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unite the UNION

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'Just Pay' in the Not for Profit Sector

Briefing

Winter 2009

Unite the UNION

Background

Unite the Union is the UK's largest trade union with 1.6 million members across the private and public sectors, and represents 60,000 employees in the Not for Profit Sector (Third Sector).

Stability in employment and stability in funding arrangements are of huge concern to Unite and were outlined in detail, along with sensible solutions, in our *Recession Charter*, published in the spring of 2009.

The instability created by the increase in competition in the funding processes and the tightening of budgets resulting from the economic downturn has led to people working harder than ever in the sector, whether for housing associations, charities, or professional or infrastructure bodies. Employees also feel totally devalued due to the inequality and unfairness in their pay systems.

With pay of senior managers reaching six figures, when many in their organisations are barely earning more than the National Minimum Wage (NMW), it demonstrates that the charity sector has also been subsumed by the culture of the City, albeit on a smaller scale.

Of course, many organisations do exercise restraint and have good pay structures. The average salary of a Chief Executive currently stands at £57,264, with that of small charities falling to £33,600, and Unite commends organisations that ensure that their pay systems are fair, but sadly, this tradition is not universal.

Pay differentials have once again been raised to define fairness in pay systems. While employees in Third Sector organisations still have to battle with discrimination in pay systems due to the gender - only 19% of organisations have carried out an equal pay audit in the last three years[1] - race and disability pay gap and the differences between part time and full time staff, means that other pay differentials are of equal concern.

Additionally, many salaries in the voluntary sector lag behind that of workers in public and private organisations[1].

Following the banking crisis, a new spotlight was shone on the huge salaries, bonuses, pensions and other perks that City bankers were enjoying, ultimately leading to recent calls for 'the Government to establish a High Pay Commission to review top pay and look at measures to ensure excessive pay can't damage the economy again'[2].

Against the backdrop of this excess, those labouring hard in Third Sector organisations were having their final salary pension schemes closed, told that there was no money in the pot for an increase in pay and worse, many were losing their jobs.

And to top it all, MPs' abuse of their expenses and ensuing public revulsion resulted in strong calls for a new moral ethos around pay and benefits to be implemented.

Civil Society would expect not for profit organisations to have taken the moral high ground against this culture of elitist greed, and yet Unite's research has revealed that this is not the case.

Pay differentials – Chief Executives’ pay races along at more than 6%

In a sector where everyone works excessively hard, frequently contributing unpaid overtime, we have seen that the pay gaps between those at the top of organisations and those lower down the structures, escalating in recent times.

Anchor Trust's boss John Belcher’s package for 2008/09 was £391,000[3]. Mr Belcher resigned from his post in early November 2009.

While many of Anchor Trust’s workforce are living near the National Minimum Wage (NMW) which is just £5.80/hour for those 22 and over £4.83 for those aged 18 - 21 years, and just £3.57 for those aged under 18.

Salary affects your pension, lifestyle and often life chances – voluntary sector employers should be enhancing their employees' conditions, not diminishing them.

The greatest movement in earnings continues to be at chief executive and director level, with increases of 6.4% and 6.3% respectively[1]. However, NMW increases, for those 22 and up, over recent years have been 3.7% and 1.2% respectively, and on a far smaller amount.

The difference between high earners and low earners has increased significantly over recent times, "to match the salaries of those in other sectors so that we can recruit the best staff". It is also argued, however, that it has also crept up due to percentage increases.

Pay – a way forward: a flat rate instead of percentage rises

Should an annual pay award be 1%, then if you earn £10,000 then this equates to £100 over the year, making your salary £10,100. However, if you earn £100,000 then such an increase will give an additional £1,000 and a salary of £101,000 for the next year, further widening the pay gap.

Additionally, with the Retail Price Index (RPI) and related increases being relatively high in recent years, this has accelerated differentials. In short, percentage increases have meant that the rich have been getting richer.

Addressing the problem – Pay realignment

Executive pay in organisations needs to be brought back under control. Examples of high salaries in the ranks of senior management include:

- **The Riverside Housing Group’s** highest paid director receiving (emoluments excluding pension contributions) £231,000 in 2008[4];
- the same year the **UK Film Council’s** CEO received between £205,000 and £210,000[5];
- **The National Trust** in 2009 paid between £160,000 and £169,999 to a top member of staff[6];
- In 2008, **Age Concern** paid a senior staff member between £100,001 and £120,000[7];
- The **RSPB** in 2008 rewarded a staff member with emoluments of between £100,001 and £110,000[8];
- A top staff member in **Action for Children** received emoluments in 2008 of between £130,001 and £140,000[9];
- **Leonard Cheshire Disability** in 2008 rewarded a senior employee with emoluments of between £120,001 and £130,000[10];
- A member of the **NSPCC’s** staff in 2006 received emoluments of between £120,001 and £130,000[11];
- And, a senior staff member of the **Guide Dogs** received emoluments of between £120,001 and £130,000 in 2008[12].

This suggests real unfairness and inequality in the way that your work is valued and demonstrates the widening pay gap. There is the need to introduce a levelling up in the growing discrepancies in pay. This would result in a return to an equilibrium, where inequalities that have developed are swept away – and such a move would be warmly welcomed.

Using information about salaries, Unite representatives must first get their organisations to consider pay trends over the years in their organisations, and agree that there has been an increase in the differentials between the high and low earners.

Organisations must redress the problem and Unite is not ruling out a call for executive pay cuts to help close gaps and improve the earnings of the worst paid. It is the right thing to do.

Future pay claims

We need to look at the pay claims we are submitting. To maintain the differentials in pay, at the very least, we should be seeking flat rate pay increases. This is where all in the organisation receive the same additional amount, instead of a percentage increase.

This means that everyone's salary goes up by the same amount, which is fair as all are adjusting to the same increases in fuel, utilities, food, and household bills.

We can also claim for increases to be higher for those lower down the organisation’s pay scale and less for those higher up, and if anything at all for those at the top. This will help close differentials and enable those who are worst paid in their organisations to catch up.

Equal Pay Audits

With over 80% of organisations not carrying out an equal pay audits, and with the increase use of performance and competency related pay in the sector, pay systems that are renowned for introducing bias and discrimination into pay, it is essential that attention is also drawn to the structure of pay systems themselves.

These must be properly tested to halt discrimination on grounds of gender (currently 17.1%), race and disability, as well as part time workers where the pay gap for part time women is currently 36% and 45% in London. Review of salaries alongside other benefits such as pensions and bonuses must tale place.

Conclusion

At a time of recession, where colleagues are struggling to keep a roof over their head, food on the table and their homes warm, it is right that we step back from ‘custom and practice’ and really consider how to make pay fairer, so that all who do a decent day's work are rewarded justly.