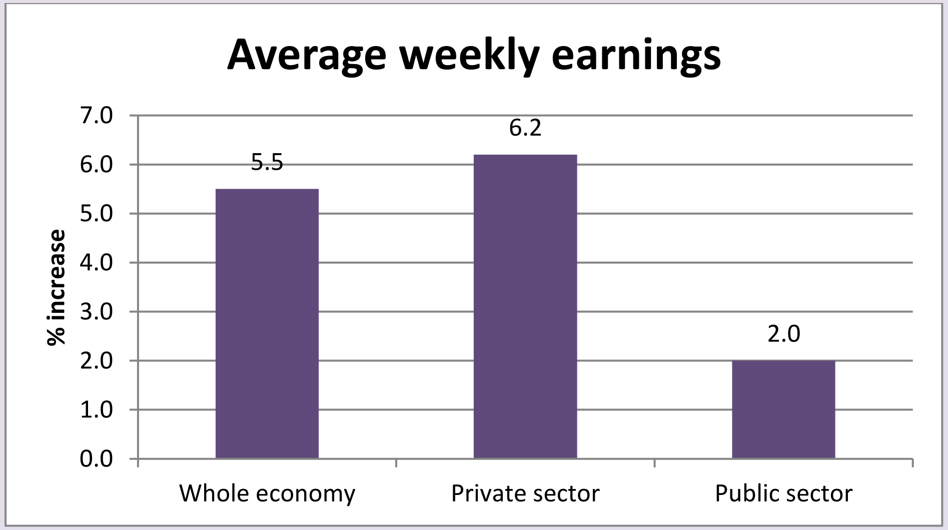
Appendix 2 – Merits of percentage and flat-rate pay claims 26

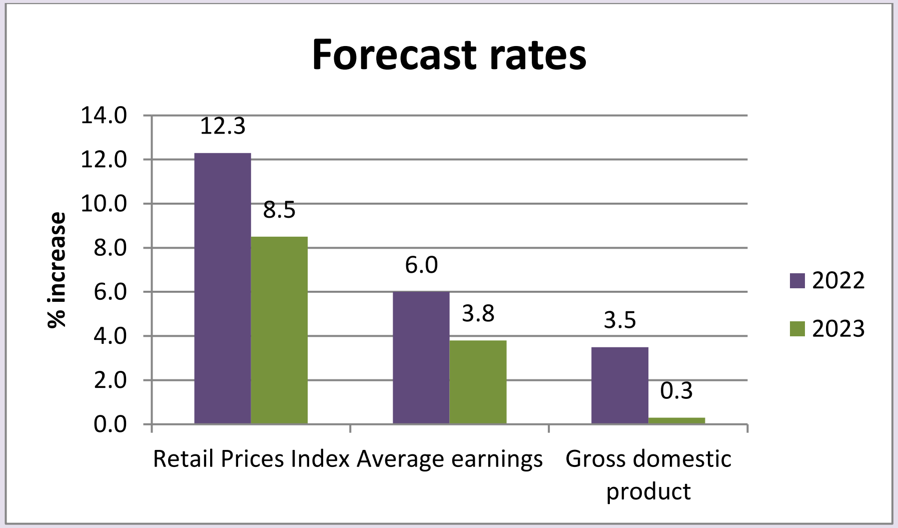
Appendix 3 - Strengthening claims through a staff survey 27

Latest headline figures







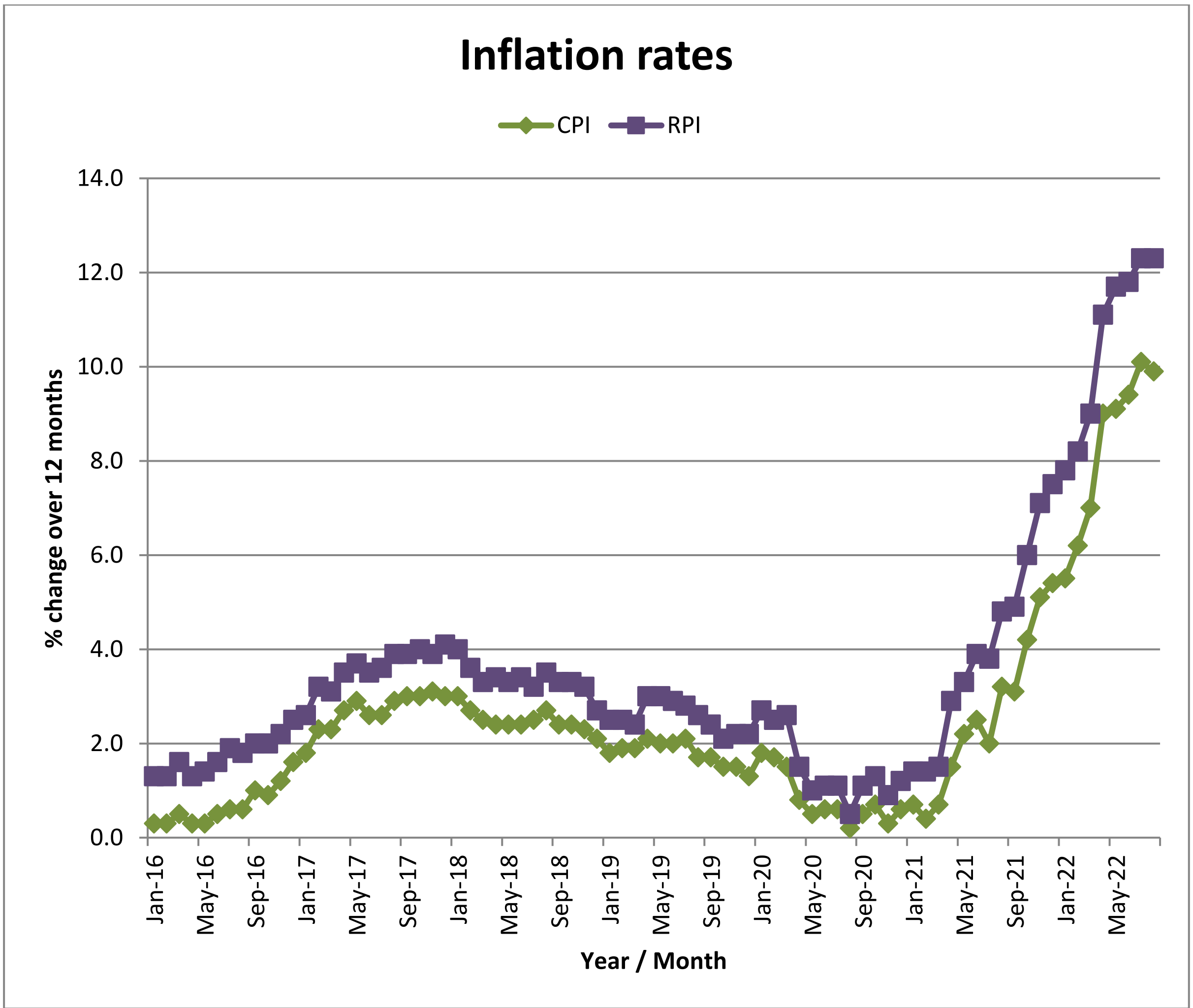


Inflation as benchmark for pay claims

Historical inflation rates

The most widely reported measure of inflation in the UK is the Consumer Prices Index (CPI). However, the most accurate indicator of changes in the cost of living facing workers is the Retail Prices Index (RPI) [for the reasons why RPI is most relevant, see note below].

Inflation rose markedly over 2016 and 2017, pushing the RPI rate to over 4%. During 2018 and into 2019 the rate fell back and the effect of the Covid-19 pandemic on the economy heralded a further decline. However, rates exploded over 2021 and into 2022, putting the **August 2022 RPI rate at 12.3% and the CPI rate at 9.9%** - inflation rates not seen in four decades.



Source: Office for National Statistics, UK Consumer Price Inflation: August 2022, published September 2022

Throughout the period shown by the graph above, the average CPI rate has been 1% lower than the average RPI rate.

Between the start of 2010 and the end of 2021, the cost of living, as measured by the Retail Prices Index, rose by a total of 45.8%.

Impact on real wages

The annual changes for full years since 2010 have been as below. The annual pay rises at an organisation can be set against these annual inflation rates to show the impact on the value of wages and examples of actual salaries can be used to show the impact in cash terms (if you need assistance in carrying out these calculations, contact Bargaining Support on bsg@unison.co.uk).

The RPI rate is the one that UNISON believes most accurately reflects the change in prices faced by workers. However, the CPI figures are also shown below as they may be useful in showing the scale of decline in wage value even if that figure is used.

Year	% Annual Growth in RPI	% Annual Growth in CPI
2010	4.6	3.3
2011	5.2	4.5
2012	3.2	2.8
2013	3.0	2.6
2014	2.4	1.5
2015	1.0	0.0
2016	1.8	0.7
2017	3.6	2.7
2018	3.3	2.5
2019	2.6	1.8
2020	1.5	0.9
2021	4.1	2.6

Across the economy, the most recent data from the Annual Survey of Hours and Earnings suggests that the real value of average UK pay packets has fallen by 15% since 2009, with employees losing over £3,500 a year from the value of their pay packet. The average worker would have accumulated almost £43,000 more had their wage kept pace with inflation.

For the public sector worker who has not benefited from any incremental progression in their pay and has been subject to public sector pay policy in England, the cut has been 19%, leaving their 2021 wage over £7,600 down on the value of their earnings in 2009 and the accumulated loss from their wage failing to keep pace with inflation each year standing at over £60,000.

Main factors affecting inflation

The changes in the price of components of the Retail Prices Index over the year to August 2022 are shown in the table below.

Item	Average % increase to August 2022
Housing and household expenditure	14.8
Food and catering	12.4
Consumer durables	12.2
Travel and leisure	10.5
Personal expenditure	9.5
Alcohol and tobacco	5.1
All goods	11.2
All services	14.8
All items	12.3

Source: Office for National Statistics, Consumer Price Inflation Reference Tables, August 2022

Within these figures, some costs are rising significantly faster, led by energy costs that have seen **gas prices almost double (at 98.5%), electricity prices rise by 54%, and petrol and oil costs jump by 31.2%.** Energy prices have escalated sharply since April 2022, when the price cap received an enormous lift and the average bill increased from £1,277 to around £2,000 a year[1]. OFGEM then announced that the cap would increase further to £2,800 in October, though the Energy Price Guarantee is now expected to mean that annual energy prices for the typical household are capped at £2,500 for two years from October 2022.

The price of housing also remains one of the biggest issues facing employees and their families. Across the UK, **house prices rose by 15.5%** in the year to July 2022[2], with Wales experiencing the biggest increase at 17.6%, followed by England at 16.4%, Scotland at 9.9% and Northern Ireland at 9.6% (for a breakdown of increases by English region, click here).

Private rental prices have also seen a significant increase, taking the **average monthly rent for new tenancies in the UK up 8.5%** to £1,143[3] in August 2022 (for a country / regional breakdown of rents click here).

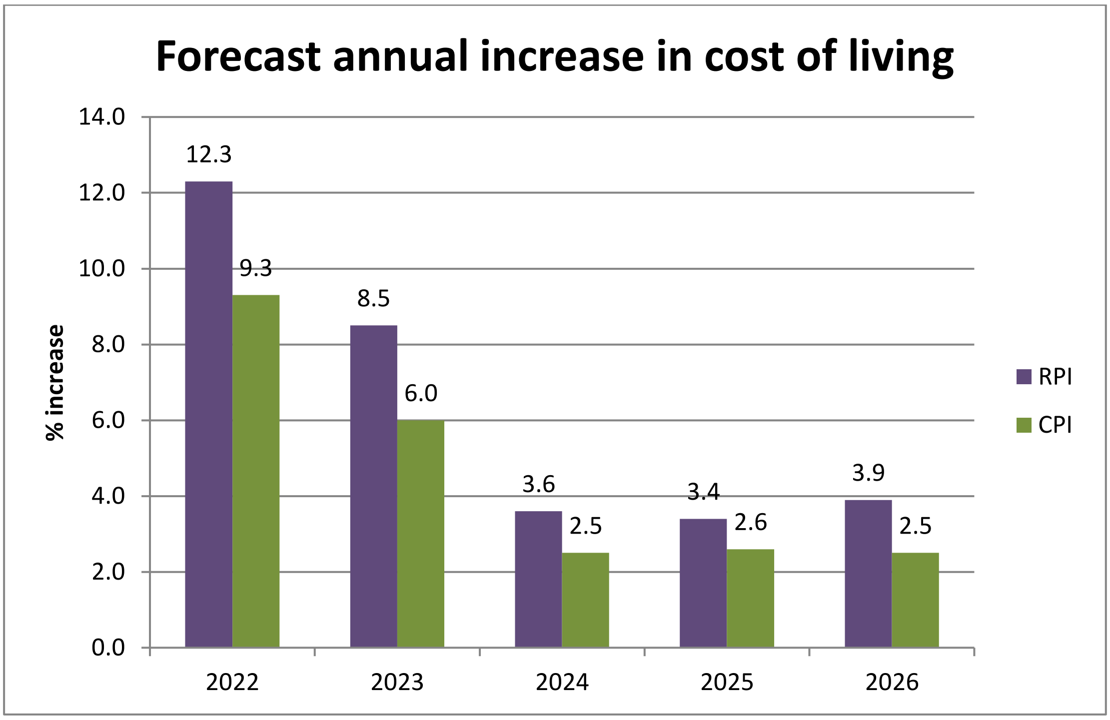
Current inflation rates can mask longer term changes in the cost of living that have taken place since 2009 The examples below show major increases in core costs that have surpassed average price increases over the period.

Expenditure item	**Bus / coach fares**	**Electricity bills**	**Rail fares**	**House prices**
Price rise 2009 - 21	88%	65%	55%	53%

[1] Resolution Foundation, Higher and Higher, January 2022
[2] Office for National Statistics, UK House Price Index: July 2022, published September 2022
[3] HomeLet Rental Index, June 2022

Forecast inflation rates

The Treasury average of independent forecasts states that **RPI inflation will average 12.3% over 2022 and maintain a high level over 2023 at 8.5%**, in line with the pattern shown in the graph 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, August 2022

Reason for comparing wages to RPI

The key arguments

UNISON believes that the Retail Prices Index (RPI) remains the most accurate measure of inflation faced by employees.

The most widely quoted figure for inflation in the media is the Consumer Prices Index (CPI), However, UNISON believes that CPI consistently understates the real level of inflation for the following reasons:

- CPI fails to adequately measure one of the main costs facing most households in the UK – housing. Almost two-thirds of housing in the UK is owner occupied, yet CPI almost entirely excludes the housing costs of people with a mortgage;
- CPI is less targeted on the experiences of the working population than RPI, since CPI covers non-working groups excluded by RPI – most notably pensioner households where 75% of income is derived from state pensions and benefits, the top 4% of households by income and tourists;
- CPI is calculated using a flawed statistical technique that consistently under-estimates the actual cost of living rises faced by employees. The statistical arguments are set out exhaustively in the report "Consumer Prices in the UK" by former Treasury economic adviser Dr Mark Courtney, which is summarised here and covered in full here

While we do not claim that RPI is perfect, we believe that it is a much better indicator than CPI. Estimates arising from Courtney's analysis suggest that, of the 0.9 percentage point average difference between RPI and CPI inflation over recent years, 0.2 percentage points represented an over-estimation by the RPI, while 0.7 percentage points was down to under-estimation by the CPI.

Widespread opposition to CPI

RPI was the virtually unchallenged measure of UK inflation for almost six decades following the Second World War. However, RPI has been under sustained attack by the UK Statistics Authority (UKSA) for almost a decade, since changes in the collection of clothing price data created a substantial difference in RPI and CPI for this very small element of the overall inflation calculation

Drawing on the work of economists whose theory offered some support to the UKSA's arguments against RPI, the authority derocognised RPI in its official status as a "national statistic" in 2013. Subsequently, the UKSA developed CPIH as its "most comprehensive measure of inflation" in 2017 (CPIH attempts to introduce housing costs into the CPI measure, though it uses the controversial rental equivalence method, which treats owner occupiers as if they were renting their property).

However, those steps faced overwhelming opposition whenever the UKSA put their proposals out to public consultation. UNISON and the TUC have joined with sympathetic economists in defending RPI. In addition, the Royal Statistical Society has consistently stated that CPI was never intended as a measure of changes in costs facing households. Rather, it was "designed in the 1990s for macroeconomic purposes" and its purpose is to act "as the principal inflation indicator for the Bank of England in its interest-setting rate role."

The society sums up its position as follows:

"Why should the typical household accept an inflation index that: -

- fails to take account of, or does not track directly, one of their main expenditure items: mortgage payments and other costs of house purchase and renovation;
- gives more weight to the expenditure patterns of wealthier households than of other households;
- fails to take account of interest on loans for a wide variety of purposes, ranging from student loans to loans for car purchase;
- includes the expenditure of foreign tourists in the UK but not their own expenditure outside the UK;
- fails to include council tax."

In 2019, the UKSA then faced a withering rebuke from the House of Lords Economic Affairs Committee over its handling of RPI, most notably with regard to its failure to fulfil its duty to properly maintain the methodology for calculating RPI. As a result, the committee demanded that, "given RPI remains in widespread use, the authority should stop treating RPI as a legacy measure and resume a programme of periodic methodological improvements."

And the committee directed a further blow at the credibility of CPIH, stating that it was "not convinced by use of rental equivalence in CPIH to impute owner occupier housing costs."

However, the UKSA has ploughed on regardless of all criticism and in late 2020 the government announced that it would accept its recommendation to change the measurement of RPI to that of CPIH – effectively abolishing RPI from 2030.

The continued use of RPI

Though CPI is the figure quoted almost uniformly across the media when reporting inflation, RPI remains a common reference point for pay negotiations.

And beyond pay bargaining, RPI remains the government's measure for uprating fuel benefit charges on company cars, air passenger duty, alcohol duty, gaming duty, regulated rail fares, student loan interest rates, tobacco duty and vehicle excise duty,

Across the private sector, it is extensively used wherever charges are made on a rolling contract basis. For instance, RPI uprating can be found among:

- Mobile phone tariffs charged by many major providers - iD mobile, O2, Virgin
- Annual reviews of property rental – historically, RPI has been the standard benchmark;
- Annual uprating of private sector pension payments;
- Contracts for ongoing services eg RPI is commonplace as the agreed uprating charge under Private Finance Intiative projects.

Some organisations, such as Barnardo's and British Telecom, have pursued high profile court cases to reduce uprating of pension payments to CPI, but have found their arguments rejected. BT pursued its claim on the basis that RPI had become an "inappropriate measure" but the courts refused to accept that RPI was inappropriate for the purpose of the scheme.

Pay settlements and average earnings as benchmark for pay claims

Pay settlements

Pay settlements in the private sector have been running ahead of the public sector for the vast majority of the last decade. While the pay freeze was in place across the public sector (2011-12), the private sector was seeing average rises around 2.5%, and the private sector continued to outpace the public sector by at least double the public sector rate during the ensuing period of the 1% pay cap (2013-17). Since 2018, the gap started closing and over 2020 the public sector overtook the private sector for the first time in approximately a decade. However, over 2021 settlements saw the private sector lead restored.

The table below shows the latest average settlements over the last year across a variety of sectors. **Settlements have averaged 4.25% across the economy, 4.5% in the private sector, 2% in the public sector and 3.5% in the voluntary sector.**

Pay claims should emphasise that employers falling below relevant rates can expect damage to their ability to recruit and retain high quality staff.

[To seek more detailed figures on pay settlements within a particular sector, contact Bargaining Support on bsg@unison.co.uk]

Sector	**Average pay settlements**
Across economy	4.25%
Private sector	4.5%
Public sector	2.0%
Not for profit	3.5%
Energy & gas	4%
Water & waste management	4.78%

Source: Labour Research Department, settlements year to July 2022

Average pay settlements across the economy since 2010 are shown by the table below. The dangers of falling behind market rates over the long term can be demonstrated to employers as part of pay claims by contrasting the pay awards in an organisation against this economy average (for more detailed averages by sector, contact Bargaining Support on bsg@unison.co.uk).

Year	Average pay settlements
2010	2.0%
2011	2.5%
2012	2.5%
2013	2.5%
2014	2.5%
2015	2.2%
2016	2.0%
2017	2.0%
2018	2.5%
2019	2.5%
2020	2.3%
2021	2.0%

The cumulative impact of this growth has been to raise average pay by 31.2% since 2010.

The CIPD quarterly survey of employers' expectations found that private sector employers are forecasting an average 4% pay settlement over the next year[4].

The Bank of England Agents' Summary of Business Conditions (Q1 2022) found that **companies said they expected pay awards in 2022 to lie between 4% and 6%**, prompting the Monetary Policy Committee to estimate that underlying pay growth would reach 5% in the coming months.

The Bank of England Agents' Summary of Business Conditions (Q2 2022) went on to add that "a significant minority of companies said they were considering mid-year top-ups to pay settlements, and there were reports of some companies awarding one-off bonuses to compensate workers for higher inflation and to retain staff. This was particularly the case for lower-paid and skilled workers, and in sectors where there was strong demand for skills."

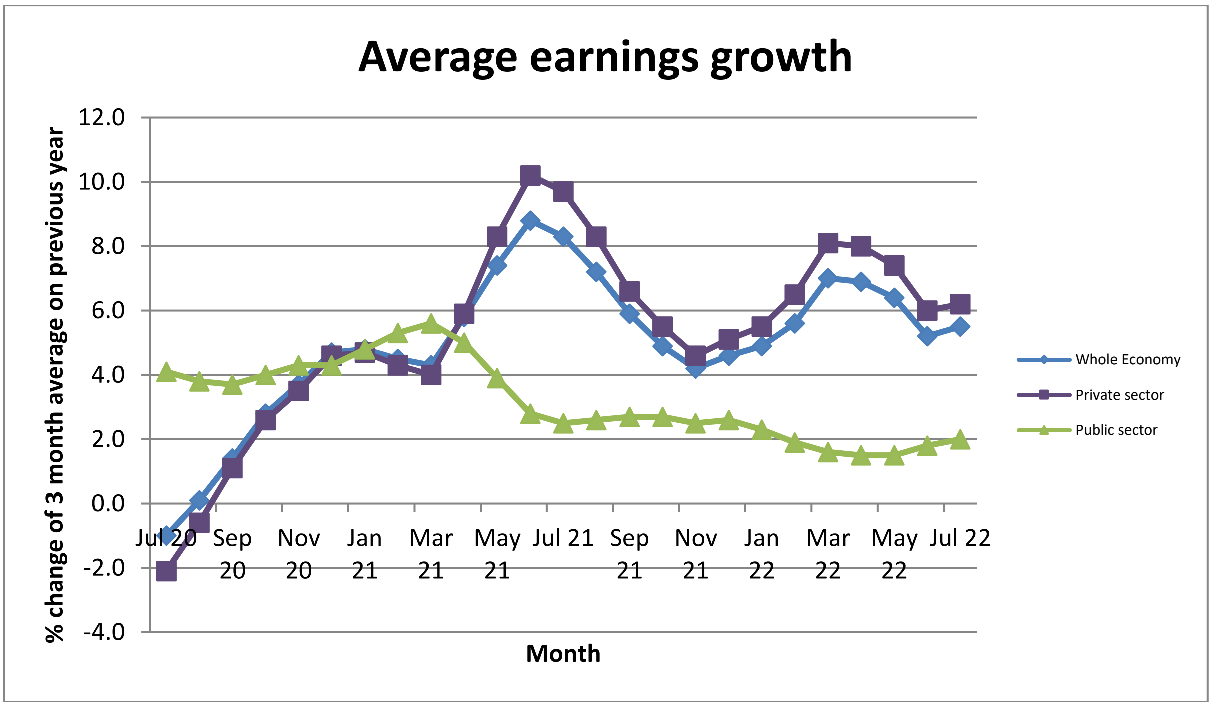
[Pay settlements for the public sector in Scotland are taking place in the context of a 2022/23 pay policy specifying a £10.50 an hour minimum, £775 for those earning £25,000 and below, £700 for those earning over £25,000 and up to £40,000, with a £500 pay uplift to those earning over £40,000.]

[4] CIPD, Labour Market Outlook, Summer 2022

Average earnings

The graph below shows trends in average earnings growth over the last two years. The acceleration of the general rate to 3.9% in July 2019 took average earnings growth to its highest level in over a decade. It then oscillated violently as the effect of the Covid-19 pandemic on the economy took effect. The number of furloughed staff moving onto 80% of their usual earnings caused the figure to dip sharply in 2020. But then the effects of the pandemic on the composition of the labour market as well as staff moving off furlough resulted in a spike to 8.8% in June 2021. The distorting effect of the pandemic has now dropped out of the figures, but **average earnings growth was still running at 5.5% in July 2022**[5]. [If the distorted figures of the pandemic period are set aside, this is the quickest growth in average earnings for over 20 years].

As in the case of pay settlements, a gap between public and private rates has been a persistent feature of the economy over the last decade. 2020 saw the first sustained period since 2010 when the public sector has been running ahead of the private sector. However, faster growth in the private sector has reasserted itself strongly since 2021, leaving **private sector earnings now growing at 6.2% compared to public sector earnings at 2%.** The gaps in favour of the private sector recorded over the last year have been the largest seen in more than 20 years.



Source: Office for National Statistics, Labour Market Overview UK, September 2022

[5] ONS, Labour Market Overview, July 2022

The Treasury's Summary of Independent Forecasts, published in September 2022, puts **average earnings growth at 6% in 2022 and 3.8% in 2023.**

These rates can again be used to show the pay increase needed for an employer to avoid slipping behind the going rate and suffering damage to recruitment and retention.

Greater detail on changes in average earnings is available by such factors as occupation, region and local authority. If you require any assistance in extracting required information from these tables, please contact Bargaining Support via bsg@unison.co.uk

Note on comparisons between public and private sector

The campaign by the government and much of the media to paint public sector workers as overpaid relative to private sector workers reasserts itself from time to time and was prominent in arguments put forward to support the introduction of another public sector pay freeze in 2021. Average earnings figures have often been used as the basis for making this false assertion.

The claim is usually based on a crude comparison of average pay that doesn't take account of the different type of jobs in the public and private sector. The last study by the Office for National Statistics that ensured the comparison was conducted on a like-for-like basis, taking into account region, occupation, gender, job tenure and organisational size found that the average public sector worker was paid 3% less than a private sector worker in 2019[6] and had been earning less in terms of gross pay (including overtime and bonus pay) every year since 2014.

Public sector workers only earn more than comparable private sector workers when pensions are added to the comparison, because of the private sector's widespread abandonment of defined benefit schemes.

Before public sector average earnings growth dropped well below the private sector rate in 2013, average earnings growth rates were also often used as a basis to argue that the public sector continues to see improvements in pay that are not matched by the private sector and particularly as a basis for attacking pay progression.

The flaw in these arguments is that the use of average earnings growth for comparisons does not simply reflect changes due to pay settlements and pay progression.

Changes in the average are affected by a multitude of factors that affect the composition of the public and private workforce. Any changes that swell the lower paid end of the workforce and/or reduce the proportion of higher paid employees, such as differences between the sectors in recruiting staff on part time or zero hours contracts, or redundancies that hit the most recent recruits hardest, will act as a downward pressure on the average.

The government's drive toward greater outsourcing in itself tends to lower private sector average earnings growth and raise public sector growth because of the marked tendency for outsourcing to focus on lower paid sections of the workforce.

Therefore, average earnings growth does not offer any kind of sound basis for judging actual changes in the pay packet of a worker in the public or private sector. Pay settlement data forms a much sounder basis for comparison as it eradicates the differences in workforce composition that affects average earnings growth comparisons.

[6] ONS, Public and Private Sector Earnings 2019, September 2020

Wider context to consider referencing in pay claims

Labour market

The UK economy contracted by 9.9% in 2020 against the background of the Covid-19 pandemic, but the **value of the economy** (GDP) recovered with 7.5% growth in 2021 and is **predicted to run at 3.5%[7] growth over 2022**.

Alongside this growth, operating surpluses and dividends paid to shareholders surged upward to £515bn and £94bn respectively in 2021.

The general pattern across the economy during the pandemic was of course escalating unemployment and falling vacancies, but these trends went into a sharp reverse during 2021 and have escalated markedly into 2022, so raising recruitment and retention pressures on employers.

The **unemployment rate** had been in decline from a peak of 8.5% in 2011 to 3.8% by September 2019, the impact of the pandemic saw that figure rise to over 5% in 2020, but the rate has now **fallen back again to 3.6% in the three months to July 2022 (putting recent rates at the lowest level for almost 50 years)**

Forecasts now put the average unemployment rate at 3.9% in 2022 and then between 4.2% and 3.8% over the subsequent four years[8], **leaving unemployment at the kinds of levels only last consistently experienced in the early to mid-1970s**.

Meanwhile, the Office for National Statistics indicates that the **vacancy rate** across the economy had bounced back to **4.2% by August 2022** (recent months have seen the highest levels in at least two decades).

The **number of unemployed people per vacancy** fell from 5.8 in 2011 to 1.6 by September 2019, before the pandemic lifted the figure back up to 3.5 by mid 2020. However, recovery has seen the numbers competing for a job drop back even further than pre-pandemic levels to **just 1 by July 2022** (the lowest level in more than two decades).

Sector analysis shows that human health and social work retains one of the highest vacancy rates across the economy at 5.1%, while the other sectors most closely aligned with UNISON membership show rates of 2.9% for public administration, 2.8% for education, 4.5% for electricity and gas and 4% for water supply.[9] The highest vacancy rate across the economy is in the traditionally low-paid sector of "accommodation and food services," where shortages are reflected in a 7.7% vacancy rate.

This trend has been confirmed by a recent Institute of Fiscal Studies report[10] on job opportunities after the pandemic, which found that **"**we can see a systematic pattern: a shift towards vacancies in lower-skilled and lower-paid occupations."

[7] HM Treasury, Forecasts for the UK Economy, September 2022
[8] HM Treasury, Forecasts for the UK Economy, August 2022
[9] Office for National Statistics, Labour Market Overview, September 2022
[10] IFS, Job Opportunities after the Pandemic, April 2022

The acute issues that have been facing the “health and social work” category are also reflected in publications showing that the adult social care sector has a vacancy rate of 8.2% and a turnover rate of 34.4%,[11] while the NHS displayed a vacancy rate of 9.7% in England at June 2022[12].

Almost half of employers (47%) now report having “hard to fill” vacancies, with education employers experiencing the highest rate of any sector at 56%[13].

And the Bank of England Agents’ Summary of Business Conditions (Q2 2022) backed up those findings with its report that “recruitment difficulties remained acute across most sectors and skills levels, with job turnover and vacancy rates much higher than normal for many companies. In addition, there were widespread reports of staff being offered significantly higher pay to switch company, and of counter offers being made – in particular in professional services. Starting salaries were reported to have increased by around 10%. Many companies said they expected recruitment difficulties to persist for at least the next 12 months due to structural shortages of labour and skills.”

Turnover rates across the economy are averaging 14.4%, with the public sector averaging 12.4%[14].

Data gathered on turnover and / or vacancy rates within an employer can be contrasted within these wider rates to illustrate a particular recruitment and retention problem. For more detailed figures on sector turnover rates, contact Bargaining Support on bsg@unison.co.uk.

[11] Skills for Care, The State of the Adult Social Care Workforce in England, September 2021
[12] NHS Digital, NHS Vacancy Statistics England, June 2022
[13] CIPD, Labour Market Outlook, Summer 2022
[14] XpertHR, Labour turnover rates 2021

National Minimum Wage

The legally enforceable National Minimum Wage (NMW) sets the floor for any pay scale. The minimum hourly rates that comes into force from 1 April 2022 are set out below.

Category of staff	Aged 23 and over	Aged 21 - 22	Aged 18 - 20	Aged 16 - 17	Apprentices
Rate from April 2022	£9.50	£9.18	£6.83	£4.81	£4.81
% increase on 2021	6.6%	9.8%	4.1%	4.1%	11.9%

The 2020 rate took the highest tier of the wage to the target set back in 2016 to achieve 60% of median hourly earnings.

The government has now set a new target of two-thirds of average earnings by 2024, with the age eligibility for the highest tier dropping to 23 in 2021 and then 21 in 2024 (thereby eliminating a separate rate for 21-24-year-olds).

Almost all parts of the public sector apply their bottom rate to staff regardless of age. Therefore, the youth rates are hardly utilised, though the apprentice rate is adopted by many of the bargaining groups as a separate rate outside the pay scale.

The Low Pay Commission's forecast of how the highest tier of the minimum wage will rise over the subsequent years is subject to a great deal of uncertainty dependent on changing economic conditions, but it currently forecasts that it will rise to £10.32 in 2023 and then £10.95 in 2024.

UNISON's National Minimum Wage guide carries a thorough treatment of the issue and includes factors to consider within a pay claim, such as cascading increases up the pay scale and eliminating youth or apprentice rates if the organisation applies them.

Living Wage

UNISON policy is to press for the Living Wage as the minimum rate of pay. The Living Wage has become a standard benchmark for the minimum needed for low-paid staff to have a "basic but acceptable" standard of living.

The rates, announced annually by the Living Wage Foundation, **are currently £10.90 an hour outside London and £11.95 an hour in London.**

Studies supported by Barclays Bank have shown that Living Wage employers report an increase in productivity, a reduction in staff turnover / absenteeism rates and improvements in their public reputation.

Consequently, there are now over 10,000 employers accredited as Living Wage employers by the Living Wage Foundation, including almost half of the largest companies listed on the UK Stock Exchange and household names such as Barclays, HSBC, Nationwide, Google and IKEA are among them.

Across the public sector, the Living Wage has now long been set as the minimum pay rate across all Scotland's public sector organisations and this was extended to social care workers in Scotland's private and voluntary sector from October 2016. From 2022, Scotland's public sector pay policy has gone further in setting a £10.50 hourly minimum.

The Welsh Government has committed to achieving a Living Wage minimum in social care by 2024. In England and Wales, police staff pay scales start above the UK Living Wage and a framework agreement setting the Living Wage as a key target is in place for support staff in more than 12,000 schools across the UK.

The pressure on employers in low-paying sectors over the last year can also be seen in recent trends for most of the major supermarket retailers to lift starting wages to at least £10 an hour. A number of care sector employers have also moved toward a real Living Wage minimum in recognition of the consequent recruitment and retention problems.

Pay claims that include a Living Wage element can draw on the greater detail set out in UNISON's Living Wage guide on supporting arguments and the bargaining factors to consider.

Appendix 1 - Model pay claim

Most UNISON members are covered by national public sector bargaining structures through which a central pay claim is made on behalf of all staff covered by that bargaining machinery.

However, pay claims are also necessary where public authorities are able to opt out of nationally agreed arrangements, where outsourcing has led to delivery of services by private and community / voluntary and in the utility sectors where private companies predominate.

To assist in developing a pay claim in these circumstances, a general model is set out below.

Separate model pay claims for local government NJC compliant organisations and non NJC academies are available on the links below

- NJC Compliant Organisations
- Non NJC Academies

In the case of NHS contractors, a thorough set of materials, including a model pay claim and model letters, are available on this link:

- NHS contractor staff – One Team Us 2 | NHS pay (England) | UNISON National

In the case of housing associations, a model pay claim is available on this link:

- https://www.unison.org.uk/211124-housing-associations-generic-pay-claim/

PAY CLAIM FOR [INSERT YEAR]
SUBMITTED BY UNISON TO [NAME OF ORGANISATION]

1. INTRODUCTION

This pay claim is submitted by UNISON on behalf of staff working for **[organisation]**.

The claim is set at a level that we believe recognises the following key points:

- Substantial increases in the cost of living over recent years have significantly reduced the value of staff wages and the rise in prices facing workers is now at a 40-year high;
- Appropriate reward is needed to sustain the morale and productivity of staff in their crucial role of delivering high quality services;
- Appropriate reward is needed for the increased workload and stress placed on staff;
- Average earnings and pay settlements are surging across the economy, adding to the problem of rates running ahead of those received by **[organisation]** staff over recent year and increasing the likelihood of recruitment and retention problems in the long term;
- Nobody should be paid less than the nationally recognised Living Wage rate, which has become a benchmark for the minimum level of decent pay across the UK and is now paid by large sections of the public services and many major private companies.

2. SUMMARY OF CLAIM

We are seeking:

- A **[__%]** increase on all salary points and allowances **[If you are seeking an increase in line with a related public sector bargaining group, contact the Bargaining Support Group at bsg@unison.co.uk for the latest figures]**
- An additional increase in rates for staff at the bottom of the pay scale to bring their pay up to the level of the Living Wage.

- **[Any other additions to payments or improvement to conditions – UNISON guides on typical additional components, such as unsocial hours payments, vehicle allowances, reductions in hours, home working supplements, additional leave or workload controls can be found on the bargaining guides web page. This page also carries guidance on locational pay supplements and sets out arguments for their defence if employers attack supplements because of increased post-pandemic homeworking arrangements]**

3. FALLING VALUE OF PAY

The table below demonstrates the major fall in living standards suffered by staff over recent years.

Year	**[Organisation]** pay increases	Rise in cost of living[15] (as measured by Retail Prices Index)
2010	**[Insert pay rise]**	4.6%
2011	**[Insert pay rise]**	5.2%
2012	**[Insert pay rise]**	3.2%
2013	**[Insert pay rise]**	3.0%
2014	**[Insert pay rise]**	2.4%
2015	**[Insert pay rise]**	1.0%
2016	**[Insert pay rise]**	1.8%
2017	**[Insert pay rise]**	3.6%
2018	**[Insert pay rise]**	3.3%
2019	**[Insert pay rise]**	2.6%
2020	**[Insert pay rise]**	1.5%
2021	**[Insert pay rise]**	4.1%

This means that, while a wage keeping pace with the cost of living each year would have risen by 42.9% since 2010, pay in **[organisation]** has risen by just **[x%]**, which means that thousands of pounds have been cut out of the value of staff wages **[if you need assistance in calculating the actual loss on some example salaries, contact Bargaining Support on bsg@unison.co.uk]**

Inflation is currently running at 12.3% (the highest level in four decades) and for the value of staff wages not to fall back even further, they must at least keep pace with predicted rises in the cost of living, which Treasury forecasts state will be maintained at 12.3% in 2022[16].

[15] Office for National Statistics, Consumer Price Inflation Reference Tables, January 2022
[16] HM Treasury, Forecasts for the UK Economy, August 2022

Staff are experiencing an enormous surge in costs, including:

- A 99% increase in gas bills;
- A 54% increase in electricity bills;
- A 31% increase in petrol prices;
- A 16% rise in the price of buying a house and 9% rise in rent for a new rental property.

4. FALLING BEHIND AVERAGE PAY RATES

The ability of **[organisation]** to attract and retain staff in the long term will be damaged if the pay of its staff falls behind the going rate in the labour market.

Average earnings growth across the economy is currently surging ahead at 5.5% and the Bank of England's latest survey of employers found that companies expect pay awards in 2022 to lie between 4% and 6%[17], prompting the Monetary Policy Committee to estimate that underlying pay growth would reach 5% in the coming months

Vacancy rates across the economy are at their highest level in over two decades, providing staff with substantial alternative areas of employment.

The table below demonstrates how **[organisation]'s** pay settlements have fallen behind economy averages over recent years.

Year	**[Organisation]** pay settlements	Average pay settlements
2010	**[Insert pay rise]**	2.0%
2011	**[Insert pay rise]**	2.5%
2012	**[Insert pay rise]**	2.5%
2013	**[Insert pay rise]**	2.5%
2014	**[Insert pay rise]**	2.5%
2015	**[Insert pay rise]**	2.2%
2016	**[Insert pay rise]**	2.0%
2017	**[Insert pay rise]**	2.0%
2018	**[Insert pay rise]**	2.5%
2019	**[Insert pay rise]**	2.5%
2020	**[Insert pay rise]**	2.3%
2021	**[Insert pay rise]**	2.0%

[17] Bank of England, Agents' Summary of Business Conditions, Q1 2022

5. LIVING WAGE BECOMING STANDARD MINIMUM PAY BENCHMARK

The Living Wage has become a standard benchmark for the minimum needed for low-paid staff to have a "basic but acceptable" standard of living.

[Organisation] is now competing in a labour market where the Living Wage of £10.90 an hour outside London and £11.95 an hour in London has become an increasingly common minimum point in the pay scale.

Studies supported by Barclays Bank have shown that Living Wage employers report an increase in productivity, a reduction in staff turnover / absenteeism rates and improvements in their public reputation.

Consequently, there are now over 10,000 employers accredited as Living Wage employers by the Living Wage Foundation, including almost half of the largest companies listed on the UK Stock Exchange and household names such as Barclays, HSBC, Nationwide, Google and IKEA are among them.

Across the public sector, the Living Wage has now long been set as the minimum pay rate across all Scotland's public sector organisations and this was extended to social care workers in Scotland's private and voluntary sector from October 2016. The Welsh Government has committed to achieving the same goal in social care by 2024. Scotland has now surpassed the Living Wage for public sector pay in 2022.

With vacancy rate highest in low paying sectors, most of the major supermarket retailers have also lifted their starting rates to at least £10 an hour.

[A listing of accredited Living Wage employers is published here and may be useful for developing a list of organisations that can put pressure on the employer by showing local or sectoral employers that are already paying the wage]

[For more detailed guidance if you wish to expand on arguments for the Living Wage, see the UNISON guide here – this includes further material on the damaging impact for employers of low pay, dispelling confusion with the government's "national living wage" and cascading benefits up the pay scale].

6. RECRUITMENT AND RETENTION PRESSURES BUILDING

[Following the economic downturn triggered by the pandemic, recruitment and retention pressures are now beginning to reassert themselves on employers.

Therefore, if you can obtain figures for the organisation showing an increase in the vacancy rate (the number of vacant posts divided by the total number of posts in the organisation) or figures that are markedly worse than the 4.3% vacancy rate across the economy, set them out here.

Median turnover rates are estimated at 14.4% across the economy (12.4% in the public sector)[18], so if you have figures on turnover rates (calculated by taking the total number of leavers in a specified period - usually 12 months - and expressing the number as a percentage of the number of people employed during that period) that indicate the organisation is suffering higher than average turnover, insert them here.

[18] XpertHR, Labour turnover rates 2022

[For information on turnover rates in specific sectors, contact Bargaining Support at bsg@union.so.uk]

7. MORALE UNDER THREAT

Working against a background of tight budgets and the unprecedented demands of the Covid-19 pandemic over the last year, staff have been facing greater workload pressures. The resulting increased stress puts the morale of the workforce at risk and poses a long-term threat to **[organisation's]** ability to provide a consistent quality of service.

[Set out any evidence you can gather on the following factors

- **Increasing demands on the service;**
- **Reductions in staffing;**
- **Staff feeling greater stress;**
- **Staff suffering falling morale;**
- **The impact of these pressures showing themselves in rising sickness absence, higher staff turnover or declining service standards**

It is in this area that a short survey of staff may provide the most valuable material to support the evidence. An amendable basic pay survey is set out in appendix 5 below]

8. AFFORDABILITY

The affordability of this claim is clear from the latest **[organisation]** accounts, which show a surplus of **[£_]** for 2021/22, which is equivalent to a surplus of **[£_]** for each employee.

Against this figure, the accounts suggest that a **[x%]** pay rise will cost **[£_].**

We also note the affordability of an **[x%]** pay rise for the chief executive, taking **[his/her]** total remuneration to **[£_]**

[For the accounts of a private or community / voluntary organisation or assistance in interpreting accounts, contact Bargaining Support at bsg@unison.co.uk]

9. CONCLUSION

There can be no doubt that all **[organisation]** staff have seen the value of their earnings fall considerably over recent years and evidence suggests that they are also falling behind earnings for comparable jobs.

Combined with these developments, the last year has seen intensified pressures placed on staff at the same time as greater job choices are opening up for staff in an improving labour market.

Therefore, this pay claim represents a very reasonable estimate of the reward staff deserve for their dedication, skill and hard work and the minimum improvement in pay needed to maintain workforce morale for delivering consistently high-quality services.

Appendix 2 – Merits of percentage and flat-rate pay claims

Pay settlements can take the form of a percentage increase or a flat-rate increase. In making a judgement about whether to pursue a pay claim on a percentage or flat rate basis, branches should consider the following factors.

A percentage increase to salary can be viewed as fairer in the sense that all workers receive the same proportionate uplift in their pay packet. However, the cash value of that increase will be greater for higher paid staff than low paid staff.

For instance, a 1% pay rise for a worker on £20,000 a year translates into £200. A 1% increase for a worker on £40,000 translates into £400.

In contrast, agreeing a flat rate increase ensures that all staff receive the same cash uplift in wages, but that will mean a greater percentage for lower-paid workers than higher paid workers.

For instance, a £400 flat rate rise for a worker on £20,000 translates into a 2% increase. A £400 increase for a worker on £40,000 translates into a 1% increase.

In short, flat rate pay rises are more advantageous to lower paid workers than higher paid workers.

However, the other major consideration in evaluating these options is their effect on the pay scale as a whole and the differences in pay between jobs. This is particularly important if the pay structure has been established on the basis of a proper job evaluation procedure that seeks to recognise the different demands of job roles in the corresponding salary. Flat rate increases maintain the same cash value between jobs of differing demands and responsibilities, but reduce the percentage difference between them.

For instance, if a worker is on a salary of £20,000 and a supervisor on a salary of £30,000, a worker stepping up to a supervisor role would receive a 50% increase in their wage. If successive flat rate increases changed the pay structure so that a worker is on a salary of £30,000 and a supervisor on a salary of £40,000, stepping up would mean a 33% increase in their wage.

Settlements can often be based on a compromise between the percentage and flat rate. For instance, a flat rate is applied to a number of lower pay bands below a set pay threshold (e.g. all staff that earn less than £25,000), while a percentage applies to any staff above the threshold. The flat rate will normally be set at a level that delivers a higher percentage increase for lower paid staff than that for staff above the threshold. However, the percentage increase also ensures that pay rises at the top of the scale do not dwindle to a negligible percentage of salary.

Appendix 3 - Strengthening claims through a staff survey

The model agreement above provides a framework for a claim that draws on broad national or sectoral information to make a case. However, to tailor the claim effectively to a particular employer, the most valuable information can often be drawn from members themselves.

Therefore, consider conducting a short survey to identify the key pay related concerns of members and generate data, quotes or examples that are likely to influence the employer.

However, surveys can entail some notable pitfalls that can be addressed by observing the following points:

- Start planning the survey in good time to develop the questions, allow a two or three week period for responses and sufficient time for result analysis before incorporating within the claim and lodging the claim at the appropriate point in the annual pay negotiation cycle.
- Try to keep the survey short so that it is not overly demanding on staff time and they are more likely to complete it. As a rough guide, it should take between five and 10 minutes to complete, which means between 10 and 30 questions.
- Requiring answers that are specific reduces the time necessary for analysis. For example, if asking “How would you describe morale?”, requiring responses of High, Moderate or Low will enable you to quickly establish from the results that, for instance, 64% of staff see morale as low. If the answer is left open, responses will have to be analysed one by one to place them in categories and provide usable percentages for a claim.
- However, there can be a place for open-ended questions as they can generate quotes and examples of value to a claim. For instance, supplementing a survey with a question such as “In what way has your experience of work changed over the last year?” may give you a telling quote that makes a point more effectively than a page of percentages.
- Profile questions can be considered at the end of surveys to enable the results to be broken down according to certain categories. You may want to assess the differing experiences of pay for different parts of the workforce, by breaking down responses by factors such as department, occupation, part-time/full-time status, income band, disability, gender, age or ethnicity.
- Ensure that the survey carries a preamble that emphasises to members that the survey is completely anonymous, makes plain the purpose for which the gathered data will be used and tells them approximately how long the survey will take to complete.
- Always make sure that the data you submit to the employer protects your members’ identities.

- The best method for protecting confidentiality and for reducing the time necessary to analyse results is to conduct an online survey. The recommended online survey service is set out below. However, if the survey is sent out to email addresses, care has to be taken that this is compliant with the General Data Protection Regulations. Distribution should take place through UNISON's WARMS system (Web Access RMS), to ensure that the emails used for members are those that that they have provided for such purposes to the union.
- Consider alternative ways to gain the benefits of an online survey without the restrictions of email distribution. For instance, you could place the survey link on social media if you are confident that it would be accessed by sufficient staff without notifying emails. Alternatively, you could seek to develop a joint pay survey with the employer (if that did not mean too many compromises on questions asked), which the employer could then distribute to staff.
- If you decide on manually distributing a hard copy survey, ensure that the survey can be returned as confidentially as possible. Like the examples above which do not rely on union email distribution lists, the advantage to this method is that it can go wider than UNISON membership if agreed with any other unions representing staff. In this way, it may both gather a wider section of staff views that carries more weight with the employer and assist in recruiting members by highlighting the role of the union in advancing staff terms and conditions.

Online survey providers

SurveyMonkey is one of the most widely used online survey services but UNISON now recommends Alchemer because you can request for the data to be hosted within the EU , making it compliant with the new UK-GDPR (General Data Protection Regulation) and amended Data Protection Act (2018) that took effect on 31 January 2020 following Brexit. SurveyMonkey does not have this functionality. Alchemer is also more transparent about how it stores personal data.

There is a free version of Alchemer which will handle up to 100 responses. However, the basic paid package allows for unlimited surveys and responses, while allowing for anonymity in those responses. It is possible to sign up for Alchemer here: https://www.alchemer.eu

[Please make sure that you use the .eu address and not the .com address so that it is EU based]

Alchemer pricing starts at £34.56 per month.

The Alchemer support website carries these useful links:

- Tutorials: https://www.alchemer.com/tutorials/
- Building accessible surveys: https://help.alchemer.com/help/how-to-build-accessible-surveys
- Alchemer Support team: https://help.alchemer.com/help/alchemer-support-hours

Alchemer's instructions on how to make voting anonymous are here: https://help.alchemer.com/help/anonymous-surveys

For every Alchemer account that contains UNISON member data, a branch elected official should notify their Regional Head.

In distributing any survey, a data protection statement should be included as follows "All responses to this survey are completely anonymous. The data collected in this survey will only be used by UNISON for the purposes of understanding members' views. The survey is run using Alchemer, run on servers at their data centre in the European Economic Area. The data will not be sent outside of the EEA. This data will not be shared with other 3rd parties, and it will only be stored for as long as UNISON needs it. It will not be used for any other purposes. You can read UNISON's Privacy Policy at https://www.unison.org.uk/privacy-policy "

If you have any data protection queries in relation to online surveys you are using please contact UNISON's Data Protection Officer at dataprotection@unison.co.uk

UNISON SURVEY

UNISON **[branch name]** is currently assembling a pay claim to put to **[employer's name]** for the annual pay rise from **[insert date].** In order to ensure this claim is firmly based on your experiences and views, we would greatly appreciate it if you could spare the time to complete this survey.

The survey covers just 10 questions and would normally take less than five minutes to complete. All responses to this questionnaire are anonymous and will be treated as confidential. It will not be possible to identify any individual from information used for the claim.

PAY

1. Compared to 12 months ago, how do you feel your pay has changed relative to the cost of living?	
I am better off	
I am worse off	
Neither better nor worse off	

2. Are you dependent on any of the following additional payments to sustain your standard of living?	
Unsocial hours	
On-call / stand-by	
Overtime	
Second job	
Other - please specify here	

WORKING CONDITIONS

3. Compared with this time last year, what would you say have been the changes to the following dimensions of working conditions in your working area or department?				
	Increased	**Decreased**	**Remained the same**	**Don’t know**
Workload				
Stress				
Number of staff				
Number of service users				
Quality of service				

4. Has your increased workload resulted in?	
A detrimental effect on your job performance	
A detrimental effect on your personal life	
Little or no effect	

5. In relation to your working life, on a scale of 1 to 10, where 1 is extremely low and 10 is extremely high, how motivated are you?	
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	

6. How would you describe morale in your workplace?	
Very high	
High	
Moderate	
Low	
Very low	

7. Compared to 12 months ago, how has morale changed?	
Improved	
Worsened	
Remained the same	
Not sure/don’t know	

RECRUITMENT AND RETENTION

8. How seriously have you considered leaving your current position over the last year?	
I have not considered leaving	
Not very seriously	
Fairly seriously	
Very seriously	

9. Over the last year, how frequently have staff shortages occurred in your workplace?	
Frequently	
Occasionally	
Never	
Not sure/don’t know	

PROFILE

10. What income band does your basic salary fall in?	
Less than £10,000	
Between £10,000 and £19,999	
Between £20,000 and £39,999	
£40,000 or over	
Prefer not to say	