



PAY CLAIM 2015

INTRODUCTION

This pay claim is submitted by UNISON on behalf of Test Valley Borough Council.

UNISON's claim seeks to achieve the following:

- appropriate reward for the major change our members have experienced for example, cuts in services and public sector, constant targeting of public services and restructures with increased workload resulting from reduced staff levels. Members of staff have demonstrated a level of determination, innovation and stoicism which should be recognised and rewarded
- reward for the increasing stress faced by front line workers arising from increased workload following cuts in staff both within and outside of Test Valley, increase in our customer numbers
- a pay rise to help restore and/or maintain living standards of staff.
- reward to address the fall in living standards and ensure that the workforce shares in the economic recovery and benefits the local economy.

UNISON is therefore submitting the following claim for 2015 which seeks to improve and enhance the morale and productivity of these staff. Meeting our claim will give the the opportunity to demonstrate its commitment to creating a workforce which is well-paid and high in morale and productivity. The claim is straightforward and realistic.

SUMMARY CLAIM

We are seeking:

- A 3% cross the board increase on all salary points and allowances
- A continuing commitment to pay at least the living wage to its lowest paid employees.

1. BACKGROUND TO THE CLAIM

An increase will help restore and maintain living standards of the staff who have seen their real pay eroded over almost a decade.

Members were consulted at our annual AGM and came out in unanimous support for the 3%

The greatest asset of Test Valley Borough Council is its employees. Staff are looking to this pay round for evidence of the value which Test Valley Borough Council places upon them and that they will share in the economic recovery.

This claim is both realistic and fair. The following gives full justification for the claim. UNISON hopes that Test Valley Borough Council will give this claim the full consideration and response which the staff expect and justly deserve.

2. COST OF LIVING

According to the Office for National Statistics (ONS):

The Retail Price Index rose from 222.8 (April 2010) to 255.7 (April 2014) – an increase of 14.77% (January 1987 = 100). Over the same period the Consumer Price Index rose from 114.2 (April 2010) to 128.1 (April 2014) – an increase of 12.17% (2005=100).

| Salary April 2010 | April 2014 Salary that maintains real value. (Salary April 2010 uprated in line with RPI) |
|-------------------|---|
| 10000 | 11476.66 |
| 12000 | 13771.99 |
| 15000 | 17214.99 |
| 18000 | 20657.99 |
| 20000 | 22953.32 |
| 25000 | 28691.65 |
| 30000 | 34429.98 |
| 40000 | 45906.64 |
| 50000 | 57383.30 |

UNISON believes that the Retail Price Index (RPI) measure of inflation represents the best measure of changes in prices faced by employees, as it includes the housing costs that form a significant part of most employee's expenditure, data collection is tied more tightly to working households than the Consumer Price Index (CPI).

In addition CPI utilises a statistical method called the geometric mean, which is based on the idea that consumers switch to cheaper products when faced with price rises. UNISON does not believe that this is an appropriate method for calculating inflation and results in a consistent under-estimation of the real inflation in the cost of living faced by members.

Therefore, UNISON supports the use of RPI, which remains the most widely used basis for pay negotiations across the public and private sector.

3. FORECAST INFLATION RATES

The Treasury average of independent forecasts places RPI inflation at over 3% between 2015 and 2018. The medium term forecast put the expected rates at the following levels.

| Year | RPI forecast (% increase) | Cumulative increase in cost of living (%) |
|------|---------------------------|---|
| 2014 | 2.4 | 2.4 |
| 2015 | 3.1 | 5.6 |
| 2016 | 3.5 | 9.3 |
| 2017 | 3.4 | 13.0 |
| 2018 | 3.4 | 16.8 |

Source: HM Treasury Forecasts for the UK Economy at http://www.hm-treasury.gov.uk/data_forecasts_index.htm

Pay increases below these forecasts will only lead to a further erosion in the real value of take home pay.

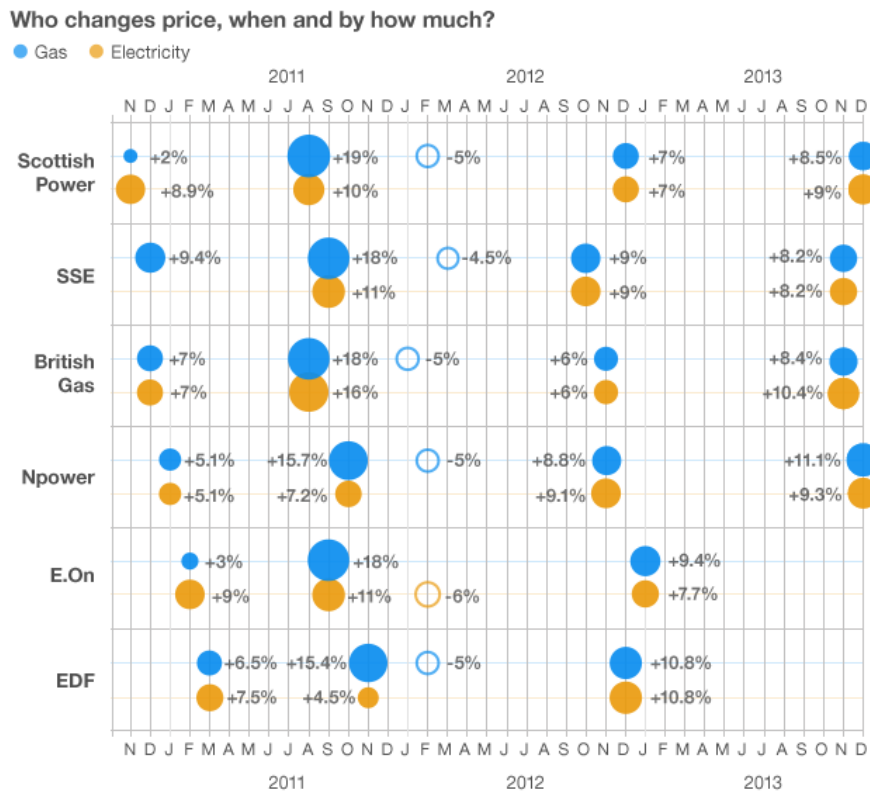
4. INFLATION COMPONENTS

The changes in the price of components of the Retail Price Index over the year to July 2014 are shown in the table below.

| Item | Average % increase year to July 2014 |
|--|--------------------------------------|
| Personal expenditure | 4.6 |
| Consumer durables | 4.3 |
| Alcohol and tobacco | 3.3 |
| Housing and household expenditure | 3.1 |
| Mortgage interest payments and council tax | 2.7 |
| Travel and leisure | 1.7 |
| Food and catering | 0.6 |
| All goods | 1.8 |
| All services | 2.8 |
| All items | 2.5 |

Source: Office for National Statistics, Consumer Price Inflation Reference Tables, July 2014. Latest figures can be obtained from the Office of National Statistics website at www.ons.gov.uk

Within these figures, household utility bills saw some of the highest rises, with gas prices up by 5.1% and electricity by 5.6%. The graph produced by the BBC below shows the dramatic upward trends across the major six suppliers over the last three years.



A 7.4% acceleration in prices for clothing and footwear was also a notable feature of the July Retail Price Index and transport fares grew by 4.2%. The July RPI figures also form the basis for permitted rail fare increases in 2015, which means that the average fares will be allowed to rise by 3.5%.

However, it is the escalation in the price of housing that is one of the biggest issues facing employees and their families. Across the UK, house prices rose by 10.2% in the year to June 2014, taking the average house price to £265,000 Jan¹. First time buyers bore the brunt of increases, seeing average prices jump 12%.

The rate of rent increases has been more modest at 2%, but nonetheless average annual rent now stands at £9,036².

Though not specifically assessed by CPI or RPI figures, childcare costs represent a key area of expenditure for many staff (UNISON surveys have consistently found that around a third of staff have child caring responsibilities). Therefore, it is also worth noting that the annual Family & Childcare Trust survey³ for 2014 found that average childcare costs have risen by 27% over the last five years. The average cost of sending a child under two to nursery part-time is now £5,710 per year and a family with two children in full-time childcare pays £11,700 a year.

Current inflation rates can mask longer term changes in the cost of living that have taken place since 2010. For instance, food price inflation is currently quite low, but since 2010 it has seen major rises, as reflected in the table below.

¹ Office for National Statistics, House Price Index, June 2014

² LSL Property Services Monthly Rent Index, August 2014

³ Family & Childcare Trust, Childcare Costs Survey 2014

| Item | Rise in cost since 2010 | Item | Rise in cost since 2010 | Item | Rise in cost since 2010 |
|--------|-------------------------|----------------------------|-------------------------|-------------|-------------------------|
| Food | 13% | Potatoes | 22% | Electricity | 28% |
| Beef | 26% | Fruit | 12% | Gas | 38% |
| Fish | 20% | Rent | 11% | Petrol | 12% |
| Butter | 29% | Mortgage interest payments | 8% | Rail fares | 21% |
| Cheese | 15% | Water | 18% | | |

5. OTHER ASPECTS OF HOUSEHOLD INCOME

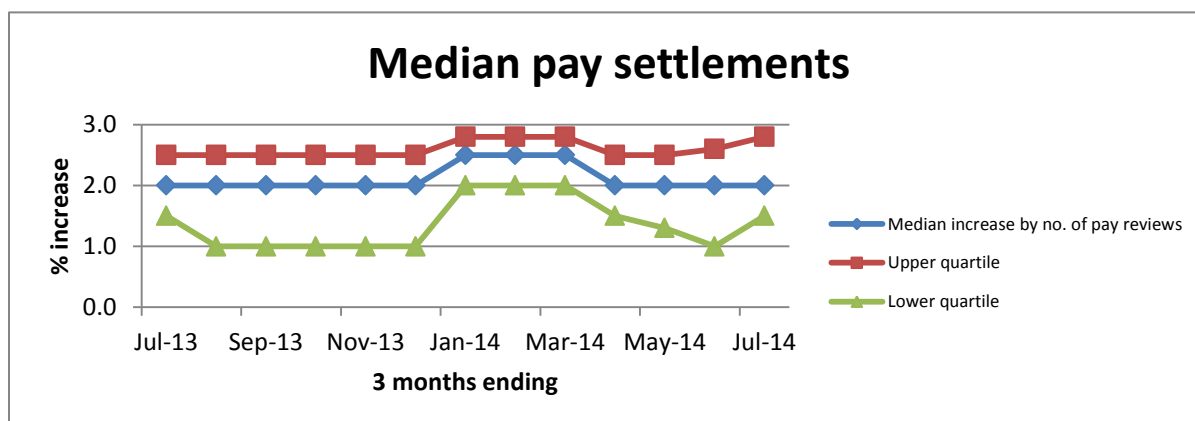
Earlier sections have already demonstrated that pay has not kept pace with inflation. Other aspects of household income have also seen their real value reduced and will, under current Government plans, continue to do so.

Child Benefit and Tax Credits, for example, have not kept pace with inflation and the operation of tapers has clawed back most of any increases in personal tax allowances. The replacement of Council Tax Benefit with locally determined arrangements for Council Tax Support have resulted in significant additional increases for those on low incomes.

6. PAY SETTLEMENTS

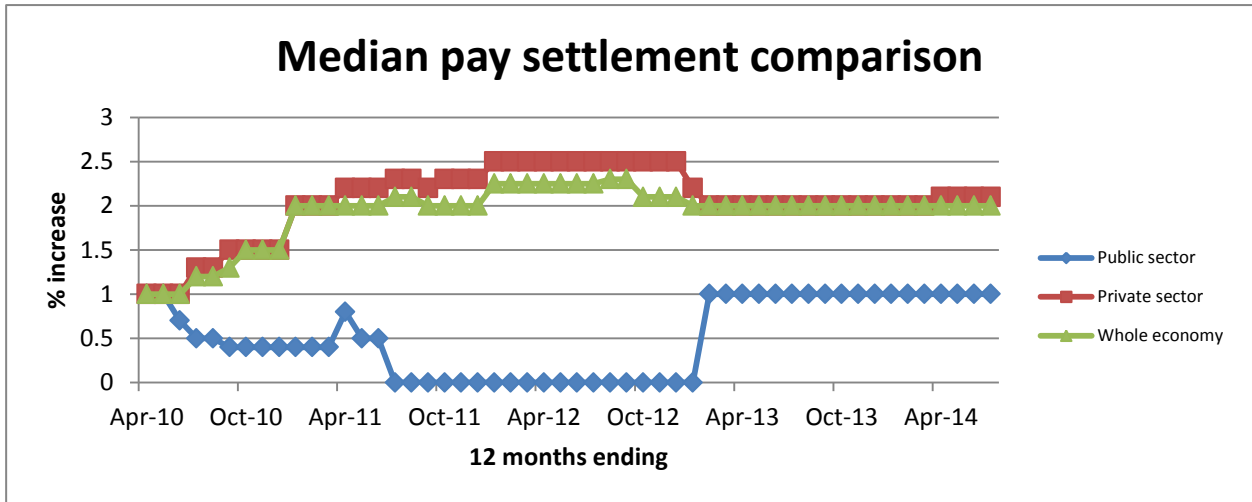
The median pay settlement level for the whole economy for the three months to the end of July 2014 was 2.0%, with an upper quartile of 2.8% and a lower quartile of 1.5%. (Source: www.xperthr.co.uk)

Pay settlements across the economy have averaged 2% in the three months period to July 2014, continuing the level prevalent since April 2013. This level of settlements is well below the long-run median of between 3% and 3.5%.



Source: Industrial Relation Service - www.xperthr.co.uk

Since April 2010, a significant gap has opened up between private and public sector settlements. Public sector settlements averaged 1% in the period to April 2014, which is less than half the 2.1% rate prevalent in the private sector.



Source: Industrial Relation Service - www.xperthr.co.uk

Median pay settlements in the private sector have been higher than those in the public sector since June 2010. In March 2014 private sector employers were predicting median pay settlements of 2.5% over the year to February 2015⁴.

7. ECONOMIC FORECAST (AVERAGE EARNINGS)

The Office for Budget Responsibility publishes an Economic and Fiscal Outlook (EFO) at the same time as the Budget and the Autumn Statement. The latest EFO forecasts earnings growth of 3.2% in 2015.

Table 1.1: Economic forecast overview

| | Percentage change on a year earlier, unless otherwise stated | | | | | | |
|------------------|--|------|----------|------|------|------|------|
| | Outturn | | Forecast | | | | |
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Average earnings | 2.0 | 1.5 | 2.5 | 3.2 | 3.6 | 3.7 | 3.8 |

Source: Office for Budget Responsibility: Economic and Fiscal Outlook: March 2014

8. RECRUITMENT AND RETENTION ISSUES

High turnover is costly to Test Valley Borough Council and investing in competitive pay will help to retain staff.

⁴ Pay forecasts for the private sector: 2014 Xperthr survey, March 2014

The proportion of the economically active population who were estimated to be unemployed averaged 6.4% over the three months to June 2014, down from 8% two years previously. The latest Treasury forecasts predict this rate will continue to fall to 6.1% by the end of 2014 and 5.7% in 2015.

There were over three unemployed people for every vacancy on average in the three months to June 2014, down from over five per vacancy two years previously.

The latest labour market survey by CIPD shows that public sector employers are now having greater difficulties filling vacancies than the private sector. The costs to the employer of losing staff were highlighted in the finding that median recruitment cost for filling senior manager / director vacancies stood at £5,000 while other employees cost £2,000 to replace.

The level of pay was the second most common reason for labour turnover, after 'change of career' and 'promotion outside the organisation'. Nearly 40% of respondents to the CIPD survey cited pay as their reason for leaving. Pay in Test Valley Borough Council should be set at a level that will recruit and retain high quality staff.

The reasons given for facing recruitment difficulties are summarised in the table below

| | All | Manufacturing and production | Private services | Not-for-profit sector | Public sector |
|---|-----|------------------------------|------------------|-----------------------|---------------|
| Lack of necessary specialist or technical skills | 61 | 64 | 63 | 56 | 60 |
| Look for more pay than you could offer | 44 | 41 | 45 | 47 | 40 |
| Lack of relevant sector/ industry experience | 40 | 75 | 43 | 22 | 21 |
| Reluctance to change jobs in the current economic climate | 17 | 18 | 19 | 11 | 16 |
| Image of sector/occupation/ organisation | 17 | 11 | 12 | 22 | 26 |
| Relocation difficulties | 17 | 20 | 16 | 8 | 21 |
| No applicants | 16 | 7 | 17 | 22 | 16 |
| Lack of general experience | 12 | 7 | 13 | 11 | 14 |
| Lack of interpersonal skills | 12 | 11 | 13 | 8 | 12 |
| Lack of formal qualifications | 4 | 5 | 5 | 0 | 5 |
| The impact of the immigration cap | 3 | 5 | 3 | 3 | 2 |
| Other | 4 | 0 | 2 | 6 | 12 |

Base: 245

9. LOW PAY

It is vital that pay settlements continue to address the ongoing general problem of low pay in Test Valley Borough Council.

High inflation levels over the past year have been particularly hard on those at the bottom end of the pay scale because they spend a higher proportion of their salary on basics such as fuel, light and housing. With less disposable income, low paid workers are having increasing difficulty providing an adequate living standard for their children.

The Joseph Rowntree Foundation also calculates a Minimum Income Standard, which is based on what members of the public think people need to achieve a socially acceptable standard of living. In 2014, that standard stood at £16,300 for a single person and £20,300 each for a couple with two children, both working full-time⁵.

10. MINIMUM WAGE

The minimum wage rose in October 2014 to £6.50 an hour. This gives a minimum full time wage of £12,539.67⁶ a year from October 2014

11. LIVING WAGE

The 'Living Wage', or 'minimum income standard' is increasingly being used to determine the basic level of income required to avoid poverty and have a 'low cost but acceptable' standard of living.

The Living Wage is currently £7.85/hour (£9.15/hour in London)

£7.85/hour is equivalent to £291.23/week for a 37 hour week or an annual salary of £15,144.06.⁷

A growing number of local authorities are using the Living Wage as the minimum rate of pay for their employees. They are ensuring that all their staff are paid above this minimum level, and that all contracts they are responsible for have staff paid above this rate.

In September 2014 UNISON and the Church of England reached a landmark agreement to bring the living wage to all their schools.

Test Valley should continue its commitment to pay at least the living wage to its lowest paid employees

12. INCLUDED IN THE RECOVERY

Test Valley Borough Council employees need to be included in the recovery and see their pay rise as the economy grows

- The Office for Budget Responsibility is forecasting earnings growth of 2.5% in 2014, 3.2% in 2015, 3.6% in 2016, 3.7% in 2017 and 3.8% in 2018
- The Chancellor of the Exchequer pointedly referred to this earnings growth forecast in his last Budget speech

“And the OBR predict earnings to grow faster than inflation this year and in every year of the forecast.” (George Osborne, 19 March 2014)

⁵ Joseph Rowntree Foundation, A Minimum Income Standard for the UK in 2014, July 2014

⁶ £6.50/hour times 37 hours times 52.14

⁷ £7.85 times 37 hours times 52.14

- The Prime Minister supports the idea that everyone should share in the economic recovery:
“As we recover from the great recession hard working people..... can know they will share in the recovery” (David Cameron, 4 March 2014)
- *“People want an economic recovery for everyone” (George Osborne, 24 May 2014).*
- *“We must redouble our efforts to ensure this is an economic recovery for all” (George Osborne, 24 May 2014)*
- *“...so that every single person benefits from the recovery” (Greg Mulholland MP (Lib Dem) 25 July 2014)*
- The Opposition also says that everyone must benefit from the recovery:
“We need a UK recovery that everyone can benefit from” (Ed Balls, 22 July 2013)
“If we’re to get a strong and balanced recovery which everyone benefits from.....(Chris Leslie, Shadow Chief Secretary to the Treasury, 20 July 2014)

13. AFFORDABILITY

Although we are in difficult economic times Test Valley can ill afford to stop investing in its staff and we believe that this claim is well within affordable parameters.

14. CONCLUSION

There can be no doubt that all staff working for Test Valley Borough Council have seen a significant fall in their living standards. Their real earnings have fallen substantially.

To deliver a quality service Test Valley Borough Council relies on its workforce and the retention of a specialist, skilled, experienced and dedicated workforce is important to the quality of service delivery. Competition for that workforce from other sectors is strong.

2015 is the year in which Test Valley Borough Council can begin to demonstrate that its workforce is included in the recovery. This is a fair and realistic claim which we ask the Test Valley Borough Council to meet in full.