

# Trade Union Side of the National Joint Council for Local Government Services: England, Wales and Northern Ireland

## PAY CLAIM 2012 – 2013

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28 October 2011



## **THE NJC TRADE UNION SIDE PAY CLAIM FOR 2011/12**

The NJC Trade Union Side is submitting the following claim for a pay increase for our members in 2012 - 2013:

**A substantial increase on all pay points that recognises the financial hardship being suffered by NJC workers – in particular the lowest paid – as a consequence of inflation and the failure of the Local Government Employers to award £250 to those earning below £21,000, as embodied in Government policy .**

## **Glossary**

CIPD	Chartered Institute of Personnel and Development
CIPFA	Chartered Institute of Public Finance and Accountancy
CPI	Consumer Prices Index
FTE	Full Time Equivalent
GDP	Gross Domestic Product
IDS	Income Data Services
IFS	Institute for Fiscal Studies
LGA	Local Government Association
LGE	Local Government Employers
LGPS	Local Government Pension Scheme
LLW	London Living Wage
NLW	National Living Wage
NMW	National Minimum Wage
NJC	National Joint Council for Local Government Services
ONS	Office for National Statistics
OBR	Office for Budget Responsibility
PTE	Part Time Equivalent
TUC	Trades Union Congress

## Local Government Pay in Context

***“The number of people employed in local government fell sharply over the past two years as councils tightened their belts during the recession” (LGE, 6 May 2011).***

After two long years of frozen pay, our members are worse off now than in any year since 1998. The two year pay freeze has completely wiped out the relative increases in pay that the Trade Union Side has achieved since 1998. Our members face an assault, on all fronts. This pay claim sets out the key points in our arguments for a substantial increase in pay for our members for 2012 – 13 and is for a one-year settlement.

According to the Office of National Statistics, over the second quarter of 2011 alone, 57,000 jobs were lost in local government, many of these being jobs carried out by women.<sup>1</sup> NJC workers have been thrown on the scrapheap in their thousands. The Local Government Workforce Survey in 2010, (this year’s survey is yet to be published), states that 50% of authorities had implemented a reduction in the number of staff posts and a further 34% were planning to implement a reduction in the following two years. Since then, the first year of the frontloaded CSR settlement has put many more of our members on the scrapheap. They are having their pay and terms and conditions slashed and are under siege from all sides: job and service cuts, pension increases, pay freezes and rising inflation. NJC workers are doing even more for even less.

For the Local Government Employers these job losses have meant a reduction in the pay bill in real terms. Research carried out by the Local Government Group (LGA) itself shows that the pay bill for mainstream local government workers, including bonuses and overtime, (£26.4 billion in 2010/11 - an increase of 1.2 per cent from 2008/09) fell in real terms by 5.4% in 2010/11 when inflation is taken into account.<sup>2</sup> The pay freeze covering the NJC workforce in 2010 took place before Government policy came into force and our members will have been through a two-year pay freeze by April 2012.

This year’s local government settlement has been a tough one with councils forced to find 28% of savings at a time of high inflation<sup>3</sup>. The coalition government has placed local government in a challenging situation, demanding that the quality of public services continues to improve while denying the financial resources to make it possible. Meanwhile, it is a dedicated NJC workforce who are paying the price in terms of job losses, pay freezes and cuts and an increase in unpaid-overtime to fill the gaps in service provision the cuts are causing.

Our members also face an unparalleled attack on their terms and conditions of employment at a local level, with payment of unsocial hours, overtime and weekend rates slashed or withdrawn, and car allowances and mileage payments being withdrawn or cut. Cuts to sick pay and the introduction of unpaid annual leave are also taking place. In addition, the Local Government Employers have refused to

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<sup>1</sup> Public Sector Employment, Q2 2011, Office for National Statistics, 14 September 2011, page 1.

<sup>2</sup> Local government workforce shrinks as councils tighten belts, LGA, media release, 29 April 2011.

<sup>3</sup> Osborne spells out 28% cuts for councils, Jaimie Kaffash, Public Finance, 20 October 2010.

commission the technical advisors' report which establishes the annual increases to the NJC car allowance rate for 2011, at a time when fuel prices hit an all time high.

Furthermore, to add insult to injury, the £250 promised by the Chancellor to soften the blow of a two year pay freeze for public sector workers has not been paid to the NJC workforce. While others in the public service have been given this flat rate increase, yet again NJC workers are expected to go without.

Local government remains the Cinderella service, the poor relation in the public sector. This year's pay claim illustrates the real hardship our members are facing. The evidence we present shines a spotlight on the struggle NJC workers face to make ends meet in the face of rising inflation and it is for this reason that we are calling for an element of bottom loading for our low paid members in this year's settlement. After suffering year on year reductions in pay levels, in real terms, our members are long overdue a pay increase that is in line with inflation.

The most damning indictment of all has to be that when we take into account the loss of purchasing power due to inflation increases since the last pay rise in 2009, our research in section 3 shows that over 314,000 of our members are coping on pay levels equivalent to **less** than the National Minimum Wage. All this in return for providing a quality of service which saw the number of top-performing councils triple in 2009, the final year of Comprehensive Performance Assessments.<sup>4</sup>

## **1. Working in Local Government**

### **1.1 Life under a pay freeze – real life stories**

Before we outline the clear economic arguments that back up our members' claim for a substantial increase in their pay packets this year, it's worth taking a moment to consider the realities of life for the NJC workforce currently suffering the second year of a pay freeze.

In March this year, a survey was conducted by the Working Lives Research Institute to directly measure the impact of the Coalition's austerity measures on families of public sector workers across the UK. The series of in-depth interviews provides compelling testimonies of what life is like under the cuts, how the pay freeze is inflicting crippling levels of debt on our members and how many NJC workers are dependent on tax credits and benefits. The excerpts in Box 1 should provide food for thought for those with the responsibility for deciding how to respond to this pay claim. Of the fifteen respondents, six worked in local government. Their stories are told below.

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<sup>4</sup> Record number of councils achieve top four star rating in the last ever CPA, Audit Commission press release, 5 March 2009.

### **Box 1: The Impact of the Cuts (Working Lives Research Institute, August 2011)**

**Paul** is a housing policy officer for a North West council which had lost 800 jobs in the past year:

“many are in limbo, it’s very unsettling morale is pretty low... its economic decisions affecting people..it’s affecting their mental health”

Paul has a student loan of around £6,500 but because of the interest on it, the loan itself is not going down. Despite being relatively young, Paul’s pension is important to him:

‘definitely, given that there is no idea what national provision for pensions is going to be like in a few decades, it’s probably going to be terrible, it’s deferred wages, it’s a portion of my wages that is siphoned off into it’.

If faced with paying extra contributions towards his pension, ‘on principle I wouldn’t, we’ve made an agreement and I don’t see why we have to change it and given the cost of living keeps going up potentially you’d lose more of the wage to that’.

**Steph** works with the community outreach team of a museum and is employed by a borough council in the south east. Funding for the museum runs out at the end of the year and Steph is not sure what will happen to her job “I don’t feel secure at all”. Steph lives with her mother and 17 year old sister and until recently has been the main wage earner. Her sister and grandmother are dependent on her income:

“Last year we we're having to really limit how much we had the oil on because we couldn't afford to buy it as regularly as we wanted ... limiting how much heat we had over the winter period. And having the extreme snow was awful because you kind of had to have it on all the time otherwise it would freeze up. And like our water froze so we didn't have the washing machine or anything.”

Steph has a student loan of about £27,000 to pay off, her savings have fallen from £30 to £10 per month and money issues are putting family relationships under strain.

**Sandra** worked in middle management in the education sector in the north-west and was about to be made redundant. She spoke of increased costs, petrol in particular had risen - she can no longer travel regularly to visit her family. She has never been in a position to have any savings and had incurred large scale debts over the years:

“There am I a single mum who has always worked and now my kids can't have things they should have. The youngest is especially worried. But the main worry is that they don't want to move and don't want to lose the internet. But I will do anything to make sure they don't have to move over the next few years .... I live in a fairly small semi but I couldn't cope that I had failed them and we had to move just because I had made the decision to finish work”.

**Sharon** has been working as a senior finance officer for a local authority for almost 13 years. Sharon works 20 hours a week, has thought of returning to full-time employment, but would not be able to afford childcare. Sharon earns less than her rent, managing to rent her house only because her sister provided the deposit and rent in advance. Sharon receives maintenance for her children together with housing benefit, working family tax credit and child benefits. She has no savings and worried most about losing child benefit when her eldest daughter turns 16. Sharon is deeply worried about what the future holds for her children:

**Box 1: The Impact of the Cuts (Working Lives Research Institute, August 2011)**

**Cont'd:**

“What worries me is the maintenance award that has been stopped by the government. It means that she may not be able to go to university. The same is for my middle daughter. She would certainly want to go to university but there would not be any support for her to do that. .... I need support for my children to be able to do things that they are capable of doing. They are good and talented kids. It really frightens me that I won't be able to provide them with support if they wanted to continue their studies. Why am I working if not for them?”

Reliant on Adult Social Care, Sharon suffers from back problems and relies on her car to get to work. Rising petrol prices are a huge worry “last year, when I had no money for petrol, I had to take a day off”.

**Tony** is a data assistant for a local authority facing a 15% cut in the headcount over the next two years:

“They are doing it by piecemeal restructuring – a bit at a time - to be honest morale is pretty low we are in a constant state of change and it's not good change ... it wasn't a nice atmosphere at work ... the organisation is constantly on edge, you don't know which part is going to be next they just announce it one day – there's a consultation for a few weeks ... There's a lot of tension in the workplace”

Tony is single, owns a house and has a lodger who pays rent. In addition to his main job he also works one or two shifts at weekends or evenings as a waiter for a friend's agency and also had a third job as a census enumerator for six weeks during the 2011 census. Previously this provided him with extra disposable income, but it has now become more essential. His situation at work has taken its toll in terms of his own job and in terms of supporting others as a UNISON representative. It has affected his relationships outside of work, he has had difficulty sleeping and been unable to relax in his spare time - he has sought counselling: “I don't think I've been much fun to be around”.

**Sian** is an Independent Domestic Violence Advisor in the south east and is funded by local authorities. She is a single mother of two and gets family tax credits and child benefit and is fiercely resistant to depending on benefits:

“They're crippling us really, you can't enjoy life.....stress levels are up big time ... I don't do debts or anything ... I couldn't risk getting into debt, because that upsets me, it really does mentally upset me if I'm in debt and makes me panic and can't sleep at night ... everything had to go, I'm not saying we're suicidal but we live quite a miserable life, where we can't do a lot ... I just don't have the flexibility with money any more, it is very, very stressful ... I work literally to survive”

## 1.2 Inflation – hidden costs for those on low incomes

NJC workers struggling to make ends meet have been faced with the fastest rise in the cost of living for 20 years. The headline rate of inflation, as measured by the annual change in the all-items retail prices index (RPI) for the year to August 2011, was 5.2% (up from 5% in July). In October, the RPI rose further to 5.6% meaning the disposable income of NJC workers is continuing to shrink against a background of pay freezes and pay cuts.

The NJC workforce have endured an alarming reduction in their spending power since the last pay award in 2009. Our own figures, outlined in section 3.2 of this submission, show that since April 2009, the percentage increase in prices up until August this year, stood at 11.63%. **This means that our members would need a pay rise of more than 11% just to keep up with the rise in inflation since April 2009.** We will return to this in more detail in our economic section, in table 11, on page 28, which illustrates the shocking truth of the deterioration in our members pay in real terms since the pay freeze.

## 1.3 Attacks on pay and terms and conditions

The publication of 'Reducing Workforce Costs' by the Local Government Employers in June 2010 encouraged local authorities to cut pay and terms and conditions hard and fast in order to save money. However, equality analyses conducted on proposals to changes to terms and conditions resulting from public sector cuts paint an appalling picture. Local authorities have cut occupational sick pay, introduced unpaid annual leave, reduced maternity pay and family leave entitlement, slashed unsocial hours premia and cut car and mileage payments. Across the board they have frozen pay and some have even cut pay. Authorities are also freezing pay increments and many have reviewed, and in some cases reduced, their redundancy payments.

Table 1 below is a snapshot taken from the LGE's Local Government Workforce Survey of 2010 outlining how the majority of local authorities are reviewing or planning to review many of our members' terms and conditions and looks at car allowance, premium rates/overtime and sick pay. Since then, further cuts have been proposed or made.

<b>Table 1: Which of the following conditions of service are you reviewing or planning to review? (Local Government Workforce Survey, England and Wales 2010)</b>				
<b>Condition</b>	<b>Yes</b>	<b>No</b>	<b>Don't know</b>	<b>Base (all authorities)</b>
Car user allowance	83%	12%	5%	132
Premium rates/overtime	68%	24%	8%	127
Sick pay	37%	45%	18%	128

These cuts have a greater impact on the lower paid and the vulnerable people in the workforce, particularly women. Freezing or temporarily ceasing to award annual increments for example, is particularly worrying as it is likely to prevent or delay the



narrowing of the gender pay gap, restricting progress towards achieving equal pay for work of equal value.<sup>5</sup> These cuts are widespread. The following are examples of cuts to both pay and terms and conditions NJC workers are facing:

- **A south east council** reducing salary by 2% for employees earning a FTE basic salary of between £17,501 - £22,000, by 4.5% for those on £22,001 - £35,000, by 5% for staff on salaries of £35,001 - £65,000 and 5.5 % for those earning higher rates of pay. In addition, any increments for staff received in April 2011 were removed and no pay increments will be paid in 2011/12 and 2012/13. Essential and contractual car user lump sums are being replaced with an allowance of only £20 per month and HMRC mileage rates (lower than NJC rates) brought in.
- **A county council in the south** where cuts in pay have been targeted at low-paid female and non-white workers where, according to a union equality impact assessment, the council's financial position does not justify these cuts. One in five NJC staff have been impacted by imposed cuts to premium rates for overtime and weekend working. The largest occupational groups of staff losing financially are: Care Assistants - 1,005 staff losing an average of 6.27% of £13,605 p.a.; Library Assistants - 304 staff losing an average of 3.82% of £9,561 p.a.; Community Response Assistants - 299 staff losing an average of 5.89% of £15,222 p.a.; Residential Worker/Care Workers - 214 staff losing an average of 5.69% of £21,746; General Assistants - 157 staff losing an average of 5.76% of £11,096 p.a.; Library Auxiliaries – who are losing on average of 13.65% (£414) of £3,034 p.a.

These cuts are expected to achieve savings of £3.8 million per year. At the time the cuts were imposed, this saving represented 2.9% of the council's then reserves of more than £130 million. This year's accounts indicate the council increased its reserves by £48 million to a staggering £214million. At the same time vital services such as Sure Start, Connexions, Museums, Mobile Libraries, Care Homes, Day Centres are being cut and 1,200 jobs (not all NJC jobs) axed by next year.

The degree of impact upon women in particular is deeply worrying. The (median) average earnings for men among this impacted group is £20,380 pa. The (median) average earnings for women is only £14,646 p.a. Despite both groups earning less than the £21,000, promised by the Chancellor of the Exchequer as deserving of pay protection, all these staff actually had their pay cut. Men suffered a 1.96% average cut in earnings (£400 on average p.a). Women suffered a 3.33% average cut in earnings (£488 on average p.a.), even though women earned nearly £6,000 less on average than men.

- **A Welsh county council** with plans to remove conditions relating to overtime, unsocial and anti- social hours, irregular hours and weekend working without consultation with the unions. These changes will hit the low paid the hardest and particularly women who tend to be the ones most likely to have these working patterns, e.g. care workers.

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<sup>5</sup> More women than men will be beneficiaries of increments as more men are likely to have reached the top of the grade because women are more likely to have had breaks for childbirth or caring.

What is shocking is that these examples are not out of the ordinary, it is difficult to find a local authority that is not proposing or imposing cuts to pay and conditions.

#### 1.4 Women hit hardest

***“Local government provides many of the essential personal services that women and their families need. Women are the ones most likely to make up the shortfall in these services by their own unpaid efforts in the home, in some cases reducing their own employment and income to make that possible. Women are 68% of those employed by local authorities so this cut is likely to impact disproportionately on women's employment too” (Professor Sue Himmelweit, UK Women’s Budget Group, 2011).***

Three quarters of the NJC workforce are women and almost half of these work part-time. Job losses, spending cuts and tax and benefit changes are going to hit women in the NJC workforce hard through lower wages, reduced state support for childcare and housing costs, and by the slashing of public services women rely on every day. The level of redundancies being experienced in the public sector is set to undermine gender equality, setting progress on the gender pay gap back years because so few similarly skilled jobs exist in the private sector<sup>6</sup>. Many women made redundant from local authority posts are likely to find themselves forced into taking lower skilled work and a pay cut, or struggling to find work at all. Redundancies in local government are an appalling waste of female talent and will have a devastating impact on family incomes.

This October, women’s unemployment stands at 1.07 million – the highest level since at least 1992 when the current data series began<sup>7</sup>. There are strong arguments that it is public sector cuts that are the main driving force behind this staggering increase. By mid August 2011, the number of men being made redundant in the economy as a whole was 1.5% down on the year, while the number of women being made redundant has up 1.6% on the year.<sup>8</sup> With women making up such a large proportion of the workforce, mass job cuts in local government will inevitably lead to a further rise in women’s unemployment

The Government claims that imposing a public sector pay freeze will mean fewer jobs lost in the long run. In effect, those women who keep their public sector jobs are being expected to pay for them in lower wages - in those parts of the public sector that have been relatively sheltered from major cuts, 73% of those subject to the pay freeze are women<sup>9</sup>. Cuts are predicted to lead to between 330,000 and 500,000 public sector job losses and despite most women being in ‘protected’ sectors, the majority of jobs lost will be women’s.<sup>10</sup>

The gender audit of the emergency budget carried out in June 2010 by the House of Commons library found that 72 per cent of the changes in taxes, benefits and tax credits will hit women. Women in public services and women in local government

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<sup>6</sup> The Gender Impact of the Cuts, research by economists Howard Reed and Tim Horton on behalf of the TUC, 2011.

<sup>7</sup> “Women’s unemployment continues to rise”, Harris, TUC Touchstone blog, 12 Oct 2011.

<sup>8</sup> Ibid.

<sup>9</sup> The Impact on Women of the Budget 2011, Women’s Budget Group, 2011.

<sup>10</sup> “The gender Impact of the UK government’s recent budgets and spending review”, presentation by Professor Susan Himmelweit’s, Gender Institute and Department of Sociology, LSE, 11 May 2011.

face an outright attack on their quality of life. The Government's deficit programme being implemented by local authorities across the board is unfair and will disproportionately disadvantage women and families, particularly those on low incomes.

### **1.5 £250 compensation**

The Government's policy is that: *"A two year pay freeze will be introduced from 2011-12 for public sector workforces, except for those earning £21,000 or less, who will receive an increase of at least £250 a year".*<sup>11</sup> Against the recommendations of central Government as set out in the 2010 budget, the Local Government Employers have chosen not to provide an increase to the lowest-paid staff on NJC scales. Another shocking demonstration of how little the NJC workforce is valued and is taken for granted. We explore this issue further in section 2.5 of this submission.

### **1.6 The effect of cuts on the local economy**

For the NJC workforce, as low paid workers, their budgets are already stretched to breaking point. Freezing and cutting pay, hitting our members in their pockets, forces them to cut back on even the basic essentials. This is bad news for local shops and businesses - and a direct hit on our chances of growth and recovery. Local authorities must recognise the role of public spending in supporting economic growth and employment creation, and creating the conditions for more progress towards gender equality. Recent research has shown that for every £1 spent by a local authority, 64p is reinvested back into the local economy and that local government workers re-spend 42.5p in the local economy from every £1 they receive in wages.<sup>12</sup>

Councils are still thinking in terms of pay bill savings - and are not waking up to the very real costs to families and the local economy of their continued pay policies. By increasing NJC pay, more pay gets fed back into the local economy, assisting councils' regeneration strategies and the Government's alleged desire to stimulate the economy.

### **1.7 Pensions – adding insult to injury**

Adding to the burden of low pay and rising inflation, NJC workers are faced with yet another possible pay cut in the form of increased employee pension contributions to the Local Government Pension Scheme. Public service workers earning above £15,000 are being asked to pay more in pension contributions by an average of over 50%. That's the equivalent, on average, of a further 3% pay cut.

In the economic section of this claim – section 3.4 – we illustrate what the proposed increases in pension contributions that are currently on the table would mean for our members and the resulting deduction in their pay across NJC spinal column points. To make matter worse, this extra money isn't being used to improve pension schemes for the future, it's going straight back to councils to enable them to reduce their contributions to the LGPS and thereby allow the Government to freeze Council

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<sup>11</sup> Budget 2010, paragraph 2.18, page 45, 22<sup>nd</sup> June 2010.

<sup>12</sup> "Creating resilient local economies: exploring the economic footprint of public services", Association of Public Service Excellence, 2008.

Tax next year. In effect, the lowest paid group of local authority workers are paying for the entire community to save a few pence each week.

There should be no mistaking that this year, our members will fight hard to have access to adequate and affordable pensions. It is not acceptable that our members have to endure poverty levels of pay during their working lives, only to be rewarded with poverty pensions in old age.

### **1.8 Under-rewarded and over-worked.**

Back in 2008, even before the current unprecedented wave of redundancies in local government, research showed that morale was low among the NJC workforce, with 60% of staff stating morale was worse than it had been in the previous year.<sup>13</sup> We can likely predict that this situation will have worsened following the Government's austerity measures.

According to this year's Chartered Institute of Personnel and Development's (CIPD) Simplyhealth Absence Management Survey, stress, is for the first time, the most common cause of long-term sickness absence for both manual and non-manual employees. A particular increase in stress-related absence is identified among public sector organisations, with 50% of these respondents reporting an increase. Public sector workers identify the amount of organisational change and restructuring as the number one cause of stress at work, highlighting the impact of public sector cuts to jobs, pensions benefits and pay freezes. Job insecurity is also reported as a more common cause of work-related stress in the public sector rising sharply this year (24%) compared with last year (10%) and is higher than in the private (14%) and non profit sectors (14%).<sup>14</sup>

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

The 'Time for a Change' survey conducted by IDS in 2008 showed that four per cent of all staff in local government work between six and ten hours each week without receiving paid overtime or time-off-in-lieu, while three per cent work over ten hours on average each week. Of these, the occupations that dominated were management, teaching/classroom assistants, care workers, general professionals and social workers.

The Local Government Group's own review in 2011 highlights the recruitment and retention crisis among social workers<sup>15</sup>. The proportion of English and Welsh local authorities reporting difficulties in recruiting and retaining children's social workers in 2010 stands at 80 per cent.<sup>16</sup> The proportion of English local authorities reporting difficulties retaining children's social workers rose to 85% between 2008 to 2010.

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<sup>13</sup> 'Time for a Change. UNISON Local Government Survey 2008', Income Data Services, 2008.

<sup>14</sup> Simplyhealth Absence Management Survey, CIPD, 2011.

<sup>15</sup> 'Social worker recruitment and retention, Final report submitted to LGA, Mehta, Sharp and Houghton, National Foundation for Educational Research, February 2011.

<sup>16</sup> Ibid.

The report outlines how recruitment difficulties for adult and mental health social workers have followed a similar pattern. By 2010, 39% of local authorities had difficulties in recruiting adult social workers and 34% had difficulties in recruiting mental health social workers.

The report further identifies one of the main reasons for recruitment and retention problems among social workers as low pay and increasing competition from more attractive careers. The main reasons given for social workers leaving their current work include a lack of job satisfaction associated with staff shortages, excessive workloads, bureaucracy, lack of appreciation and poor management; high levels of stress and exhaustion; poor pay and lack of flexible working opportunities.

A recent survey of 268 social workers conducted by Community Care magazine and the College of Social Work has shown that social workers are selling off their possessions to raise cash to supplement low wages: 9% have sold their homes, 29% have sold their car or motorbike, 22% have sold musical instruments, 20% have sold sporting equipment, 36% have sold furniture and 42% have sold electrical goods. The survey further revealed that a quarter of social workers have taken on a second job to support their income, with more than half of the respondents saying that they had had to do so because the earnings from their first job could no longer meet their financial commitments.<sup>17</sup>

Unless the pay crisis is fully addressed, recruitment shortages will continue, with all the attendant problems associated with work intensity, stress and risks to the public due to chronically low staffing levels.

## **1.9 Finding the Resources**

This pay claim is made on the basis that a 'substantial' pay award is essential to alleviate financial hardship faced by NJC workers and is also part of a strategy designed to secure economic growth. Government assumptions about GDP growth are predicated on the OBR central economic forecast which assumes growth in earnings. If there is not a substantial increase in pay for NJC workers this year, then the absence of that additional spending power within the economy, at a time of higher than projected inflation levels, will only serve to depress demand further.

As part of the process of ensuring a pay increase, it will be necessary for both the Local Government Employers and the Trade Union Side to secure a commitment from central government that the projected growth in the yield from business rates, during the remainder of the period covered by the spending review, will be added to amounts that would otherwise be distributed through formula grant.

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<sup>17</sup> A quarter of social workers have second jobs as salaries suffer", V. Pitt, Community Care magazine, 12 October 2011.

## 2. Comparing Local Government Pay

### 2.1 NJC compared to other public sector workers

***“Workers in local government have the lowest average earnings compared to other groups of workers in the public sector”*** (LGG, Local Government Workforce Report, April 2011).

This year’s Local Government Pay and Workforce Report, produced by the Local Government Group outlines an alarming picture of the scale of upheaval taking place for our members in local government. According to the report issued in April this year, employment has decreased by over 15,000 FTE (1.5%) between 2008/09 and 2010/11 while during the same period, public sector employment increased overall by 4.5%. The LGA estimate that the total number of people employed in mainstream local government jobs has dropped to 1,697,100, equating to 1.099,500 full time equivalents (FTE) with over 45% earning less than £18,000 a year and a further 27% between £18,000 and £24,000.<sup>18</sup>

For the Local Government Employers, these job losses and inflation combined, have meant that over the same two-year period, the pay bill including bonuses and overtime, fell in real terms by 5.4% in 2010/11.<sup>19</sup> The report by the LGG paints a damning picture of the state of low pay in the NJC workforce with **NJC workers having the “lowest average earnings compared to other groups of workers in the public sector”**. Yet while NJC employees play a vital role in supporting local communities under stress, councils are failing to recognize their contribution to holding the fabric of those communities together. Regardless of the Government’s vision of a Big Society, the growing lack of funding available to voluntary and community organisations means that it is well trained, knowledgeable and experienced public service workers that provide the quality of services everyone is reliant upon.

It is notable that following the pay freeze since 2010 the gap between NJC pay and the rest of the public sector is now severe. This is all the more unfair because cuts are being targeted at NJC workers and not other groups also funded via local government. Table 2 demonstrates how the level of pay for NJC workers in the bottom 5 grades have fallen well behind those for equivalent pay points in police, higher education, probation and staff in the NHS.

<b>NJC (Apr 09)</b>	<b>Police Staff (Sept 10) (SCP1,2,3 deleted)</b>	<b>Higher Education (August 10*)</b>	<b>Probation (April 10)</b>	<b>NHS (April 2011)</b>
12,145	14,529	13,203	14,182	13,903
12,312	14,913	13,552	14,325	14,258
12,488	15,345	13,911	14,464	14,614
12,786	15,774	14,226	14,604	15,029
13,189	16,164	14,608	14,752	15,444

<sup>18</sup> Local Government and Workforce, Facts and Figures 2010/11, LGG, April 2011

<sup>19</sup> Ibid.

Table 3 below illustrates the significant difference between the minimum pay rates for the NJC workforce and the wider public sector. NJC workers are being expected to live on poverty wages without any cushioning against the blow of the Government's austerity measures. This provides us with further evidence of the need for an element of bottom loading in this year's pay settlement.

<b>Table 3: Minimum pay rates in the public sector</b>			
<b>Bargaining groups?</b>	<b>From</b>	<b>Annual Rate</b>	<b>Hourly</b>
NJC for LGS (E&W)	01/04/2011	12,145	6.30
Sixth form colleges support staff	01/09/2011	12,362	6.41
Police staff council (E&W)	01/09/2010	14,529	7.53
Police staff council (Scotland)	01/09/2010	12,837	6.65
Fire-fighters (trainee rate)	01/07/2011	21,157	9.18
NHS	01/04/2011	13,903	7.08
Higher Education	01/08/2010	13,150	6.82
Further Education	01/08/2010	13,542	7.01
Probation	01/04/2010	14,182	7.35
Police staff (on appointment)	01/09/2010	14,529	7.53
Agenda for Change	01/04/2011	13,903	7.11
<b>Civil Service</b>			
ACAS	30/06/2010	15,287	7.92
Ministry of Justice	01/08/2010	13,620	7.06
Home Office	01/07/2010	14,043	7.28
Department for Work & Pensions	01/07/2011	14,005	7.26
Department for Business, Enterprise & Regulatory	01/08/2010	14,005	7.25
HM Revenue & Customs	01/06/2010	14,255	7.39
Dept for Environment, Food & Rural Affairs	01/07/2010	15,279	7.92
Ministry of Defence	01/08/2010	14,644	7.59
Foreign and Commonwealth Office	01/04/2011	16,635	8.62
National Assembly for Wales	01/04/2010	17,410	9.02
<b>Review Bodies</b>			
Armed Forces	01/04/2011	12,969	6.72
Prison Service	01/04/2011	18,385	9.53
School Teachers	01/09/2010	21,588	11.19

## 2.2 NJC and NHS pay compared

Basic pay settlements in the NHS have been outstripping NJC settlements since 1998. The justified uplifts needed to achieve equal pay for work of equal value through Agenda for Change have compounded these differences in basic pay. Although use of capitalisation has helped ease the pressure on councils belatedly implementing the Single Status agreement, additional funding has not been made available for local authorities seeking to comply with equal pay legislation, a marked difference to the approach in the NHS.

Agenda for Change was implemented across the UK on 1 December 2004, with pay terms and conditions backdated to 1 October 2004. As a result of government investment, Agenda for Change has seen the value of women's work in the NHS being properly recognised and women's pay levels have experienced a significant uplift as a result. However, in local government, where women make up three quarters of the workforce, this is not the case. Single Status was not funded by Government and almost a quarter of councils have not yet implemented it. Table 4 sets out the superior basic pay settlements for NHS staff over the past 12 years. Up until the pay freeze in the NHS last year, the earnings differential has been increasing year on year.

	'98	'99	'00	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11
NJC Pay Awards %		3	3	3.5	4	3.5	2.75	2.75	2.95	2.48	2.75	1.02	0	0
NJC Index	100.0	103.0	106.1	109.8	114.2	118.2	121.4	124.8	128.5	131.6	135.3	136.6	136.6	136.6
NHS Pay Awards %		4.7	3.4	3.7	3.6	3.225	3.225	3.225	2.5	2.4	2.4	2.54	2.25	0
NHS Index	100.0	104.7	108.3	112.3	116.3	120.1	123.9	127.9	131.1	134.3	137.5	141.0	144.2	144.2

### 2.2.1 With NHS workers doing the same work

The differential in pay between NJC workers and the NHS workforce is brought into stark contrast when we examine the pay levels for workers in both bargaining groups undertaking comparable jobs. Table 5 shows us that this year the differentials in pay for those on the lowest four salaries scales illustrated have widened still further. For cleaners and catering assistants in the NJC in particular, the pay differential with their NHS comparators has increased by a further 2% since last year (when it previously stood at 12.32% and 10.3% respectively). However, the 25% pay differential between nursery nurses and the 22% difference between a NHS Home/Residential Carer Team Leader and a Senior Care Worker in local government is staggering and has grave implications for recruitment and retention of staff, even with current high levels of unemployment.

Local government is in direct competition with the NHS in many local labour markets and will increasingly find it hard to recruit as the gap between NHS and NJC pay widens. The pay differential between the Social Worker Specialist role in the NHS



and the Senior Social Worker role in local government, at nearly 24%, is also adding to the critical recruitment issues that local government faces.

In 2011, the NHS bottom rate rose yet again, to £13,903, compared with £12,145 for NJC workers being frozen. There is now a massive difference of over £1750 between NHS and NJC workers on the bottom spinal points. This situation urgently needs addressing particularly as local government workers are set to take on the role of public health for the NHS in April 2013.

<b>NHS</b>	<b>NJC</b>	<b>NJC 2009 (0%pay increase)</b>	<b>NHS 2011</b>	<b>NHS 2011</b>		
<b>Job title</b>	<b>Job title</b>	<b>Median Maximum Salary (IDS 2009 Survey)</b>	<b>37 ½ Hour Week Maximum Pay</b>	<b>37 Hour Week Equivalent (1.4.11)</b>	<b>Difference between NJC and NHS in £</b>	<b>% NHS pay exceeds NJC Pay</b>
Domestic Support Worker	Cleaner	12,618	14,614	14,420	1,802	14.28
Catering Assistant	Catering Assistant	12,849	14,614	14,420	1,571	12.22
Care Assistant	Home Care Assistant	16,669	17,003	16,777	108	0.65
Residential Carer	Residential Care Assistant	16,495	18,827	18,577	2,082	12.62
Home/Residential Carer Team Leader	Senior Care Worker	23,904	29,464	29,072	5,168	21.62
Social Worker	Social Worker in Children and Families	31,439	36,303	35,820	4,381	13.94
Social Worker Specialist	Senior Social Worker	34,592	43,388	42,811	8,219	23.76
Nursery Nurse	Nursery Nurse	17,827	22,663	22,362	4,535	25.44

### **2.3 Public sector pay compared to private sector: the myths**

The myth that all or much of pay in the private sector was frozen in 2009 continues to persist. In justifying the Government's policy for a 'pay freeze' for the public sector the Chancellor's Budget statement included the assertion that while the private sector experienced frozen pay over the past couple of years the public sector "was

*insulated from these pressures...[and]...must share the burden*".<sup>20</sup> In reality, only a minority of private sector organisations experienced a pay freeze.

This pay policy is part of the wider deep and damaging spending cuts the Government wishes to inflict on public services. The GMB, UNISON and Unite, and many leading economists are clear that these spending cuts are economically wrong-headed. Cuts do not lead to economic growth and create jobs, instead they threaten to ruin our public services and push the economy back into recession.

It is worth briefly recapping what actually happened to pay in the private sector during the recession. According to Incomes Data Services, "*one of the most remarkable aspects of the last few years is how, notwithstanding the recession, a large tranche of major private sector firms has continued to award pay rises*".<sup>21</sup> In 2009 a third of pay awards resulted in negotiated pay freezes which were almost exclusively confined to the private sector – and tended to be concentrated in particular industrial sectors. Just over 20% of pay deals were for between 2.1% and 3% and a further 20% of pay deals were above 3%.<sup>22</sup> The proportion of *employees* covered by pay freezes in 2009 according to IDS monitoring did not go higher than 1 in 10.<sup>23</sup>

If we take a longer view of pay in the public sector we recall that there was a policy of limiting public sector pay increases to 2% or under at a time of record high inflation. This led to many public sector workers experiencing a pay cut in real terms from 2005 when inflation began increasing until the end of 2008 when it fell off. The underlying trend in public sector pay has been upwards over the past decade as it was necessary to close the income gap between the public and private sector that had made keeping experienced, trained staff difficult. (Public sector pay fell below private sector pay between 1993 and 1999). The modernisation and improvements in pay structures to ensure compliance with equal pay law across the public sector in the first half of this decade meant public sector pay rose faster than private sector pay between 2002 and 2004. This levelled out in 2005, and the private sector earning growth was then larger than the public sector in 2006-2008.<sup>24</sup> Currently, for the twelve months to October 2011, the median private sector pay settlement is 3% in manufacturing and 2.5% in private services, and 2.0% in the Not for Profit and related services sector. The public sector is on zero.

This gives the lie to the assertion that public sector workers have been "insulated" from pay cuts and that somehow their jobs are 'feather bedded' in this respect.

NJC workers have experienced years of low pay and pay cuts in real terms. To distract from this truth, there has been an attempt to shift the focus from the uplifts in pay (not) experienced by those in the public sector and local government onto making crude comparisons between the private and public sector to portray those delivering public services as generally 'overpaid'. This theme has been taken up by organisations such as Policy Exchange, the Taxpayers Alliance and sections of the media, such as the Daily Telegraph.

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<sup>20</sup> Budget Statement by the Chancellor of the Exchequer, 22<sup>nd</sup> June 2010

<sup>21</sup> IDS Pay Report 1053, page 2, July 2010

<sup>22</sup> IDS Pay Report 1049, page 9, May 2010

<sup>23</sup> IDS Pay Report 1053, page 20, July 2010

<sup>24</sup> '6 Million pay cuts', TUC, December 2007.

The Office of National Statistics has issued a research report stating that “It is difficult to make comparisons of the [public and private sectors] because of the differences in the types of job and characteristics of employees”.<sup>25</sup> And yet wrongheaded comparisons persist.

It is difficult to make a ‘like for like’ comparison between jobs in the private and public sectors for many reasons. Firstly, there are different types of jobs. For some jobs the public sector is the only or main employer and there are many jobs in the private sector that will not feature in the public sector, for example, many retail jobs. This is linked to a second point – that a larger proportion of public service employees require professional qualifications.

Thirdly, the distribution of earnings in the private sector is much wider than the public sector. The highest wages in the country are found in the private sector (for example, the finance sector) and the lowest wages are also found in the private sector, (for example the services sector). Additionally, the increased average in the public sector is partly a result of the outsourcing of many of the lower paid jobs in the public sector, and in the past couple of years the inclusion of the nationalised banks in some of the more imaginative comparisons between public sector pay and private sector pay.

It is also important to note that the public sector has many more part-time workers (31% compared to 23% in the private sector) and many more women workers.

Table 6, compares the pay for equivalent occupations in the private and public sectors (IDS, 2011). It is evident that for many occupations in local government councils face the threat of job leakage as employees leave their lower paid NJC roles to seek higher paid jobs in the private sector. As can be seen in the table below, only the Customer Call Centre Advisor earns more than her private sector counterpart, almost certainly a reflection of the complex knowledge requirements and emotional demand.

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<sup>25</sup> IDS Pay Report 1078, page 2, August 2011.

**Table 6: Pay comparisons between the private and public sector for equivalent jobs.**

Job title	Private Sector Services				Public sector				Public sector wage deficit			
	Lower quartile	Median	Upper quartile	Average	Lower quartile	Median	Upper quartile	Average	Lower quartile	Median	Upper quartile	Average
Accountant	£40,867	£43,250	£44,750	£42,466	£32,713	£37,184	£41,019	£37,122	8154.00	6066.00	3731.00	5344.00
Administrative Assistant		£12,878		£13,939		£16,162		£16,543		-3284.00		-2604.00
HR/Personnel Manager	£45,500	£55,000	£65,697	£57,387	£39,343	£42,606	£46,994	£43,922	6157.00	12394.00	18703.00	13465.00
IT Manager	£58,769	£68,576	£76,240	£67,037	£41,230	£46,379	£58,286	£49,603	17539.00	22197.00	17954.00	17434.00
Lawyer	£50,875	£59,000	£65,000	£57,977	£36,427	£39,142	£47,459	£43,622	14448.00	19858.00	17541.00	14355.00
Technician	£19,902	£24,402	£27,831	£24,904		£23,284		£22,737		1118.00		2167.00
Finance Manager	£56,113	£71,106	£74,297	£66,629	£36,645	£48,379	£60,860	£49,485	19468.00	22727.00	13437.00	17144.00
Call centre Customer Adviser	£13,705	£15,000	£16,912	£15,517	£16,046	£17,250	£18,367	£17,285	-2341.00	-2250.00	-1455.00	-1768.00
Call Centre Manager	£35,000	£42,358	£52,721	£44,994	£33,490	£37,178	£42,434	£39,124	1510.00	5180.00	10287.00	5870.00
Receptionist				£14,756		£15,453		£16,471				-1715.00

Source: IDS Pay

## 2.4 Gender Pay Gap – women hit hardest

***“Progress on equal pay is stalling, and at a time when more women face losing their jobs more than ever before” (Women’s Budget Group, 2011).***

It has been widely forecasted that women will lose out most from the downturn. Considering that 75% of the NJC workforce is made up of women, 48% of these working part-time, it is crucial that pay settlements for the NJC workforce ensure gender equality and tackle low pay.

However, restricting pay increases in the public sector, if applied to pay bill costs, can only lead to a widening of the gender pay gap across the economy as a whole.

Women in local government are being disproportionately affected by the pay freeze. Over 200,000 women earn less than £6.50 an hour. Women also occupy the vast majority of the low-paid jobs paying under £21,000. Women already work fewer hours due to other responsibilities and for lower wages than men and so many are feeling the reduction in net income that the pay freeze has inflicted compared to men (TUC, 2010:8)<sup>26</sup>. Added to this is the impact of the abolition of the two-tier workforce code which means that women, who make up a large proportion of those delivering contracted out services for local authorities such as catering and cleaning, face doing the same job for less money and worse conditions.

The TUC report “The Gender Impact of the Cuts, 2011”, cites research carried out by economists Howard Reed and Tim Horton which finds that lone parents, 90 per cent of whom are female, will be hit hardest by planned or newly implemented cuts to benefits and support services, losing 18.5 per cent of their net household income, or £3,121.<sup>27</sup> Lone parents are affected more by cuts to further and higher education as well as cuts in housing and social care than couple parents. According to the LGA’s 2010/2011 Earnings Survey, the gross mean FTE pay for women across England and Wales was £20,558 while basic mean FTE pay for local government women workers was £17,614. Using these figures, cuts to benefits and tax credits alone for lone female parents represent a massive £3258.59 pay cut per year.

The overall effect of these wide ranging cuts mean that despite above inflation increases in Child Tax Credit, many families will be worse off. And even discounting benefits and tax credits related to children, women will still be £3.6 billion (66%) worse off compared to men who will be £1.9 billion (34%) worse off because women are being hit harder by housing benefit cuts and the switch to CPI up-rating for public sector pensions.<sup>28</sup>

Lastly, under the terms of the 2004 – 7 NJC agreement, all councils had to provide Single Status equal pay proofed pay structures by 31 March 2007. Yet more than four years after this deadline only just over two thirds of NJC councils have implemented pay and grading reviews - 48% by agreement and 24% by imposition. The larger local authorities tend to lag behind because of complicated equal pay issues so corresponding figures by workforce mean that 48% of the NJC workforce have implemented by agreement and 29% by imposition. Central government and local

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<sup>26</sup> ‘The Gender Impact of the Cuts’, TUC 2010, page 8.

<sup>27</sup> “The Gender Impact of the Cuts”, TUC 2010, page 6.

<sup>28</sup> ‘The Gender Impact of the Cuts’, TUC 2010, page 5.

authorities have failed to provide funding for the implementation of single status. Such inaction forces our members further into poverty, while placing local authorities at risk of yet more equal pay claims.

## **2.5 £250 compensation**

In his Budget statement in June 2010, the Chancellor George Osborne called for a permanent rise on the pay spines of those public sector workers earning less than £21,000:

**“In the past I have said that we would be able to exclude the one million public sector workers earning less than £18,000 from a one year pay freeze. Today, because we have had to ask for a two year freeze, I extend the protection to cover the 1.7 million public servants who earn less than £21,000. Together they make up 28 per cent of the public sector workforce. They will each receive a flat pay rise worth £250 in both these years, so that those on the very lowest salaries will get a proportionately larger rise.”**

You would think that a promise is a promise. Yet to date, only a small number of local authorities have paid the £250 flat rate payment which was denied by the Local Government Employers in 2010 and 2011. A massive 69% of council employees earn below £21,000 and the sweeping majority are being denied this small buffer against the rising cost of living across the UK<sup>29</sup>. Approximately a staggering 856,758 NJC workers earn less than £17,802 basic per annum.<sup>30</sup> Local authorities are flouting Government policy and in turn slighting their workforce. Our members deliver essential public services to some of the most vulnerable people in society and have been owed £250 for two years running now. However, it appears that the Local Government Employers do not value their contribution while other public sector workers outside of the NJC have been granted a flat rate increase of £250. Table 7 below illustrates the effect of £250 compensation payment on the NJC pay spine.

Even though the LGE stated in correspondence to local authorities back in July 2010 that the Government “will also expect local government to have regard to the Government’s fairness agenda, which seeks to provide the lower paid with some protection from the impact of pay restraint”, NJC workers remain deprived of this compensation.

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<sup>29</sup> IDS Pay Report 1068, March 2011, page 12

<sup>30</sup> Local Government Employment 2010 – England and Wales estimates provided by the LGE.

**Table 7: The effect of £250 compensation on the NJC pay spine for workers earning less than £21, 000 per year.**

SCP	Salary in 2009 & 2010	per hr	Workforce numbers 2010 (Approx. headcount) <sup>31</sup>	£250 Increase	% increase
4	£12,145	£6.30	83,048	£12,395	2.06
5	£12,312	£6.38	33,626	£12,562	2.03
6	£12,489	£6.47	76,878	£12,739	2.00
7	£12,787	£6.63	42,419	£13,037	1.96
8	£13,189	£6.84	53,369	£13,439	1.90
9	£13,589	£7.04	39,238	£13,839	1.84
10	£13,874	£7.19	45,226	£14,124	1.80
11	£14,733	£7.64	80,652	£14,983	1.70
12	£15,039	£7.80	46,801	£15,289	1.66
13	£15,444	£8.01	83,947	£15,694	1.62
14	£15,725	£8.15	54,257	£15,975	1.59
15	£16,054	£8.32	46,886	£16,304	1.56
16	£16,440	£8.52	42,779	£16,690	1.52
17	£16,830	£8.72	75,916	£17,080	1.49
18	£17,161	£8.89	51,717	£17,411	1.46
19	£17,802	£9.23	40,914	£18,052	1.40
20	£18,453	£9.56	41,818	£18,703	1.35
21	£19,126	£9.91	63,194	£19,376	1.31
22	£19,621	£10.17	41,360	£19,871	1.27
23	£20,198	£10.47	38,304	£20,448	1.24
24	£20,858	£10.81	33,471	£21,108	1.20
		<b>Approx. Headcount I &lt; £21k<sup>32</sup></b>	1,141,007		<b>0.74% increase if applied below £21K</b>
		<b>Total headcount</b>	1,663,561		
		<b>% of total &lt; £21k</b>	68.5%		
35	£29,236	£15.15	-	£29,486	0.86
49	£41,616	£21.57	-	£41,866	0.60
				<b>Total % Increase of £250 on all scale points</b>	<b>1.19</b>

## 2.6 NJC compared to average earnings

For the last eight consecutive months the median pay settlement has been at 2.5%, according to Incomes Data Services (IDS). In the three months to August, half of settlements were between 2% and 3% although there are contrasting pictures in the public and private sectors.

Private sector pay rises are higher than they were a year ago when in the three months to August 2010 the median settlement level was 2% and one – in- ten private sector settlements were pay freezes. In the latest three months period to August 2011, the private sector median is 2.5% and IDS has only recorded one private-sector pay freeze. Meanwhile, the picture in the public sector is the same as last year as the

<sup>31</sup> Government Employment 2010 – England and Wales estimates provided by the LGE.

<sup>32</sup> Includes approx headcount for those below SCP4

Government's pay freeze policy continues to take effect. The median here is firmly fixed at zero.

## 2.7 National Minimum Wage catches up with NJC pay

The National Minimum Wage (NMW) has provided a statutory “floor” for pay since its inception in 1999. While we welcome the Government's commitment to continuing the NMW, the continued convergence of low pay within local government with that of low pay outside of local government is a matter of grave concern. In terms of poverty pay, this year yet again the National Minimum Wage edges ever closer to our minimum pay rate of £6.30. It is simply unacceptable that **the minimum pay point on the NJC pay scale is now only 22 pence above the National Minimum Wage.**

NJC workers last had a pay rise in April 2009 when the national minimum wage was £5.73. Since then, the NMW has risen on three separate occasions taking the current level of the NMW in October this year to £6.08 (see Table 8). All this time NJC pay has stood still at rock bottom levels. There can be no excuse for imposing a policy of holding down wages to such poverty levels.<sup>33</sup>

	April 2009	October 2009	October 2010	October 2011
National Minimum Wage	£5.73	£5.80	£5.93	£6.08
NJC minimum rate	£6.30	£6.30	£6.30	£6.30
The difference	£0.57	£0.50	£0.37	£.022

## 2.8 NJC – not a Living Wage

The National Minimum wage is still seen by many as being below the level needed to ensure an adequate standard of living. UNISON's report, 'The Impact of Low Pay on UNISON's Families', highlighted the real challenges faced by poor children in families with at least one parent in work. The NMW has not enabled such families to escape poverty.<sup>34</sup> Yet this year, cleaners on London Underground have been awarded a minimum of £7.85 per hour and Scottish Enterprise announced a minimum of £7 an hour for its staff.<sup>35</sup> NJC staff on the lower pay scales deserve their pay to be awarded on the basis of need and no longer on the basis of affordability. We will deal with the arguments around affordability later, in Section 4 of this claim.

The current Minimum Income Standard (MIS) National Living Wage is set at £7.20 (outside of London), and at £8.30 (within London), the amount calculated to provide a “minimum socially acceptable standard of living”<sup>36</sup>. As at July 2010 almost half (45%) of local authorities on LRD's Payline database had pay rates less than £14,436 a year, the then MIS for a single person, while 40% had at least one rate at or lower than the corresponding 2009 minimum income (£13,900).

<sup>33</sup> Currently, the lowest pay levels in the NJC fall well short of UNISON's own target rate for the NMW of £8.00 per hour.

<sup>34</sup> 'A “Living wage” – next step on the minimum wage agenda?' Workplace Report, LRD. July 2010, p. 18.

<sup>35</sup> Ibid.

<sup>36</sup> Calculated by Centre for Research in Social Policy at Loughborough University



There is a growing list of organisations now applying, or committing to apply, the Living Wage. Notably, this includes eight London councils: Greenwich, Haringey, Lewisham, Newham, Southwark and Tower Hamlets are in the processing of ensuring their directly employed staff are on at least the London Living Wage (LLW), while all directly employed staff at Islington and Hammersmith and Fulham councils are already above the LLW. Other organisations applying, or committing to apply the Living Wage include: the Greater London Authority group (this includes Transport for London); four hospitals; seven universities; St. Charles Sixth form College; and the Department for Education. It applies to London's Westfield Shopping Centre; 95% of jobs at London's Olympics sites; it is backed by Barclays, KPMG, PricewaterhouseCoopers as well as the Child Poverty Action group, the Children's Rights Alliance for England, and Friends of the Earth.<sup>37</sup> With low pay such a serious issue for the 328,500 NJC workers on the lowest six spinal column points, it is about time that the Local Government Employers collectively backed the Living Wage. Adoption of a Living Wage would create value for the employer, reducing turnover and absenteeism costs and making workers more motivated to keep their job.<sup>38</sup> It would also help to stimulate the economy.

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<sup>37</sup> A "Living wage" – next step on the minimum wage agenda?', Workplace Report, LRD. July 2010, p. 18.

<sup>38</sup> For employer evidence on the benefits of paying the living wage, and an extensive list of organisations paying the NLW, visit [www.union.org.uk/bargaining/factsheets.asp](http://www.union.org.uk/bargaining/factsheets.asp)

### 3 The Economic Environment

#### 3.1 Inflation

NJC workers are facing the fastest rise in the cost of living for 20 years. In October 2011, the headline rate of inflation, as measured by the annual change in the all-items retail prices index (RPI) for the year to September 2011, rose to 5.6%. Even the consumer prices index (CPI), which does not account for housing costs, rose to 5.2%. Our members' disposable incomes are shrinking fast against a background of pay freezes and pay cuts. The main upward pressures to the RPI annual rate has come from soaring prices for gas and electricity, and higher prices for clothing and footwear and petrol<sup>39</sup>. Gas bills are 22.3 per cent higher than last year while electricity is 12.9 per cent more expensive. Fuels and lubricants rose by 17.8 per cent over the 12 months to September 2011 and food bills by 6.4 per cent.

A survey by the Office of National Statistics showed that the average worker is £750 worse off due to the rising cost of living, which hints at the much deeper financial pain that lower paid workers in local government will be feeling.<sup>40</sup> This huge financial impact upon the livelihoods of hard-working NJC employees is not merely a passing storm that must be weathered - a real trend is developing. In 6 of the 8 years since, and including, 2004, pay has been outstripped by inflation.

The Institute for Fiscal Studies estimates that in the years 2008 – 2011, real household incomes have fallen by 1.6% rather than rising by 5% as would be expected. This represents the biggest drop in real living standards since 1980-83.<sup>41</sup> They have further predicted growth in absolute and relative levels of child and working age poverty in the next few years, stating that "This unprecedented collapse in living standards is chiefly due to the (actual or forecast) high inflation and weak earnings growth over this period."<sup>42</sup>

People and households on low incomes are as usual being hit the hardest because of impacts of spending patterns, rising inflation and the Government's wider policies. Seventy per cent of NJC employees are earning below £21,000 and almost half earn less than £17,802.<sup>43</sup> Local councils simply cannot afford to bear the economic and social ills of plunging more families into poverty with another pay cut to NJC wages this year. The Joseph Rowntree Foundation has estimated that the minimum income standard for a single person to have a minimum acceptable standard of living is at least £15,000 a year before tax.<sup>44</sup>

Recent figures showed that 77% of the lowest income sectors of the population were unable to afford adequate fuel. Save the Children estimate that the poorest families pay more for essential and basic goods compared to richer families. Known as a 'poverty premium' this discrepancy between the rich and the poor can amount to more than an extra £1,280 for a typical low income family.<sup>45</sup>

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<sup>39</sup> "Consumer Price Indices September 2011", Office for National Statistics, 18 October 2011.

<sup>40</sup> Survey conducted by The Office for National Statistics, February 2011.

<sup>41</sup> "Biggest three year fall in household incomes since early 1990s", IFS press release, 21 March, 2011

<sup>42</sup> 'Child and Working-age poverty from 2010 to 2020', Institute for Fiscal Studies, October 2011, page 1.

<sup>43</sup> Local Government Earning Survey, Local Government Group, March 2011.

<sup>44</sup> "A minimum income standard for the UK in 2011", D. Hersh, Joseph Rowntree Foundation, 5 July 2011.

<sup>45</sup> "The UK poverty rip off. The poverty premium 2010", Save the Children, January 2011, page 1.

A recent study from the Institute for Fiscal Studies has revealed that the poor suffer higher inflation rates than the rich. Table 9 shows how the poorest fifth of households faced an average annual inflation rate of 4.3% between 2008 and 2010, while the richest fifth experienced a rate of just 2.7% a year over the same period. During the recession period, gas, electricity and food increased which hit poorer households harder, while there were dramatic cuts in mortgage payments which favour richer households.<sup>46</sup>

Income Quintile	2000-2010	2008-2010
Lowest income	3.3	4.3
2	3.3	3.9
3	3.0	3.4
4	3.0	3.1
Highest income	2.9	2.7
<b>All</b>	<b>3.1</b>	<b>3.5</b>

### 3.2 Inflation and NJC pay – worse off than ever

Table 10 demonstrates that NJC workers are worse off now than in any year since 1998. The two year pay freeze has completely wiped out the relative increases in pay that the Trade Union Side achieved since 1998 (excluding lowest pay scale points).

Year	Headline Settlement Cost	Total Settlement Cost	Pay Settlement Index	RPI (April)	RPI Index
1997/8			100.00		100.00
1998/9	3.0	3.00	103.00	4.0	104.00
1999/00	3.0	3.00	106.09	1.6	105.66
2000/01	3.0	3.00	109.27	3.0	108.83
2001/02	3.5	3.59	113.20	1.8	110.79
2002/03	3.0	3.58	117.25	1.5	112.45
2003/04	3.5	3.57	121.43	3.1	115.94
2004/05	2.75	2.75	124.77	2.5	118.84
2005/06	2.95	2.95	128.45	3.2	122.64
2006/07	2.95	2.95	132.24	2.6	125.83
2007/08	2.475	2.50	135.55	4.5	131.49
2008/09	2.75	2.8	139.35	4.2	137.01
2009/10	1%	1.045	140.81	-1.2	135.37
2010/11	0	0	140.81	5.3	142.54
2011/12	0	0	<b>140.81</b>	<b>5.2</b>	<b>149.95</b>

For our members in NJC workforce, and particularly for those on the lowest pay points, financial hardship is a reality. When an analysis is conducted into the effect of rising inflation, in real terms, on the hourly rates of pay for those on the bottom NJC pay scales, a truly disturbing picture of poverty pay is unravelled.

<sup>46</sup> 'Poor experience higher inflation than rich', Institute for Fiscal Studies, Press Release 14 June 2011.

<sup>47</sup> Ibid.

Table 11 shows the reduction in spending power for the workforce since the pay freeze in 2009. It makes for alarming reading. Since April 2009, the percentage increase in prices, up to August 2011, stands at a staggering 11.63%. In other words, for our members' pay to keep in line with the cost of living, we would be looking at a pay rise of more than 11% just to break even. But the shocking scale of its deterioration comes to light when the real terms hourly rate for the workforce comes under close scrutiny. Table 11 shows us that all NJC workers, at spinal column point 8 and below, are effectively receiving less than the National Minimum Wage in real terms since the pay freeze. According to the Local Government Group, this accounts for approximately 314,527 workers in total<sup>48</sup> - well over a quarter of a million workers. Table 11 also illustrates that additionally those workers on spinal column points 9 to 10, approximately a further 84,464 workers, are currently receiving a wage equivalent to less than the National Living Wage (outside London).

<b>Table 11: Real term reduction in NJC pay accounting for inflation, 2009 – 2011</b>						
<b>SCP</b>	<b>Annual Salary in April 2009</b>	<b>Approx. Headcount</b>	<b>Hourly salary in April 2009 (based on 37 hour week)</b>	<b>11.63% of annual wage in 2009</b>	<b>2009 annual pay minus 11.63%</b>	<b>2009 hourly pay minus 11.63%</b>
4	£12,145	83,048	6.30	£1,412.46	£10,732.54	5.56
5	£12,312	33,626	6.38	£1,431.89	£10,880.11	5.64
6	£12,489	76,878	6.47	£1,452.47	£11,036.53	5.72
7	£12,787	42,419	6.63	£1,487.13	£11,299.87	5.86
8	£13,189	53,369	6.84	£1,533.88	£11,655.12	6.04
<b>National Minimum wage currently stands at £6.08</b>						
9	£13,589	39,238	7.04	£1,580.40	£12,008.60	6.22
10	£13,874	45,226	7.19	£1,613.55	£12,260.45	6.36
<b>National Living Wage currently stands at £7.20 (outside London)</b>						
11	£14,733	80,652	7.64	£1,713.45	£13,019.55	6.75
12	£15,039	46,801	7.80	£1,749.04	£13,289.96	6.89
13	£15,444	83,947	8.01	£1,796.14	£13,647.86	7.07
14	£15,725	54,257	8.15	£1,828.82	£13,896.18	7.20
15	£16,054	46,886	8.32	£1,867.08	£14,186.92	7.35
16	£16,440	42,779	8.52	£1,911.97	£14,528.03	7.53
17	£16,830	75,916	8.72	£1,957.33	£14,872.67	7.71
18	£17,161	51,717	8.90	£1,995.82	£15,165.18	7.86
19	£17,802	40,914	9.23	£2,070.37	£15,731.63	8.15
20	£18,453	41,818	9.57	£2,146.08	£16,306.92	8.45
21	£19,126	63,194	9.91	£2,224.35	£16,901.65	8.76

<sup>48</sup> Includes approximately 25,188 below SCP 4.

22	£19,621	41,360	10.17	£2,281.92	£17,339.08	8.99
23	£20,198	38,304	10.47	£2,349.03	£17,848.97	9.25
24	£20,858	33,471	10.81	£2,425.79	£18,432.21	9.55
<b>All SCPs below SCP 25 have not received the £250 low pay compensation payment for those earning less than £21K.</b>						
25	£21,519	51,872	11.15	£2,502.66	£19,016.34	9.86
26	£22,221	39,076	11.52	£2,584.30	£19,636.70	10.18
27	£22,958	27,754	11.90	£2,670.02	£20,287.98	10.52
28	£23,708	46,048	12.29	£2,757.24	£20,950.76	10.86
29	£24,646	25,903	12.78	£2,866.33	£21,779.67	11.29
30	£25,472	22,270	13.20	£2,962.39	£22,509.61	11.67
31	£26,276	33,752	13.62	£3,055.90	£23,220.10	12.04
32	£27,052	16,338	14.02	£3,146.15	£23,905.85	12.39
33	£27,849	18,089	14.44	£3,238.84	£24,610.16	12.76
34	£28,636	26,919	14.84	£3,330.37	£25,305.63	13.12
35	£29,236	13,510	15.15	£3,400.15	£25,835.85	13.39
36	£30,011	21,966	15.56	£3,490.28	£26,520.72	13.75
37	£30,851	19,014	15.99	£3,587.97	£27,263.03	14.13
38	£31,754	18,863	16.46	£3,692.99	£28,061.01	14.55
39	£32,800	13,784	17.00	£3,814.64	£28,985.36	15.02
40	£33,661	14,835	17.45	£3,914.77	£29,746.23	15.42
41	£34,549	12,858	17.91	£4,018.05	£30,530.95	15.83
42	£35,430	10,156	18.37	£4,120.51	£31,309.49	16.23
43	£36,313	10,956	18.82	£4,223.20	£32,089.80	16.63
44	£37,206	10,056	19.29	£4,327.06	£32,878.94	17.04
45	£38,042	8,905	19.72	£4,424.28	£33,617.72	17.43
46	£38,961	7,979	20.20	£4,531.16	£34,429.84	17.85
47	£39,855	6,028	20.66	£4,635.14	£35,219.86	18.26
48	£40,741	6,154	21.12	£4,738.18	£36,002.82	18.66
49	£41,616	7,428	21.57	£4,839.94	£36,776.06	19.06

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

The most recent round-up of city economists' forecasts for inflation, (see Table 12 below) conducted by IDS in early September 2011, predicts hard times ahead for our

members in the NJC workforce with the all-items Retail Prices Index (RPI) predicted to be around 5.5% for the remainder of 2011, and between 3% and 4% in 2012.

Table 12: RPI inflation forecasts, 12 September, 2011									
	CI	CB	LTSB	MS	NO	RBS	SC	UBS	Rounded average
2011 4 <sup>th</sup> quarter	5.3	5.4	5.3	5.2	5.1	5.2	5.4	5.4	5.3
2012 1 <sup>st</sup> quarter	4.2	3.9	3.0	4.0	3.6	4.1	4.4	4.1	4.0
2 <sup>nd</sup> quarter	4.0	3.6	4.0	3.7	3.4	3.8	4.1	3.8	3.8
3 <sup>rd</sup> quarter	4.1	3.3	3.6	3.5	3.3	3.3	3.9	3.6	3.6
4 <sup>th</sup> quarter	3.9	2.8	3.7	3.3	2.7	2.7	3.4	3.2	3.2
<i>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.</i>									

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 RPI and CPI. Planned increases in rail fares are also likely to affect inflation during the first half of next year. This all adds up to more misery for those on low grades and adds weight to the argument for bottom loading to be included in this year's pay award.

### 3.4 Pensions – another pay cut

Our members are also threatened with a further pay cut in the form of an increase to employee pension contributions to the Local Government Pension Scheme. This is adding to the poisonous mix of pay freezes and rising inflation. The result is that almost a quarter of respondents to a recent survey of over 10,000 public service workers conducted earlier this year stated that they would 'definitely, or probably', leave the scheme.<sup>49</sup> This would push more public sector workers onto state benefits when they retire and put the remaining schemes in jeopardy.<sup>50</sup>

Table 13 shows the impact of the three proposals for increasing pension contributions currently on the table: an increase of 1%, 1.5% and 3.2%. Our members are being asked to pay more, work longer and get less. Women in particular are being hit with the switch to CPI up rating of the additional state pension and public sector pensions .

<sup>49</sup> 'Members Income Survey, A report for the Public and Commercial Services (PCS) and UNISON trade unions', IDS, May 2011

<sup>50</sup> Ibid.

**Table 13: The impact of 1%, 1.5% and 3.2% reductions in hourly pay on the NJC spinal column points**

SCP	Annual Salary in April 2009	Hourly Salary in April 2009 (based on 37 hour week)	Hourly Pay reduced by 1%	Hourly Pay reduced by 1.5%	Hourly Pay reduced by 3.2%
4*	£12,145	6.30			
5*	£12,312	6.38			
6*	£12,489	6.47			
7*	£12,787	6.63			
8*	£13,189	6.84			
9*	£13,589	7.04			
10*	£13,874	7.19			
11*	£14,733	7.64			
12	£15,039	7.8	7.72	7.68	7.55
13	£15,444	8.01	7.93	7.89	7.75
14	£15,725	8.15	8.07	8.03	7.89
15	£16,054	8.32	8.24	8.20	8.05
16	£16,440	8.52	8.43	8.39	8.25
17	£16,830	8.72	8.63	8.59	8.44
18	£17,161	8.9	8.81	8.77	8.62
19	£17,802	9.23	9.14	9.09	8.93
20	£18,453	9.57	9.47	9.43	9.26
21	£19,126	9.91	9.81	9.76	9.59
22	£19,621	10.17	10.07	10.02	9.84
23	£20,198	10.47	10.37	10.31	10.13
24	£20,858	10.81	10.70	10.65	10.46
25	£21,519	11.15	11.04	10.98	10.79
26	£22,221	11.52	11.40	11.35	11.15
27	£22,958	11.9	11.78	11.72	11.52
28	£23,708	12.29	12.17	12.11	11.90
29	£24,646	12.78	12.65	12.59	12.37
30	£25,472	13.2	13.07	13.00	12.78
31	£26,276	13.62	13.48	13.42	13.18
32	£27,052	14.02	13.88	13.81	13.57
33	£27,849	14.44	14.30	14.22	13.98
34	£28,636	14.84	14.69	14.62	14.37
35	£29,236	15.15	15.00	14.92	14.67
36	£30,011	15.56	15.40	15.33	15.06
37	£30,851	15.99	15.83	15.75	15.48
38	£31,754	16.46	16.30	16.21	15.93
39	£32,800	17	16.83	16.75	16.46
40	£33,661	17.45	17.28	17.19	16.89
41	£34,549	17.91	17.73	17.64	17.34
42	£35,430	18.37	18.19	18.09	17.78
43	£36,313	18.82	18.63	18.54	18.22
44	£37,206	19.29	19.10	19.00	18.67
45	£38,042	19.72	19.52	19.42	19.09
46	£38,961	20.2	20.00	19.90	19.55
47	£39,855	20.66	20.45	20.35	20.00
48	£40,741	21.12	20.91	20.80	20.44
49	£41,616	21.57	21.35	21.25	20.88

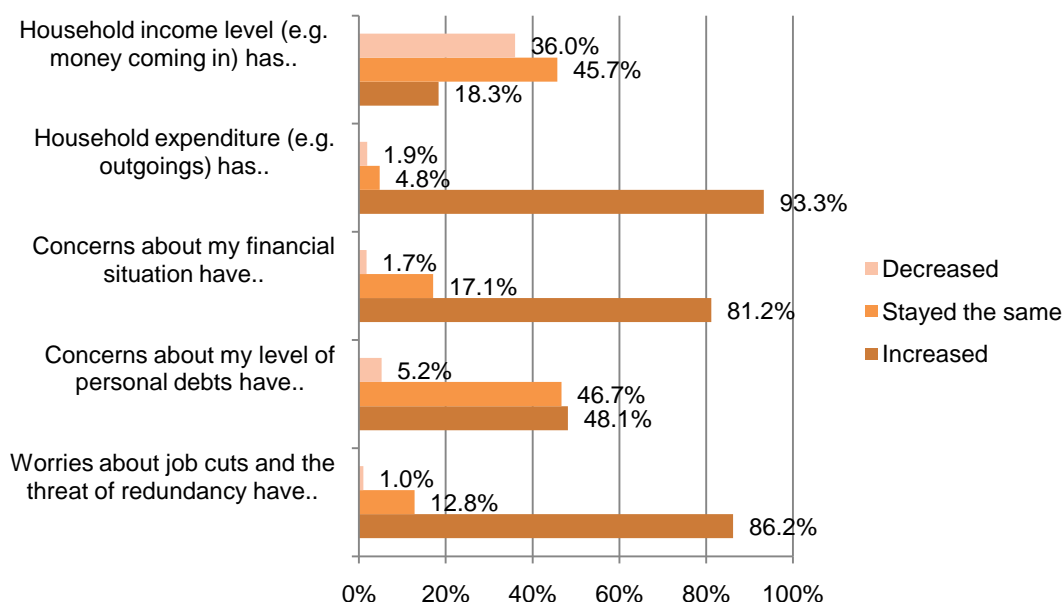
\*under the current proposals, those earning under £15,000 p.a. would have their contributions protected

### 3.5 Debt – in work poverty

A joint survey by UNISON and PCS of more than 10,000 public sector workers, reveals the crippling impact of the Government’s cuts and pay freeze on family life across the UK.<sup>51</sup> Over 29 per cent of the respondents were employed by local government. The interim report shows a third of respondents have personal debts of £10,000 - £19,999 or more and 12% owe 20,000 or more. As money coming in has grown tighter and the cost of living has risen, 71% cut down spending on food, 33% on vital healthcare such as dentists and prescriptions, 22% on children’s footwear and clothes, 47% cut down spending on keeping fit, while 89% reduced spending on going out<sup>52</sup>. 66% of respondents had personal debts, other than a mortgage.

Chart 1 below shows that for survey respondents household finances are a major worry. 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% reported that concerns about their financial situation had increased.

**Chart 1: Compared to this time last year, how would you say your situation has changed...**



It has not been possible for this submission to calculate how hard those earning below £21,000 will be hit by the Government’s regressive tax and welfare benefit changes as the impact of these is a function of household composition as well as earnings. It is fair to conclude though that there will be a not insubstantial overlap between those that earn up to £21,000 and those in the lower 5 income deciles when income is adjusted for household size using the McClements equivalence scale. It is therefore right that we briefly outline the impacts of the Government’s tax and benefit changes.

The Horton-Reed model<sup>53</sup> assesses the impact of cuts in public spending on the different income deciles, finding that before cuts to benefits and tax credits is taken into account the average cuts to households is £1308. The cuts are deeply regressive, with

<sup>51</sup> Ibid.

<sup>52</sup> Ibid.

<sup>53</sup> ‘The distributional effect of tax and benefit reforms to be introduced between June 2010 and April 2014: a revised assessment’, IFS, 2010.



the bottom tenth experiencing a loss of 20.3% of their income. Households with children are also disproportionately affected. IFS have concluded that the effect of direct tax and benefit reforms introduced between June 2010 and April 2014 are also deeply regressive, with the bottom third losing 2% or more of their annual income (approximately £1200 a year) and the fourth and fifth deciles losing just under 2% and 1.5% of their annual income respectively. The Joseph Rowntree Foundation has estimated that a family would have to earn 20% more in 2011 than in 2010 to meet the shortfall in frozen benefits and cuts in tax credits they are experiencing.<sup>54</sup>

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<sup>54</sup> 'A minimum income standard for the UK in 2011', Joseph Rowntree Foundation, July 2011.

## **4 Finding the Resources**

A 'substantial' NJC pay award is not only necessary and justifiable, it should be considered as part of a strategy designed to secure economic growth. Government assumptions about GDP growth are predicated on the OBR central economic forecast which assumes growth in earnings and salaries. The absence of that additional demand within the economy, at a time of higher than projected inflation levels, will only serve to depress demand further.

As part of the process of negotiating over pay this year, it will be necessary for both the NJC Employers and the Trade Union Side to secure from central government a commitment that the projected growth in the yield from business rates during the remainder of the period covered by the spending review is added to amounts that would otherwise be distributed through formula grant.

### **Local government spending reductions have been a contributory factor in the lower than projected growth figures.**

A comparison of the Revenue Account Budget (RA data) budget returns from local authorities in England reveals that planned net current expenditure fell from £122.397 billion in 2010/11 to £118.059 billion in 2011/12, a decrease of 2.6 per cent on the previous year, while inflation rises.

This is a reflection of decisions made by the Conservative-led coalition government in both the scale of the cut in formula grant and the front loading of reductions in local government built into the comprehensive spending review.

In contrast, in Wales budgeted gross revenue expenditure for 2011-12 increased to £7.602 billion - by 0.7% on the previous year in cash terms or 0.9% if the previous year's figures are adjusted for the effects of Revenue Expenditure funded from Capital by Statute (RECS).

Data for Northern Ireland was not available at the time of submission preparation.

### **4.1 Local government and the growth agenda**

In June 2010, the Government predicted that growth was estimated to be 1.2 per cent in 2010; 2.3 per cent in 2011; then 2.8 per cent in 2012 followed by 2.9 per cent in 2013; then 2.7 per cent in both 2014 and in 2015.

The importance of restoring growth is now a central feature of statements on the economy being made by the OBR. The OBR's June 2010 forecast projected GDP growth of 2.3% but as the table below shows, in 2011 this is after taking account of a negative contribution of 0.7% from Government consumption and general Government investment.

**Table C3: Contributions to GDP growth<sup>1</sup>**

	Percentage points, unless otherwise stated						
	2009	Forecasts					
		2010	2011	2012	2013	2014	2015
<b>GDP growth, per cent</b>	<b>-4.9</b>	<b>1.2</b>	<b>2.3</b>	<b>2.8</b>	<b>2.9</b>	<b>2.7</b>	<b>2.7</b>
<b>Main contributions</b>							
Private consumption	-2.1	0.2	0.8	1.1	1.3	1.4	1.4
Business investment	-2.1	0.1	0.8	1.0	1.1	1.1	1.0
Dwellings investment <sup>2</sup>	-0.6	-0.2	0.2	0.2	0.3	0.2	0.2
Government <sup>3</sup>	0.8	0.3	-0.7	-0.6	-0.6	-0.6	-0.4
Change in inventories	-1.2	1.2	0.4	0.0	0.0	0.0	0.0
Net trade	0.7	-0.5	0.9	0.9	0.7	0.5	0.5

<sup>1</sup> Components may not sum to total due to rounding, omission of transfer costs of land and existing buildings, and the statistical discrepancy.

<sup>2</sup> The sum of public corporations and private sector investment in new dwellings and improvements to dwellings.

<sup>3</sup> The sum of government consumption and general government investment.

The OBR analysis also shows that decisions made in the 2010 Budget about levels of government consumption and general government investment have a negative impact of 0.6% on GDP growth in each of the three subsequent years.

Budget 2011 revised the growth projections for 2011 and 2012 downwards, revising the negative impact of general government investment to 0.5% on GDP growth in each of the three subsequent years 2012 to 2015.

**Table 1.2: Summary of OBR's central economic forecast<sup>1</sup>**

	Percentage points, unless otherwise stated						
	Pre-crisis decade average contribution <sup>2</sup>	Forecast					
		2010	2011	2012	2013	2014	2015
<b>Gross domestic product</b>	2.9	1.3	1.7	2.5	2.9	2.9	2.8
<b>Main contributions</b>							
Private consumption	2.1	0.5	0.4	0.8	1.2	1.3	1.4
Business investment	0.6	0.2	0.6	0.8	1.1	1.1	0.9
Dwellings investment <sup>3</sup>	0.1	0.1	0.2	0.2	0.3	0.3	0.2
Government <sup>4</sup>	0.6	0.4	-0.2	-0.5	-0.5	-0.5	-0.3
Change in inventories	0.0	1.4	0.2	0.0	0.0	0.0	0.0
Net trade	-0.6	-0.9	0.7	1.0	0.7	0.6	0.5
<b>CPI Inflation (Q4)</b>		3.4	3.9	2.2	2.0	2.0	2.0

It is now clear that even these growth projections will not be achieved and that the Bank of England has revised its' growth forecasts downwards on several occasions since the March 2011 Budget.

## 4.2 National Non Domestic Rates

In England, a factor in the resources distributed through Formula Grant was the significant reduction of some £2.5 billion in the national non-domestic rates distributable

amount which fell from £21.516 billion in 2010/11 to £19.017 billion in 2011/12 as shown in the table below.

	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
	£bn	£bn	£bn	£bn	£bn	£bn	£bn
NDR distributable amount	18.004	17.506	18.506	20.506	19.515	21.516	19.017

The actual distributable amount will be less than the potential yield due to a variety of factors including mandatory and discretionary reliefs and small business reliefs. Nevertheless, the substantial reduction in the distributable amount is not reflected in the Office for Budget Responsibility's reports that accompanied the June 2010 and March 2011 Budgets detailed in the table below.

Office for Budget Responsibility projections	Outturn	Outturn	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
NDR	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Table C11 Current receipts; page 100; Budget June 2010	22.9	24.3	24.9	26	26.9	28.1	29.3	30.2
Table C3 Current receipts OBR Forecast; page 92; Budget March 2011		23.4	23.8	25.5	27.2	28.5	29.7	30.1

In the consultation paper Local Government Resource Review: Proposals for Business Rates Retention, the Government signals that forecast business rate revenues are likely to exceed those assumed in determining the planned expenditure totals:

***“To deliver a fiscally sustainable system and avoid putting at risk the Government’s deficit reduction programme, we will ensure that the business rates retention scheme operates within the set expenditure limits for 2013-14 and 2014-15. Forecast business rate revenues above those limits will be set aside and directed to local government through other grants.”***<sup>55</sup>

This view is reflected in the OBR’s Economic and Fiscal Outlook in March 2011:

***“4.68 The forecast for business rates is up by £0.8 billion by 2015-16, compared with the November forecast. Business rates bills are calculated by multiplying the rateable value of a non-domestic property by the multiplier, which is uprated for the following financial year in line with inflation. The higher forecasts for RPI inflation thus push up receipts”***<sup>56</sup>

Given the structure of the NJC workforce, and the proportion of employees on low incomes, a ‘substantial’ pay award is necessary as part of a strategy designed to secure economic growth.

<sup>55</sup> Local Government Resource Review: Proposals for Business Rates Retention, DCLG, 18 July 2011, page 19.

<sup>56</sup> Economic and Fiscal Outlook, OBR, March 2011, page 122.

The OBR's central economic forecast (March 2011), detailed in table C1 below, assumes that wages and salaries will grow by 2.8 per cent and 4.8 per cent in 2012 and 2013 respectively.

**Table C.1: Detailed summary of OBR central economic forecast**

	Percentage change on a year earlier, unless otherwise stated						
	Outturn			Forecast <sup>1</sup>			
	2009	2010	2011	2012	2013	2014	2015
<b>Labour market</b>							
Employment (millions)	29.0	29.0	29.0	29.2	29.5	29.7	30.0
Wages and salaries	- 0.1	1.5	1.8	2.8	4.8	5.3	5.4
Average earnings <sup>6</sup>	1.8	1.7	2.0	2.2	3.8	4.3	4.5
ILO unemployment (% rate)	7.6	7.9	8.2	8.1	7.6	7.0	6.4
Claimant count (millions)	1.53	1.50	1.54	1.53	1.43	1.31	1.18

### 4.3 Local Authority Reserves

The Chartered Institute of Public Finance and Accountancy (CIPFA) advise (Local Authority Accounting Panel [LAAP] 77) that reserves can be held for three main purposes:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing
- A contingency to cushion the impact of unexpected events or emergencies and as
- A means of building up funds, often referred to as earmarked reserves to meet known or predicted requirements

The following tables illustrate that despite the financial constraints being imposed on local authorities, unallocated reserves in English local authorities have grown from £3.482 billion at 1 April 2009 to £3.493 billion at 31 March 2010 to £3.838 billion at 1 April 2010 and to £4.156 billion at 31 March 2011.

Earmarked reserves in English local authorities stood at £9.432 billion at 1 April 2009; at £9.168 billion at 31 March 2010; £9.683 billion at 1 April 2010 and at £10.450 billion at 31 March 2011.

<b>Table 6 : Level of revenue reserves</b>				
£ million				
Non-schools reserves				
	Schools reserves	Other earmarked	Unallocated	Non-schools Total
<b>At 1 April</b>				
2005	1,498	6,831	2,774	9,605
2006	1,596	7,644	2,939	10,583
2007	1,760	8,122	3,205	11,327
2008 (R)	2,009	9,014	3,373	12,386
2009	1,866	9,432	3,482	12,915
<b>At 31 March</b>				
2010	1,812	9,168	3,493	12,661

Source: **Statistical Release 27 January 2011 LOCAL AUTHORITY REVENUE EXPENDITURE AND FINANCING ENGLAND 2009-10 FINAL OUTTURN (REVISED)**

Financial reserves levels at start and end of 2009-10		At 1 April 2010	At 31 March 2011
911	Schools reserves level	1,830	2,053
915	Other earmarked financial reserves level	9,683	10,450
916	Unallocated financial reserves level	3,838	4,156
920	Prior Year Adjustments	18	

Source: **Statistical Release 31 August 2011 LOCAL AUTHORITY REVENUE EXPENDITURE AND FINANCING ENGLAND 2010-11 PROVISIONAL OUTTURN**

The Local Government Finance Statistics (Wales) show that local authorities reduced reserves by £12.6m in 2010/11 and the 2011/12 budget plans assume a further reduction of £21.6m in 2011/12.

#### 4.4 Concluding remarks

***“The main effect of the Coalition’s welfare reform on working households is to increase the risk they face if something goes wrong – the risk of homelessness if they lose their job and serious loss of income even if they remain employed. This risk is not confined –not even mainly confined - to those on the lowest household incomes. Instead those of working –age across the income spectrum are affected” (Peter Kenway, New Policy Institute, 2011).***

The statistics provided in this pay claim illustrate the systematic undervaluing of the NJC workforce. The economic climate, in terms of high inflation and sheer pressure on members’ wallets is consistent and has built up over a long period of time, as pay increases in recent years have often dipped below inflation. In the current climate of austerity measures, widespread redundancies and cuts to pay and terms and conditions, NJC workers on all grades face an uncertain and stressful future from the hardship that the cuts agenda is inflicting on them and their families.

Our members are the lowest paid group in the public sector, as the comparisons we have illustrated in section 2 of this claim have highlighted. They have endured a pay freeze now for two years while inflation has climbed to its highest level for 20 years. We, and many leading economists, believe that the deep and damaging spending cuts being inflicted upon them are ideologically driven and economically wrong. Cuts do not lead to economic growth and the creation of jobs but dismantle our public services and push our members further into poverty.

The Trade Union Side believes that our claim this year for a substantial increase in pay is a just one and long overdue. We hope that elected members and officers of local authorities covered by our claim will give its contents very serious consideration and recognise that without a 'new deal', for NJC workers, councils will not be able to recruit and retain the staff they need into the future.