

## PAY SETTLEMENT ANALYSIS

The median pay settlement for the whole economy in the 3 months to the end of January 2009 remained at 3.5%, holding steady from our last look at pay settlements at the end of November 2008 (Incomes Data Services, February 09).

- The median<sup>2</sup> pay settlement for the manufacturing and production sector has dropped from 4.2 to 3.6% in the three months to the end of January 2009. This reflects the differential impact of recession, as well as the effects of both higher inflation during most of the past year and the recent emerging drop in inflation.
- In the analysis period this time, just over two-fifths of awards (24) are subsequent stages of long term deals, 11 of which applied increases linked to RPI inflation. These higher end awards have kept the median settlement level at 3.5%.
- Some new higher end deals have been recorded, for example, Leigh's Paints awarded 4.0% from January 2009.

### Innospec Speciality Chemicals

4.26% increase, effective date 1<sup>st</sup> January 09

**Details:** Based on average RPI for 2008.

### BAE Land Systems

1,000 workers

4.0% increase, effective date 1<sup>st</sup> January 09

**Details:** Based on Oct 08 RPI less 0.25%

### Select Service Partner (UK Rail)

3.8% increase, effective date 1<sup>st</sup> January 09

**Details:** on minimum rates, increases varied by grade and location and ranged from 2.14 to 3.8%

### Motherwell Bridge Engineering

5.5% increase, effective date 4th January 09

**Details:** 3<sup>rd</sup> year of 3 year deal

### Nestle Confectionary

3.8% increase, effective date 1st January 09

**Details:** 15 month deal

### Caring on a Small Scale (not for profit sector)

5.3% increase, effective date January 09

## LRD'S LATEST PAY DEALS

3.9% is the overall mid point for pay deals in the 3 months up to and including January 09 according to LRD. 3.5% in the manufacturing sector, 4.0% in the private sector, 3.4% in the public sector and 4.2% in the service sector.

## AVERAGE EARNINGS<sup>3</sup>

Manufacturing average earnings (excluding bonus, not seasonally adjusted) rose 2.2% in the year to December 2008. Similar earnings rose by 3.6% in the whole economy, by 3.5% in the private sector and 3.9% in the public sector. Average earnings in services rose by 3.8%, and earnings in private sector services rose by 3.8%.

Manufacturing average earnings (including bonus, not seasonally adjusted) rose 2.5% in the year to December 2008. Similar earnings for the whole economy rose 3.2%, private sector earnings rose 3.1%, public sector earnings rose 4.0%. Average earnings rose 3.6% in services and private sector services earnings rose 3.5%.

<sup>1</sup> Latest data to February 2009.

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

<sup>3</sup> Next publication date 18<sup>th</sup> March. Two indices are available from National Statistics. One is seasonally adjusted and the other is unadjusted.

## Full-time average weekly earnings by occupation

	£ a week		£ a week
All workers	588.10	Admin & secretarial	407.20
All male	646.20	Skilled/craft	494.00
All female	497.20	Services	349.10
Managers	873.20	Operatives	457.00
Professionals	787.40	Other manual jobs	354.60
Associate professionals	607.70	Sales	323.10

Source: [www.statistics.gov.uk/pdffdir/lmsuk0209.pdf](http://www.statistics.gov.uk/pdffdir/lmsuk0209.pdf)

## INFLATION<sup>5</sup> – 0.1% increase in the Retail Price Index (RPI)

In the year to January 2009 the all items retail price index (RPI) rose by 0.1%, down from 0.9% in the year to December.

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

- Coal & solid fuels up 31.6%
- Fuel and light up 35.1%
- Gas up 51.3%
- Electricity up 30.5%
- Water and other charges up 6.5%
  
- Fares and other travel costs 10.2%
- Bus and coach fares 9.4%
- Other travel costs 12.6%
  
- Food up 9.9%, with
  - Oils & fats up 10.6%
  - eggs up 7.9%
  - potatoes up 15.1%
  - pork up 14.7%
  - poultry up 11.6%
  - bread up 8.6%
  - beef up 22.9%
  - milk up 11.3%
  - lamb up 22.4%
  - cheese up 10.0%
  - bacon up 12.7%
  - vegetables up 17.2%
  - Cereals up 11.8%
  - fish up 18.7%
- And if there's any money left, the cost of a foreign holiday has gone up by 7.5%

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

[www.statistics.gov.uk/pdffdir/cpi0209.pdf](http://www.statistics.gov.uk/pdffdir/cpi0209.pdf)

### Retail Prices Index (Jan 1987=100)

Date	All items index	% Annual rise	
<b>2007</b>	September	208.0	3.9%
	October	208.9	4.2%
	November	209.7	4.3%
	December	210.9	4.0%
<b>2008</b>	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%
	September	218.4	5.0%
	October	217.7	4.2%
	November	216.0	3.0%
	December	212.9	0.9%
<b>2009</b>	January	210.1	0.1%

**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 3.0% in the year to January, down from 3.1% in the year to December. RPIX rose by 2.4% in the year to January, down from 2.8% in the year to December.

## **The RPI and pay**

While some employers will try to link pay deals directly to the RPI claiming this will allow wages to keep up with the cost of living. This is not exactly correct.

1. The RPI is an average based on the costs of items most people buy in the amounts people buy them. Individuals with different levels of earnings and spending patterns will have different costs. Workers earning average earnings often find themselves spending a higher proportion of their earnings on items increasing at a faster rate than the official RPI.
2. Even though negotiators use the 'all items' RPI as the best overall indication of inflation, it is worth remembering that the Office of National Statistics is clear that the RPI is not a cost of living index. The cost of living varies from person to person depending on spending habits and their level of disposable income.

While the official rate of inflation is 0.1 per cent (January 2009) the reality for hard working families is that we spend a disproportionate amount of pay on essentials – which have increased far in excess of the RPI. For example gas prices have risen by 51.3 per cent, electricity by 30.5 per cent and water by 6.5 per cent.

If the majority of our income is spent on housing, gas and electricity, water and transport it's not much consolation to know that the price of a new car has dropped by 14.6 per cent or that the price for new TV and Audio equipment is 16.5 per cent less than last year. Both of these sizeable reductions in prices will have a direct impact on the average inflation figure denoted by the RPI used by the employer in an attempt to legitimise an RPI offer.

Nevertheless it is the RPI not the CPI that provides the best picture of the overall rise in the cost of living for our members. If you have agreed a deal that is linked to inflation based on the 'all items' RPI (plus an additional amount) it is important to check that the agreement actually refers to the "all items" RPI and not the Consumer Price Index. Remember during such negotiations to refer to the particular month or months that will be used to calculate an increase.

Pay deals above inflation increase pay to the value it was a year ago, with a small real increase in purchasing power. As prices continue to rise month by month this real increase is invariably eroded a few months into an agreement. The Unite objective is always to both restore pay to its previous value and to protect its value over the forthcoming period as well as to reward for productivity improvements etc.

## **Pay rises for part-time directors**

Part-time, non-executive directors at top flight British companies got an average 6.3% pay rise last year, despite widespread profit warnings, plunging share prices and emergency fundraising, according to a new report.

The increase lifted the average pay for a non-executive director of a FTSE 100 company to £57,056, up from £53,499 the year before. The highest paid non-executives last year were at mining group Kazakhmys and received £120,000 a year on average in fees, followed by telecoms group Vodafone, which paid an average of £110,000.

Incomes Data Services (IDS), which compiled the figures, said chairs received an even higher pay rise, averaging at 7.2%, taking the typical pay packet to £341,124.

The increases come as corporate governance, and the value of boards, is under renewed scrutiny because of the near collapse of some of Britain's biggest banks.

Steve Tatton of IDS said: "The pressure has really been on companies to appoint non-executives who will be proactive board members willing and able to challenge the strategy and undue risk-taking proposed by their executive colleagues."

The biggest pay rises last year were awarded at BT, where fees for non-executives rose by 50% to £60,000 from £40,000. The average rise of 6.3% for non-executives was lower than in 2007, when they enjoyed an increase of 9.2%.

Source: [www.guardian.co.uk/business/2009/feb/16/ftse-100-pay-rises](http://www.guardian.co.uk/business/2009/feb/16/ftse-100-pay-rises)

## **MULTI SITE EMPLOYERS**

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

### **BARGAINING BRIEF:**

**Editorial:**

**Steve Martin**

**07918 640597**

**[Steve.martin@unitetheunion.com](mailto:Steve.martin@unitetheunion.com)**

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:**

Unite, Transport House, 128 Theobald's Road, Holborn WC1X 8TN.