



LOCAL PAY CLAIM 2017

INTRODUCTION

This pay claim is submitted by UNISON on behalf of **South Cambridgeshire District Council**

UNISON's claim is for the following:

- a substantial above inflation pay rise to help restore and maintain employees living standards

UNISON is therefore submitting the following claim for 2017, which seeks to improve and enhance the morale and productivity of our members. Meeting our claim will give the **South Cambridgeshire District Council** 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

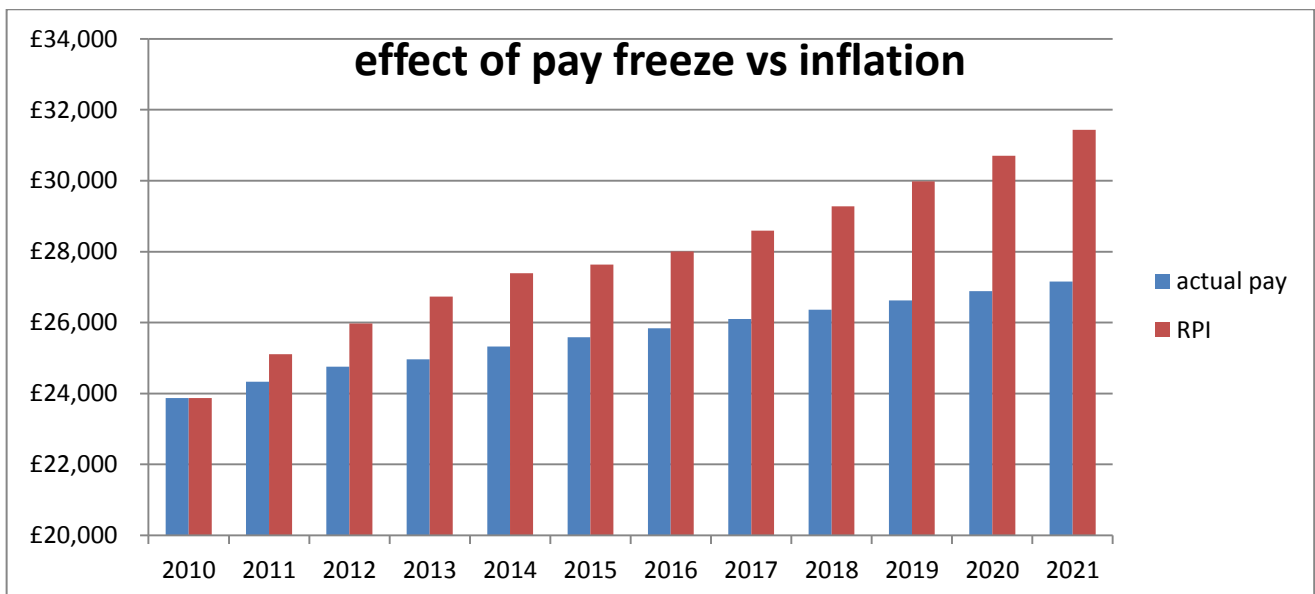
We are seeking:

- A 5% cross the board increase on all salary points and allowances

1. BACKGROUND TO THE CLAIM

A substantial increase will help restore and maintain living standards of the staff who have seen their real pay eroded considerably. The current budget estimate projects inflation to increase to 2.4% per annum whilst the annual pay award is capped at 1%. The average public sector pay was £23,868 in 2010. With the proposed pay cap at 1% this will rise to no more than £27,158 by 2021. If pay rises matched inflation average pay would rise to £31,436 by 2021, a difference of £4,278 per annum.

The evidence suggests that a 10% pay award would restore the imbalance and bring the average pay for 2017 to £28,423, approximately where it would be if a pay award equal to RPI had been made each year since 2010. However, we recognise that a pay award of 10% is unrealistic.



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The greatest asset of the **South Cambridgeshire District Council** is its employees. In this pay round, our members are looking for evidence of the value that the **South Cambridgeshire District Council** places upon them and a share in the economic recovery.

This claim is both realistic and fair. The following gives full justification for the claim. UNISON hopes that the **South Cambridgeshire District Council** will give this claim the full consideration and response which employees expect and richly deserve.

2. COST OF LIVING

According to the Office for National Statistics (ONS):

The Retail Prices Index rose from 222.8 (April 2010) to 261.4 (April 2016) – an increase of 17.3% (January 1987 = 100). Over the same period the Consumer Prices Index rose from 89.2 (April 2010) to 100.2 (April 2016) – an increase of 12.33% (2015=100).

Salary April 2010	April 2016 salary that maintains real value. (Salary April 2010 uprated in line with RPI)
10000	11733
12000	14079
15000	17599
18000	21119
20000	23465
25000	29331
30000	35198
40000	46930
50000	58663

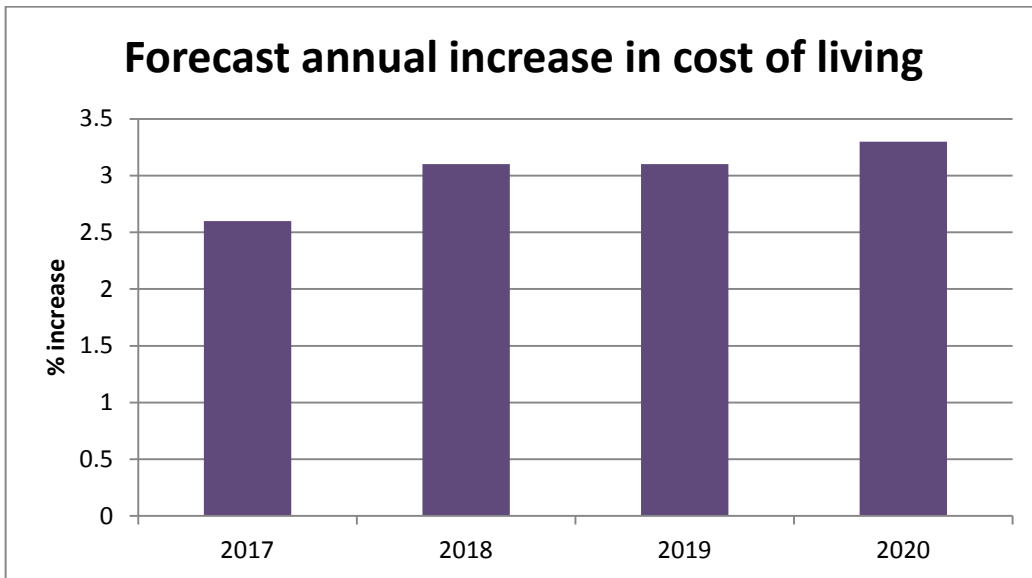
Between April 2010 and April 2016 pay in **South Cambridgeshire District Council** rose by only 10 %, while inflation rose by 17.3%. This represents a fall in real living standards for **South Cambridgeshire District Council** employees.

UNISON believes that the Retail Prices Index (RPI) remains the most accurate measure of inflation faced by employees. The most widely quoted figure for inflation in the media is the Consumer Prices Index, However, UNISON believes that CPI consistently understates the real level of inflation for the following reasons:

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

3. FORECAST INFLATION RATES

Treasury forecasts indicate that the cost of living is set to rise significantly once more, with the 2017 rate hitting 1.9 % followed by an acceleration to over 2.4% a year between 2018 and 2020. If these rates turn out to be correct, the cost of living employees will face will have grown by almost 15% by the close of 2020, following the pattern set out in the graph below.

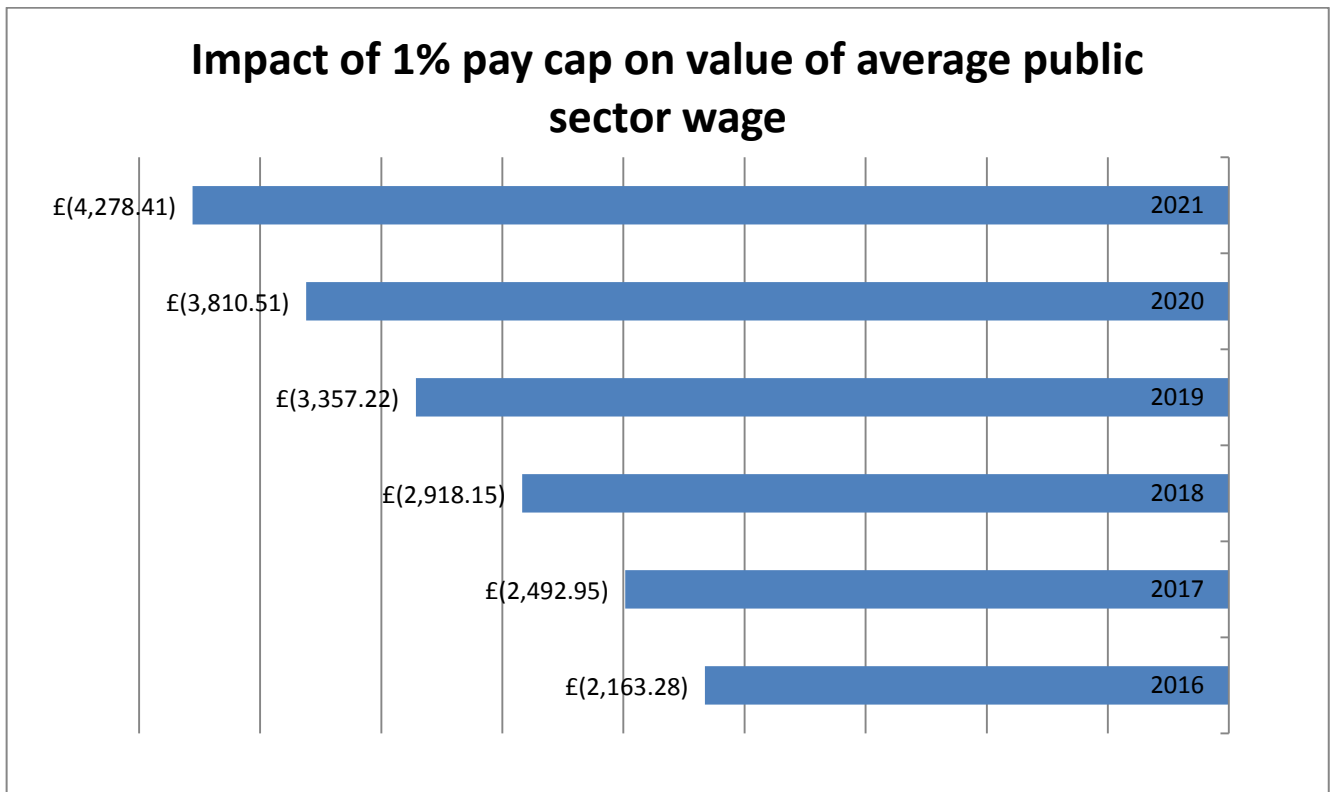


Source: HM Treasury, Forecasts for the UK Economy, May 2016

Pay increases below these forecasts will only lead to a further erosion in the real value of take home pay and increase the debts which many of our members are faced with.

4. IMPACT ON REAL WAGES

Given the government's intention to extend the 1% public sector pay cap to 2019, and the Councils proposals to extend this to 2021, the potential impact of this inflation forecast on the value of an average public sector wage is shown below. By 2021, the average wage would have declined in value by over £4,200.



The most recent data from the Annual Survey of Hours and Earnings suggests that the real value of average UK pay packets has fallen by 12% since 2010, with employees losing almost £2,800 a year from the value of their pay packet since the government came to office. The average worker would have accumulated more than £16,700 more had their wage kept pace with inflation.

For those public sector workers who have not benefited from any incremental progression in their pay, the decline has been even sharper. Between 2010 and 2015, the public sector worker on the median wage saw a 14% cut in the real value of their earnings, leaving their 2015 wage £4,854 down on the value of their earnings at the start of 2010 and the accumulated loss from their wage failing to keep pace with inflation each year stood at over £21,447.

5. INFLATION COMPONENTS

The changes in the price of components of the Retail Prices Index over the year to June 2016 are shown in the table below.

Item	Average % increase to June 2016
Personal expenditure	3.2
Housing and household expenditure	2.4
Consumer durables	2.3
Mortgage interest payments & council tax	1.6
Alcohol and tobacco	1.5
Travel and leisure	1.5
Food and catering	-1.2
All goods	-0.6
All services	2.8
All items	1.6

Source: Office for National Statistics, Consumer Price Inflation Reference Tables, June 2016

The drop in the inflation rate over recent years has been driven by declines in energy prices after years of strong growth, along with falls in food prices. However, the biggest cause has been the major fall in oil prices. Nonetheless, some costs are rising significantly, with a 5.5% acceleration in prices for clothing and footwear among the most notable features of the latest inflation figures.

The price of housing also remains one of the biggest issues facing employees and their families. Across the UK, house prices rose by 8.1% in the year to May 2016, taking the average house price to £211,230¹. In the South East, annual house price inflation was 12.9% over the year to May 2016, taking South East average house prices to £306,037.

The rate of increase in rents has generally been well ahead of general price increases. However, a surge in homes to let before introduction of the stamp duty surcharge on second homes took the annual rate of increase down to 1.8% over the year

¹ Office for National Statistics, House Price Index March 2016, published May 2016

to May across England and Wales, when average rents hit £793². The same trend was apparent in new tenancy rates, though prices still jumped by 3.5% across the UK (excluding London) in the year to June 2016³. At the same time, the South East saw average monthly rent hit £978. In UNISON's local government membership survey⁴, 51% of South East respondents reported that they were finding housing costs more or much more difficult to meet compared to the previous twelve months.

UNISON surveys have consistently found that around one third of employees have child caring responsibilities. Though not specifically assessed by CPI or RPI figures, childcare costs represent a key area of expenditure for many employees. Therefore, it is also worth noting that the annual Family & Childcare Trust survey⁵ for 2016 found that the cost of a part-time nursery place for a child under two grew by an average annual rate of 5.3% since 2010. This means that it now costs £6,072 per year to place a child in nursery care for 25 hours a week.

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 between 2010 and 2015 it saw major rises, as reflected in the table below.

Item	% price rise 2010 - 2015	Item	% price rise 2010 - 2015	Item	% price rise 2010 - 2015
Beef	26%	Fruit	16%	Gas	32%
Fish	18%	Mortgage interest payments	16%	Electricity	28%
Butter	24%	Bus and coach fares	21%	Water	18%
Potatoes	15%	Rail fares	23%		

6. PAY SETTLEMENTS AND AVERAGE EARNINGS

The ability of **South Cambridgeshire District Council** to attract and retain staff in the long term will be damaged if pay continues to fall behind the going rate in the labour market.

The table below shows that pay settlements over the last year across the economy have been running at 2%.

A huge gap opened up between private and public sector settlements in 2010. This grew during 2011-12 when the public sector pay freeze was accompanied by average private sector pay rises of 2.5%. Since then, the 1% public sector pay cap has been running at around half of the average rate in the private sector. Latest figures show public sector pay settlements at 1% over the last year, private sector settlements at 2% and voluntary sector settlements at 1%.

² LSL Property Services. Buy to Let Index, May 2016

³ HomeLet Rental Index, June 2016

⁴ Under pressure, underfunded and undervalued- UNISON members keeping communities together June 2016

⁵ Family & Childcare Trust, Childcare Costs Survey 2016

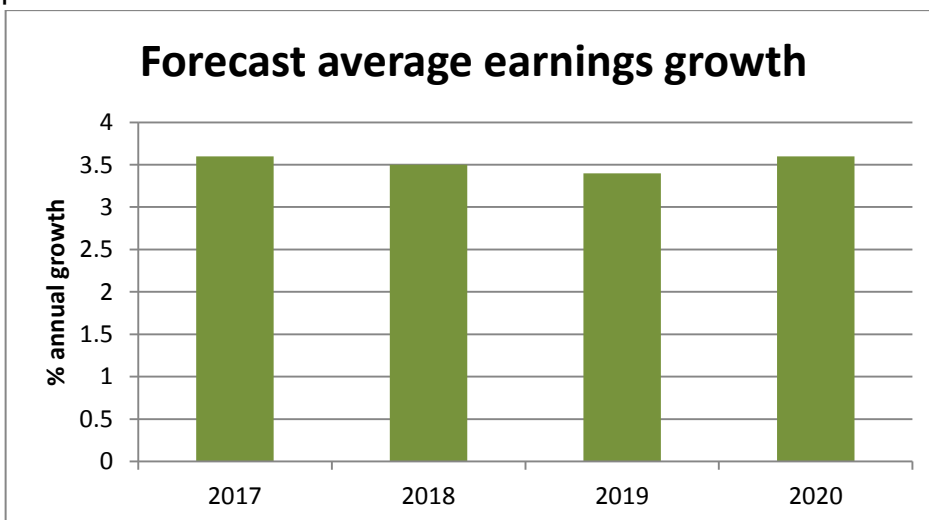
A sample of economic sectors that can provide alternative career options for **South Cambridgeshire District Council** staff shows pay settlement rates varying between 2% and 2.4%.

Sector	Average reported pay settlements
Across economy	2.0%
Private sector	2.0%
Public sector	1.0%
Not for profit	1.0%
Retail & wholesale	2.4%
Transportation & storage	2.0%
Information & communication	2.0%
Admin & support services	2.0%

Source: Labour Research Department, based on reported settlements in sector over last year

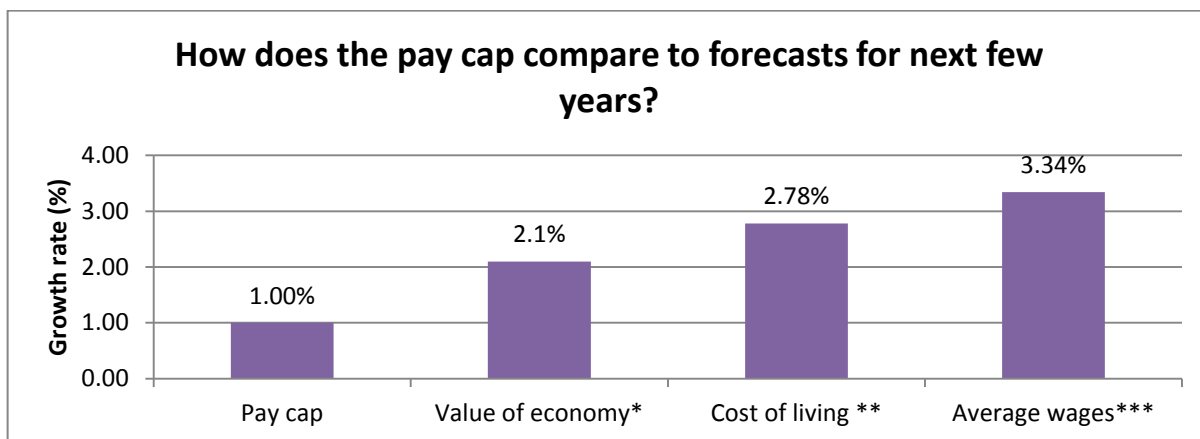
These trends add to wage differentials, which already show that local government pay rates are the worst in the public sector.

In order to remain competitive with wages across the economy, **South Cambridgeshire District Council** will need to keep up with average earnings growth predicted to rise across the economy at 3.6% in 2017 and continue in that region until 2020, following the pattern shown below.



Source: Office for Budgetary Responsibility, Economic and Fiscal Outlook, March 2016

When examining the outlook over the next four years, the average increase in the value of the economy is set to run at 2.1%, the cost of living is due to grow at 2.8% a year and average earnings growth is expected to average 3.3%.



Sources:

* Based on average GDP forecasts from Office for Budgetary Responsibility, Economic and Fiscal Outlook, March 2016

** Based on average RPI forecasts from HM Treasury, Forecasts for the UK Economy, May 2016

*** Based on average earnings forecasts from Office for Budgetary Responsibility, Economic and Fiscal Outlook, March 2016

7. RECRUITMENT AND RETENTION PRESSURES BUILDING

The unemployment rate has been on a marked downward trend over most of the last three years. This decline is predicted to continue into 2016, vacancies are getting harder to fill and staff turnover is on the rise. Latest figures from UK Commission's Employers Skills Survey estimate that vacancies have grown by 42% over the last two years.

The use of temporary and agency staff can be linked to issues around workload and morale, as temporary and agency staff are used to deal with staffing problems caused by absenteeism or recruitment and retention difficulties. In UNISON's local government membership survey⁶, 39% of South East respondents said the use of temporary/agency staff had increased in the last twelve months

8. LOW PAY

It is vital that pay settlements continue to address the ongoing general problem of low pay in South Cambridgeshire District Council.

Recent studies show that those on low incomes have suffered inflation rates that are 1% higher than the average over recent years because of the rapid rise in basic costs such as food, energy and transport⁷, eroding the value of wages for low-paid staff even further. With less disposable income, low paid workers are having increasing difficulty providing an adequate living standard for their children.

9. NATIONAL LIVING WAGE

The minimum statutory rate for employees aged 25 and over in the National Living Wage (NLW) rose to £7.20 an hour from April 2016. This equates to an annual wage of £13,890.10.

⁶ Under pressure, underfunded and undervalued- UNISON members keeping communities together June 2016

⁷ Institute of Fiscal Studies, IFS Green Budget 2014

The government has labelled the new minimum statutory wage of £7.20 for employees aged over 24 as the “National Living Wage.” The hourly rate from 1 April 2017 has not yet been announced. However, this rate is calculated without reference to the cost of living. It should also be noted that, despite the introduction of the government’s higher minimum wage rate in the NLW, many low-paid employees are set to suffer major cuts in their income due to welfare cuts.

Currently the lowest pay point in **South Cambridgeshire District Council** is £13,659 just £11.90 above the NLW. For an employer aiming to provide high quality services, this kind of poverty pay is unacceptable. It is even more concerning that this is happening in an area with a higher-than-average cost of living.

UNISON believes that all employees doing the same or similar work should be paid at least at the level of the NLW, whatever their age. This claim is therefore for all employees, not just those over 25.

10. A LIVING WAGE

The Living Wage (LW) has become a standard benchmark for the minimum needed for low-paid workers to have a “basic but acceptable” standard of living. The Living Wage is calculated and announced annually by the Living Wage Foundation. It remains the most accurate indicator of the wage needed to achieve a basic, but acceptable, standard of living. It is currently £8.45 pence an hour outside London .

South Cambridgeshire District Council is now competing in a labour market in which over 50% of councils are now paying the Living Wage as the minimum point in their pay scales.

And Cambridge City Council is an accredited Living Wage employer and we suggest that South Cambs District Council adopt the same approach.

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

Consequently, there are now approximately 2,300 employers accredited as Living Wage employers by the Living Wage Foundation, including some of the UK’s largest private companies, such as Barclays, HSBC, IKEA and Lidl.

Within the public sector, the Living Wage is now the minimum rate in collective agreements in all Scottish governmental organisations, the Welsh NHS and among police support staff.

At the same time, local agreements have resulted in over half of local authorities across the UK paying the Living Wage to their directly employed staff.⁸ However, over 30% of the workforce is still estimated to earn below the Living Wage.

⁸ This data was derived from a Freedom of Information request sent to all UK local authorities over the summer of 2015, which received a 93% response rate

11. WELFARE CUTS – WHAT DOES IT MEAN FOR [South Cambridgeshire District Council](#) WORKERS?

Household income for people on low incomes consists of pay and in-work support provided by the Government. This pay claim needs to be seen in the context of reductions in the system of 'in-work' support that is provided through tax credits and housing benefit. Although the government has now reversed its plans to change the tax credit threshold and the taper, the elements have been frozen and are not adjusted for inflation. The family element for new claimants will be removed in April 2017 and support will be limited to two children.

Local housing allowances - housing benefit for private sector and housing association tenants - are being frozen. This means that tenants will have to find the money to pay any rent increase. Family premium is also being withdrawn from new claims. Child benefit has now been frozen since April 2010.

12. RETENTION AND PROTECTION OF TERMS AND CONDITIONS

Our call for decent pay for our members also reflects the massive increase in productivity which has arisen from fewer workers providing almost the same services as a result of Coalition and current government cuts. Cost savings are being achieved by simply getting more from staff for less. Increased work intensity, accompanied by greater job insecurity and low or non-existent pay increases have characterised [South Cambridgeshire District Council](#) working life for far too long.

The expectations of service users can add to pressure on staff. In UNISON's local government members survey⁹, 82% of South East respondents reported an increase in service users' expectations in the last 12 months. This was the greatest perceived increase across all UK nations and regions.

Working against a background of budget cuts, employees have been facing greater workload pressures. The resulting increased stress and declining morale poses a long-term threat to the employers' ability to retain dedicated and skilled employees and provide a consistent quality of service.

Investment in the workforce is often seen as distinct from investment in better public services. However, there's a clear link between decent pay and conditions and quality services - services that are responsive, reliable, consistent, caring and accessible. Continued improvement depends on decent pay, conditions and staff training and development. In many cases, the service *is* the staff, face to face and often working under difficult conditions.

The rewards employers will reap in return for investment in the well-being of their employees cannot be underestimated. An employer offering a pay cut in real terms for the next three years, on top of cuts in the last six years, will struggle to retain or attract the existing and new skilled people it needs for the future.

⁹ Under pressure, underfunded and undervalued- UNISON members keeping communities together June 2016

A guarantee that the terms and conditions will be retained and protected would be one key way in which our employer could demonstrate that they value and support their dedicated and skilled workforce.

14. CONCLUSION

There can be no doubt that all employees working for the **South Cambridgeshire District Council** have seen a significant fall in their living standards. Their real earnings have fallen substantially.

To deliver a quality service, the **South Cambridgeshire District 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.

2017 is the year in which **South Cambridgeshire District Council** can begin to demonstrate that its workforce is included in the recovery. This is a fair and realistic claim which we ask the **South Cambridgeshire District Council** to meet in full.