

EDITORIAL

I am pleased to report that the new format for the Bargaining Brief has generally been well received. Bargaining at the moment is not easy and securing inflation proofed deals difficult to achieve. However, the recent deals recorded through the Unite Pay and Conditions Database shows what can be done in well organised workplaces with private sector deals averaging 2.7% in the 3 months to May 2011, a small increase on the previous month's figures.

Elsewhere in this brief we have included a slightly longer article on inflation and the use of CPI and RPI. Every month you are reminded to resist attempts by employers to change to CPI as the inflation measure. The article explains the potential impact on wage increases over the next few years if you were to do so.

On a positive note in the services sector, on-site service solutions provider Sodexo has become the first in their industry to sign a National Framework Agreement with Unite and other unions. Len McCluskey said; "Union organised workplaces bring companies progress, be it improved health and safety or lower staff turnover, so we are delighted that Sodexo wants to work with us to harness these benefits."

Back to inflation and future pay bargaining with the news that energy prices are to rise again with British Gas announcing an 18% rise in gas and 16% rise in electricity prices in August this year. Rest assured the other providers will follow suit. With inflation this month of 5% we can anticipate higher levels in the Autumn before any decline next year.

Roger Jeary
Director of Research

JUNE INFLATION FIGURES

RETAIL PRICE INDEX (RPI) – 5.0% (down from 5.2% in May)

CONSUMER PRICE INDEX (CPI) – 4.2% (down from 4.5% in May)

BREAKDOWN OF KEY RPI STATISTICS	ANNUAL RATE
Housing	1.5%
Petrol & Oil	15.4%
Vehicle tax & Insurance	20.2%
Rail Fares	7.4%
Food	7.3%
Oil & other foods	30.2%
Clothing & footwear	10.9%
Motoring costs	8.7%
Household consumable	6.1%
Source: ONS www.statistics.gov.uk	

INFLATION FORECASTS (RPI)	ANNUAL RATE
Quarter 2 2011	5.0%
Quarter 3 2011	5.0%
Quarter 4 2011	5.1%
Quarter 1 2012	3.7%
Quarter 2 2012	3.5%
Quarter 3 2012	3.5%
Quarter 4 2012	3.4%
Source: IDS Pay Report June 2011	

RECENT UNITE SETTLEMENTS AS REPORTED TO THE PAY & CONDITIONS DATABASE ONLINE

Settlement date	Agreement	Standard increase
01/04/11	AstraZeneca UK SA91 Grades	6.20%
01/04/11	East Midlands Trains Limited	6.00%
01/04/11	Kelloggs	4.00%
03/04/11	First Capital Connect	5.50%
01/05/11	Stagecoach Hull (drivers)	4.00%
27/06/11	Stagecoach South Shields (Busways)	4.00%
01/07/11	Cummins Inc (Darlington)	3.50%
01/04/11	Tata Steel UK	3.50%
01/04/11	Tata Steel UK (Scunthorpe)	3.50%
01/04/11	Tata Steel UK Long Products Bands F-J	3.50%
01/04/11	Virgin Airways (Cabin Crew)	3.50%
01/07/11	British Gypsum	3.00%
01/07/11	Diodes-Zetex Semiconductors	3.00%
01/04/11	McVities Group	3.00%
01/07/11	National Grid	3.00%
01/04/11	Nestle Rowntree Castleford	3.00%
01/07/11	Penguin Dorling Kindersley	3.00%
01/04/11	SFL Chimneys/Flues	3.00%
01/05/11	TDG Contract (Wrexham)	3.00%

EARNINGS AND PAY

FULL-TIME AVERAGE WEEKLY EARNINGS BY OCCUPATION

All workers	£610.30
All male	£666.40
All female	£523.40
Managers	£894.00
Professionals	£809.80
Associate professionals	£628.80
Administrative and secretarial staff	£427.80
Skilled/craft	£503.90
Services	£362.10
Sales	£337.50
Operatives	£463.40
Other manual jobs	£360.40
Source: www.statistics.gov.uk/pdfdir/lmsuk0611.pdf	

PERCENTAGE ANNUAL RISE IN AVERAGE WEEKLY EARNINGS – APRIL 2011

Whole Economy	2.0%
Private Sector	1.9%
Public Sector	2.1%
Manufacturing	1.2%
Services	2.4%
Source: increases in average weekly earnings across industrial sectors in Great Britain, seasonally adjusted, as monitored by National Statistics	

Joseph Rowntree Foundation – Minimum Incomes Standard

This month has seen an interesting report published by the Joseph Rowntree Foundation on Minimum Income Standards. According to their findings, to meet the minimum income standard, families with a single earner need to gross earnings of £31,600, while if both parents work they need to earn £18,400 each - a total of £36,800.

You can find the full report at <http://www.jrf.org.uk/sites/files/jrf/minimum-income-standard-2011-full.pdf>

Institute of Fiscal Studies – Inflation and low-income families

New research has shown that the UK's rising inflation has hit poorer families disproportionately hard. The Institute of Fiscal Studies says that for a decade the pattern of price rises has resulted in the least well-off families being hit hardest by rising prices.

You can find the report, "The spending patterns and inflation experience of low-income households over the past decade" <http://www.ifs.org.uk/comms/comm119.pdf>

THE REAL COST OF CHANGING RPI TO CPI

Whenever you hear the inflation figure on the media being quoted it is the CPI which is given prominence. The Royal Statistical Society has expressed its concern at this trend as follows:

"We do not feel that the CPI should have sole star billing in this way. While the policy use of CPI clearly makes it a key index, other indices are key for other uses. Giving prominence to CPI ahead of other indices means that users are implicitly being encouraged to use it for purposes, such as wage negotiations, which is not ideal."

The Consumer Prices Index (CPI) and the Retail Prices Index (RPI) are both measures of the cost of living. One important difference between them is the basket of goods and services upon which they are based, with only the RPI including housing costs. So whenever housing costs increase faster than other prices, increases in the RPI will be higher than those in the CPI. In the medium-term housing costs are expected to increase faster than the average, as interest rates return to more normal levels, so the RPI is likely to be higher for some years to come.

But there is also a significant technical difference in the way that the RPI and the CPI are calculated. The RPI is an arithmetic mean of price changes (the increases are added together and divided by the number of increases), while the CPI is a geometric mean (the increases are multiplied together and the nth root is taken – where n is the number of increases). While this appears abstruse, of interest only to mathematicians, the Treasury have estimated that:

"... the CPI annual rate would typically have been about 0.5 percentage points higher if the elementary aggregates had been calculated using arithmetic means as in the RPI."

In other words, benefit and public pension increases will in future average about 0.5% less each year, simply because of the change in the way the index is calculated.

In the 2011 Budget report the following table showed pension increases that could be expected over the next 6 years, i.e. the increases due in April of the respective year, based on the forecast price increases in the previous year. These are summarised in the following table:

Year of increase	Forecast Increase (%)						Overall
	2011*	2012	2013	2014	2015	2016	
CPI	2.7	2.4	1.9	2.0	2.0	2.0	13.7
RPI	3.7	3.2	3.2	3.3	3.4	3.5	22.1
Shortfall	1.0	0.8	1.3	1.3	1.4	1.5	7.4

***Since then the forecasts have changed for 2011 but the difference remains similar.**

What this shows, using the Government's own figures, is that over the next six years increases in benefits and pensions will total 13.7%, rather than the 22.1% that was previously expected. This is, in effect, a cut of 7.4%, of which is estimated that 4.3% is due to differences in the coverage of the index and 3.1% is due to the way it is calculated. So you might have thought that the question posed in the title is only of technical interest, but it is actually going to cost a large number of people significant amounts of their pension.

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/index.php?auth_token=6c54e1a919aba7bca4c206fd0201eb03

or through the LRD website - **username: unite and password: opal961**

IMPORTANT CHANGES

All future requests for information relating to company accounts are to be directed to: alex.ryan@unitetheunion.org

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