

PAY SETTLEMENT ANALYSIS

A quarter of new deals are at or above 4.5% for the three months to the end of July 08, (Incomes Data Services, September 08).

- Almost half (47 per cent) are at 4 per cent or above and 10 per cent are at 5 per cent or above, including Corus which paid 5 per cent to 8,000 staff, from 1 April 2008.
- The median² pay settlement level for the whole economy for the three months to the end of July 2008 is 3.5 per cent, down from a revised median of 3.6 per cent in the three months to June. Very few public sector deals are effective in the current period, so the whole economy median is based almost entirely on private sector awards.
- The manufacturing & production median settlement is 4.0% in the three months to the end of July 08.
- The private services sector median has moved downwards to 3.4 percent, with over a third of deals in lower-paying sectors such as retail and not-for-profit applying rises centred on 3 per cent.

LRD'S LATEST PAY DEALS

4.0% is the overall mid point for pay deals in the 3 months up to and including August 08 according to LRD. 4.1% in the manufacturing sector, 4.0% in the private sector, 3.3% in the public sector and 3.7% in the service sector.

AVERAGE EARNINGS³

Manufacturing average earnings (excluding bonus, not seasonally adjusted) rose 2.8% in the year to July 2008. Similar earnings rose by 3.7% in the whole economy, by 3.7% in the private sector and 3.7% in the public sector. Average earnings in services rose by 3.9%, and earnings in private sector services rose by 4.0%.

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Npower Retail - clerical and administrative staff (5,800 workers), effective date 1.4.08. First year of two-year deal: 4.2% pay rise.

Allianz Insurance - all staff (4,000 workers), effective date 1.5.08. Merit awards from a 4% pot, ranging from nil to 8%.

Royal London Mutual Insurance - all staff (2,500 workers), effective date 1.4.08. Merit awards from a 4% pot, ranging from nil to 12%.

Building Brick and Allied Industries NJC - all (3,500 workers), effective date 1.6.08. Second stage of 27-month deal: 4% increase, worth 3.4% on an annualised basis.

Scope - all staff (3,300 workers), effective date 1.7.08. 2.5% basic increase.

Jarvis Rail - all staff (1,800 workers), effective date 7.4.08. 4.1% basic increase

¹ Latest data to September 2008.

² The median is the level at which half of the settlements are above and half below.

³ Next publication date 15 October. Two indices are available from National Statistics. One is seasonally adjusted and the other is unadjusted.

Average Weekly Earnings⁴

Average full-time gross weekly earnings for all employees up to June 2008:

all workers	£572.90
male	£631.60
female	£482.20

Average earnings forecast

The Treasury's latest summary⁵ of forecasts shows average earnings expected to rise, on average, by:

- 3.8% in 2008, with the forecasts ranging from 5.3% to 3.5%.
 - Liverpool Macro Research forecast 5.3%; Lehman brothers 4.2%; Deutsche Bank 4.5%; Hermes 4.0%.
- 3.8% in 2009, with the forecasts ranging from 5.5% to 3.1%.

INFLATION⁶ – 4.8% increase in the Retail Price Index (RPI)

In the year to August 2008 the all items retail price index (RPI) rose by 4.8%, down from 5.0% in the year to July.

The prices of many essentials have been rising at a far higher rate than RPI inflation:

- Oil & other fuels up 58.4%
- Fuel and light up 24.6%
- Gas up 28.2%
- Electricity up 18%
- Water and other charges up 6.5%

- Petrol & oil up 20.8%
- Motoring expenditure up 5.0%
- Maintenance of motor vehicles up 5.7%

- Food up 12.8%, with
 - butter up 39.3%
 - eggs up 30.5%
 - potatoes up 33%
 - pork up 26.5%
 - poultry up 17.6%
 - bread up 21.6%
 - beef up 21.1%
 - milk up 19.1%
 - lamb up 18.1%
 - cheese up 19.6%
 - bacon up 16.1%
 - vegetables up 16%
 - fruit up 13.7%
 - fish up 20.4%
- And if there's any money left, the cost of entertainment and recreation has also gone up by 4.6%

For the complete breakdown of how prices have been rising go to the following link:

www.statistics.gov.uk/pdfdir/cpi0908.pdf

Retail Prices Index (Jan 1987=100)

Date	All items index	% Annual rise
2007		
July	206.1	3.8%
August	207.3	4.1%
September	208.0	3.9%
October	208.9	4.2%
November	209.7	4.3%
December	210.9	4.0%
2008		
January	209.8	4.1%
February	211.4	4.1%
March	212.1	3.8%
April	214.0	4.2%
May	215.1	4.3%
June	216.8	4.6%
July	216.5	5.0%
August	217.2	4.8%

As far as negotiators are concerned it is the increase in the RPI that shows the overall rise in the cost of living for our members.

Unite is monitoring any reference by employers to the new target measure, the CPI rather than the RPI. Please let Steve Martin know. A briefing on the CPI is available.

The CPI rose by 4.7% in the year to August its highest level since records began in 1997, up from 4.4% in the year to July. RPIX rose by 5.2% in the year to August, down from 5.3% in the year to July.

⁴ Workplace Report No.62 September 2008 Page 2.

⁵ Next Publication date 15 October.

⁶ Next Publication date 14 October.

NATIONAL MINIMUM WAGE

From October 2008, the National Minimum Wage will be:

- £5.73/hour up from £5.52 currently for over-22's.
- £4.77/hour up from £4.60 currently for 18 to 21 year olds.
- £3.53/hour up from £3.40 currently for 16 to 17 year olds.

Economic forecasts

The economy will grow on average by 1.4% in 2008, according to forecasts collated by the Treasury from around 40 forecasters. The range of forecasts for gross domestic product (GDP) is from 0.8% to 1.8% growth. There is more pessimism among the crystal ball gazers as the average (median) forecast figure is down from last month's figure of 1.7%. The Treasury's own forecast, made in the March 2008 Budget, was for growth of between 1.75% and 2.25% — both figures seem optimistic now. The opinions of forecasters differ substantially for 2009 with the range running from a contraction of 1.8% up to growth of 2.8% in GDP with a median figure of 0.9% growth. Inflation forecasts for the 4th quarter 2008, as measured by the Retail Prices Index, range from rises of 2.7% to 5.9% with a mid-point average of 4.7%. The range for the same quarter next year is 0.4% to 4.5% with an average rise of 2.2%. Forecasts for average earnings growth range from 3.6% up to 5.2% in the 4th quarter 2008 with an average of 3.9%. In the same quarter next year, forecasts are for growth of between 3.2% and 5.5% with an average rise of 3.9%.

Source: www.hm-treasury.gov.uk/media/3/5/200808forcomp.pdf

Mervyn King, governor of the Bank of England, gave a bleak assessment of the economy in introducing the bank's latest Inflation Report. He said there was "a feeling of chill in the economic air" with the British economy "going through a difficult and painful adjustment". The next year will be "a difficult one, with inflation high and output broadly flat". He expected inflation, as measured by the Consumer Prices Index, to rise further this year and peak at around 5% in the coming months. However, the "current period of above-target inflation, although very marked, will be temporary" and "will return to the 2% target".

Source: www.bankofengland.co.uk/publications/inflationreport/irlatest.htm

Labour market loosening

The latest information on the labour market from the Office for National Statistics reveals that the level of unemployment has risen further. On the International Labour Organisation (ILO) measure, unemployment in the quarter to June 2008 rose by 60,000 on the January to March figures, with the rate of unemployment also rising, to 5.4%. Claimant count unemployment in July 2008 was also up, to 2.7%, 0.1 percentage point higher than the rate for June. The claimant count for July stood at 864,700, an increase of 20,100 on the month.

There have also been falls in the average earnings growth figures. Whole-economy average earnings growth, including bonuses, stood at 3.4% in June 2008, down from 3.8% in May.

In its August 2008 Inflation Report, published on 13 August, the Bank of England said there were signs of a modest loosening in the labour market. However, it still felt that there was a risk that expectations of high inflation in the medium term could increase pay pressures, thus posing an upward risk to inflation.

In response, HSBC economists said they were confident that ongoing loosening in the labour market would continue to depress wage growth. Economists at the Royal Bank of Scotland agree that rising unemployment, job insecurity and emerging spare capacity in the economy suggest that wage inflation risks have diminished.

Source: XpertHR.com

Delay on maternity and paternity benefits

The government has delayed plans to extend maternity and paternity pay and leave. The changes were initially expected to come in from April 2008 and then put off until April 2009. But HM Revenue and Customs has said in a statement that it will now prepare for those babies born after April 2010. The government has said the increased entitlements would come in before the end of its current term — a general election has to be called by April 2010.

Under the changes, maternity and adoption pay will go up from 39 weeks to 52. Additional paternity leave and pay will be introduced so that fathers would get the right to take up to 26 weeks' paid time off to care for a child if the mother returns to work and has not used her full entitlement to paid maternity leave.

Source: www.hmrc.gov.uk/employers/thorn-baker-update061107.htm

MULTI SITE EMPLOYERS

If you negotiate with a local employer, which may be part of a multi site company, please contact your sector researcher direct for further information on pay & conditions in other sites.

BARGAINING BRIEF:

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Winning in the workplace is key to organising. Remember to let Bargaining Brief know your successes, particularly in rebuffing attacks on pension schemes. **Please send details of best in class deals – better pay, pensions, shorter working time, family friendly, Union Learning reps agreements etc to Steve Martin:**

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