

Unite bargaining brief



Unite the Union

August 2014

INTRODUCTION

In line with what we have seen for the rest of 2014 there has been a lack of variation in pay settlements, with the median between May and July continuing to remain at 2.5%. 87% of awards were recorded between 2 and 3% and this lack of variation only represents a trend already established throughout the rest of the year. Where the distribution of pay awards typically follows a traditional curved shape, settlements are now forming a single spike between 2-3%, where almost all private sector awards are to be found.

Growth in RPI fell slightly between June and July to stand at 2.5%. This was 0.1% down on the previous month, with the largest downward pressure coming from clothing and footwear. July's RPI figure is particularly significant as it determines the rise in regulated rail fares from January 2015. These are therefore set to rise by 3.5% in line with the government's formula of RPI+1%.

The latest round of forecasts from City economists, as reported in IDS, show RPI inflation holding relatively stable for the rest of the year, before steadily rising in 2015.

The latest earnings figures from the Office for National Statistics show that for April to June 2014 regular pay grew at the lowest annual rate since records began in 2001. Gross average pay, excluding bonuses, stood at £450 per week in June 2014. This was just 0.6% higher than a year ago, and reflects the low earnings growth across most sectors.

Simon Dubbins, Editor

PAY SETTLEMENTS

PRIVATE SECTOR DEALS CLUSTER BETWEEN 2 AND 3%

The IDS median pay award remains unchanged in the three months to July, in line with the rest of 2014. Variation in pay settlements continues to reduce, with very few private sector employers paying awards outside a range from 2 to 3%.

The median pay settlement between May and July across the economy remained at 2.5%, according to new figures from IDS Pay. This median figure is consistent with the trend established throughout 2014 for pay awards in the private sector. The median settlements in private services and in the manufacturing sector were also both 2.5% in the three months to July, while the median pay deal at not-for-profit organisations was 1%.

Pay settlement data – three months to the end of Jul 2014

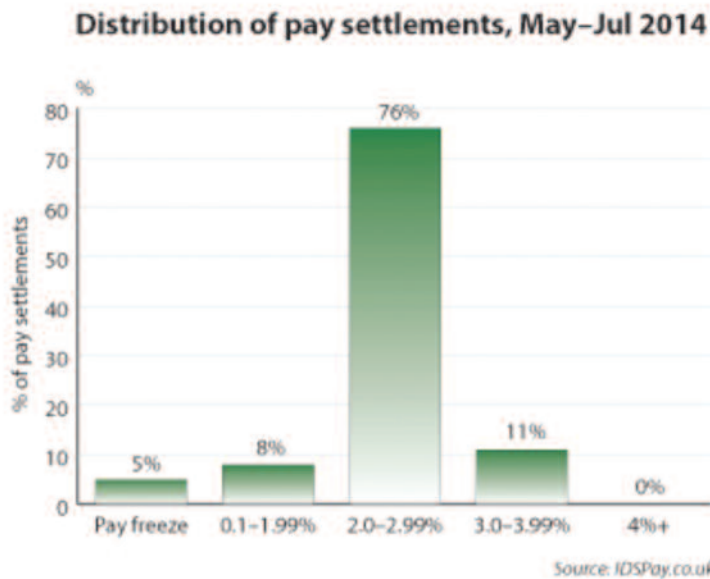
Whole economy	
Median	2.5%
Average	2.3%
Weighted average (by employee nos)	2.4%
Inter-quartile range	2.0 to 2.8%
Median by sector	
Private sector	2.5%
Manufacturing & production	2.5%
Private services	2.5%
Not-for-profit sector	1.0%
Based on 37 settlements covering 956,051 employees	

Source: IDSPay.co.uk

PAY DEALS CLUSTER BETWEEN 2 AND 3%

The concentration of deals between 2 and 3% also persists, and has even intensified in the latest analysis period. Some 76% of awards were awarded between 2 and 2.99%, up from 60% in the three months to June. This figure rises to 87% if deals at 3% are also included, up from 74% in the last analysis.

The increased concentration of deals around the median is partly a result of the summer months being a quiet time for pay-setting, meaning there are fewer exceptional or outlying deals. However, the lack of variation only represents an extension of the trend already established throughout the rest of the year. Where the distribution of pay awards typically follows a traditional curved shape, settlements are now forming a single tall spike between 2 and 3%, where almost all private sector awards are to be found.



FALL IN LOWER- AND HIGHER-END DEALS

The obvious counterpart to a clustering of deals around 2.5% is a fall in the proportion of higher- and lower-end awards. Only 13% of settlements in the three months to July yielded outcomes below 2%, and of these, the majority were in the public or not-for-profit sectors. Not a single pay award in the current analysis was recorded above 3%.

The most notable exception to this trend in the private sector was at Tesco, where the retailer paid increases worth 1.42%, to some 310,000 staff, effective from the end of June. This lower-end increase is atypical of most of the rest of the private sector. The adult minimum wage is set to increase by 3% from 1 October 2014, and this is likely to influence settlement levels at other lower-paying employers, who review pay at around this time.

JULY INFLATION FIGURES

RETAIL PRICE INDEX (RPI) – 2.5% (down from 2.6% in June)
CONSUMER PRICE INDEX (CPI) 1.6% (down from 1.9% in June)

BREAKDOWN OF KEY RPI STATISTICS	ANNUAL RATE
Household expenditure	3.3%
Tobacco	8.1%
Gas	5.1%
Electricity	5.6%
Housing	3.2%
Water and other charges	2.4%
Clothing & footwear	7.4%
Personal expenditure	4.6%
Rail fares	2.8%

Source: www.ons.gov.uk

Growth in the retail prices index (RPI) has fallen slightly between June and July to stand at 2.5%, in line with the median pay settlement for that month. This is the fourth month so far in 2014 that RPI inflation, the measure most commonly used in pay setting, has been at or below the median pay award.

The RPI fell by 0.1% on the previous month, with the largest downward pressure coming from clothing and footwear. Prices for clothing and footwear tend to fall between June and July due to retailers introducing summer sales. However, this year the fall was steeper than during the same period in 2013. Other smaller downward contributions to the RPI came from alcoholic drinks and food. The main upward pressure came from motoring expenditure, with the cost of second-hand cars rising on the same period last year.

July's RPI figure is particularly significant as it determines the rise in regulated rail fares from January 2015. Average rail fares are, therefore, set to rise by 3.5% next year, in line with the Government's formula of RPI inflation plus 1%.

FORECASTERS PREDICT A GRADUAL RISE IN RPI INFLATION OVER 2015

IDS's latest round-up of forecasts from City economists show RPI inflation holding relatively stable for the rest of the year, before steadily rising throughout 2015. Upward pressures on inflation are projected to come from a gradual strengthening of earnings growth and rising mortgage interest rates.

Following a fall to 2.4% in May, the Retail Prices Index (RPI) is projected to remain relatively stable for the rest of the year, according to forecasts from City economists. RPI inflation will then gradually rise over 2015 as a result of stronger pay growth, reduced labour market slack and interest rate rises. There is, however, a lack of consensus over the pace of any rise in the RPI. Some economists project an increase of fewer than 0.5 percentage points between May's figure and the end of 2015, while others forecast increases of more than 1.5 percentage points.

In the short term, many of the economists see inflation holding steady or even falling slightly. Downward pressures here are likely to come from favourable import prices as a result of the continued strength of sterling. Discounting by supermarkets is also likely to act as a short-term drag on inflation, as reported in last quarter's round up. However, there is disagreement among forecasters as to the size of this 'supermarket price war' effect.

INFLATION FORECASTS

All-items retail price inflation forecasts, 3 July 2014								
	CB %INC	CG %INC	CS %INC	LB %INC	MS %INC	NO %INC	SG %INC	ROUNDED AVERAGE %INC
June	2.5	2.6	2.5	2.4	2.4	2.4	2.6	2.5
July	2.2	2.5	2.5	2.4	2.4	2.3	2.7	2.4
August	2.0	2.4	2.2	2.3	2.3	2.2	2.7	2.4
September	2.1	2.5	2.2	2.3	2.2	2.2	2.7	2.3
October	2.1	2.7	2.4	2.4	2.3	2.6	3.0	2.5
November	2.2	2.9	2.7	2.4	2.4	2.8	3.3	2.7
December	2.0	2.8	2.5	2.4	2.2	2.4	3.1	2.5
January 2015	2.0	2.7	2.6	2.5	2.2	2.5	3.3	2.5
February	1.7	2.8	2.8	2.7	2.3	2.6	3.2	2.6
March	2.0	3.0	2.9	2.7	2.4	2.6	3.3	2.7
April	2.3	3.3	3.2	2.7	2.4	3.0	3.4	2.9
May	2.6	3.7	3.4	2.8	2.5	3.4	3.6	3.1
June	2.6	3.9	3.4	2.7	2.5	3.4	3.7	3.2
July	2.7	4.1	3.5	2.7	2.5	3.3	3.8	3.2
August	2.7	4.3	3.6	2.8	2.5	3.4	3.9	3.3
September	2.8	4.4	3.7	2.8	2.7	3.5	4.0	3.4
October	2.8	4.4	3.7	2.8	2.7	3.3	4.0	3.4
November	2.8	4.5	3.6	2.8	2.7	3.4	4.1	3.4
December	2.8	4.5	3.7	3.0	2.8	3.4	4.1	3.5

Forecasters: CB Commerzbank; CG Citigroup; CS Credit Suisse; LB Lloyds Bank; MS Morgan Stanley; NO Nomura; SG Société Générale

Source: IDS

LRD PAY & CONDITIONS DATABASE ONLINE – SUMMARY OF PAY ROUND RECENT UNITE SETTLEMENTS AS REPORTED TO THE PAY & CONDITIONS DATABASE ONLINE

Settlement Date	Agreement	Standard Increase
01/08/14	Argos Distribution Centre - Burton	2.50%
01/08/14	Old Bushmills Distillery (Diageo)	2.40%
01/08/14	Stagecoach North East (Hartlepool & Stockton on Tees)	2.20%
01/08/14	Babcock Engineering Academy	2.00%
01/08/14	Higher Education Staff	2.00%

EARNINGS AND PAY

The table below is based on the mean average earnings figures published in the Annual Survey of Hours and Earnings (ASHE) 2012. The original figures have been "uprated" by the 1.6% decrease in the average weekly earnings for the whole economy between April 2013 and June 2014.

Full-time average weekly earnings by occupation	
	£ a week
All employees	610.40
All male	665.80
All female	524.40
Managers	952.00
Professionals	773.10
Associate professionals	656.50
Admin & secretarial	438.10
Skilled/craft	510.80
Services	359.10
Sales	365.20
Operatives	466.00
Other manual jobs	358.70

Source: www.ons.gov.uk/ons/dcp171778_372372.pdf

PERCENTAGE ANNUAL RISE IN AVERAGE WEEKLY EARNINGS (TOTAL PAY) JUNE 2014	
Whole Economy	-0.2%
Private Sector	-0.1%
Public Sector	-0.5%
Public Sector excluding Financial Services	0.9%
Manufacturing	1.6%
Services	-0.4%
Construction	-1.4%
Wholesale, Retailing, Hotels & Restaurants	1.2%

www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcn%3A77-311468

EARNINGS GROWTH IS LOWEST SINCE RECORDS BEGAN

The latest earnings figures from the Office for National Statistics (ONS) show that for April to June 2014 regular pay grew at the lowest annual rate since records began in 2001. Gross average pay, excluding bonuses, stood at £450 a week in June 2014. This was 0.6% higher than a year ago, and reflects the low earnings growth across most sectors.

TOTAL EARNINGS

Average earnings, including bonuses, stood at £477 a week and were 0.2% lower for the three months to June 2014 than a year earlier. The annual growth rate was negative for April at minus 1.5% but positive for May and June at 0.5% and 0.4% respectively. The negative rate for April 2014 was caused by the high growth rate of 4.1% in April 2013, when some employers delayed paying bonuses in March and instead paid them in April to take advantage of the tax cut for the highest earners.

NEGATIVE EARNINGS GROWTH

For the three months to June 2014, total earnings growth in the private sector was down by 0.1% on a year earlier, but public sector growth was slightly higher at a positive 0.9%. There was modest growth in earnings in manufacturing, at 1.6%, and the retail, hotel and restaurants sector, at 1.2%

Other sectors showed negative earnings growth, with the ONS reporting that earnings fell by 0.4% in the private services sector and by 1.4% in the construction sector. The largest negative earnings growth, however, was in the financial sector, with earnings growth of minus 3.3% for the three months to June, and minus 6.6% for the single month of April.

BONUS PAY

In 2013 employers across all sectors of the economy delayed making bonus payments in order to take advantage of the reduction in higher rate tax. This has had a knock-on effect for the year-on-year growth figures for bonus pay, particularly in the financial and business services sector where annual bonuses form a significant element of earnings.

In the three months to June 2014 bonus pay across the whole economy fell by 12.3% compared to a year earlier. In finance and business services, however, bonus pay was down by 22.9% in the three months to June 2014 compared to the same period in 2013.

2013 PAY SURVEY AVAILABLE FROM THE LABOUR RESEARCH DEPARTMENT

LRD's annual Pay Survey is now available to read at:
http://www.lrd.org.uk/payline/index.php?pl_rep=-4

The LRD 2013 Pay Survey was published in November 2013. The first part of the Survey contains details of more than 800 pay settlements from August 2012 till the end of July 2013.

All members and officials of UNITE have access to the Payline database - www.lrd.org.uk/payline

username: unite
password: opal961

When you log into Payline you will be able to access the enhanced version of the Pay Survey with links to the Payline records.

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COMPANY ACCOUNTS

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ACCESSING DATA

The data contained in this brief can all be obtained by using online facilities available to Unite members and general websites.

Unite has provided a workplace representative's guide to the web and this is available at http://www.unitetheunion.org/pdf/Reps_guide_to_web.pdf
In addition all Unite members can access the pay and conditions database maintained by LRD at <http://www.lrd.org.uk/payline> or through the LRD website – username: unite and password: opal961



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