



# Amicus research

## Industrial report 2004

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**Section 1**

Amicus Policy 2004

## **Amicus – Policy**

It is possible to summarise the policy of Amicus in that Amicus members want a progressive policy agenda combining economic, employment and social policies to provide economic stability and social justice, improve living standards for all, and meet the challenges of the competitive global economy.

The key aspirations for Amicus members are to have job security in a decent, safe and fairly paid job with rights and dignity at work and the ability to improve their skills, balance working time with other commitments and to retire on a secure and decent pension.

Summarised here is the Amicus policy on many of the key issues and events in the world of work. It is not a complete compendium of Amicus policy; it is a report on the overall policy approach of the Union.

### **Employment rights**

There is still no right to protection from unfair dismissal until employees have been employed for a year. While the Labour Government has delivered on a range of new employment rights, we remain concerned at the level of redundancy pay and the law concerning companies that go into administration. Amicus has long been concerned with the growth of temporary and agency labour and 'bogus self employment'. Amicus has consistently called for a level playing field in Europe on employment rights. Amicus is also concerned that the new disciplinary and grievance procedures under the Employment Act 2002 must not prevent an employee's right to a fair hearing at an employment tribunal.

### **Pensions**

The crisis in pensions, with final salary pension schemes being closed to new members or wound up entirely, has been a key campaign for Amicus. The pensions bill is currently passing through the legislative process. The bill contains a Government proposal for a pension protection fund; Amicus has been campaigning to ensure it has power to make retrospective payments. There is still a need to make pensions fully recognised as being 'pay' and under the contract of employment. There is also a need to ensure employers make minimum 10% contributions with employees making 5% contributions to pension schemes and end the practice of employer contribution holidays.

Amicus believes that there should be tax changes to make occupational pension funds cheaper and has urged the Government to consider either the restoration of Advance Corporation Tax relief or an alternative measure to boost the investment return on pension contributions and a refocusing of tax support on lower levels of contributions. Amicus believes that the state pension is an essential element of

pension provision in the UK. There remains a key concern for alleviating poverty in retirement, in particular for women who often live longer than men and also are less likely to have paid sufficient national insurance contributions to qualify for the state pension.

### **Manufacturing**

The Government is currently reviewing the DTI manufacturing strategy, procurement policy and innovation policy. Amicus believes a strong manufacturing sector is the backbone of all successful economies; we need a manufacturing strategy with the Government bringing together business and unions to save manufacturing and defend British jobs. Amicus has campaigned to highlight the plight of manufacturing, saying that the decline of the UK's manufacturing sector is reaching a critical point and, if allowed to continue, will threaten the futures of entire communities in industrial heartlands. Amicus has held successful national and regional demonstrations to highlight the plight of manufacturing. Amicus wants the UK to follow the best practices of our European partners to support manufacturing so British business can compete on a level playing field. Amicus is campaigning for the introduction of stronger employment protection and greater investment in research and development and skills and training to boost UK manufacturing productivity and make redundancies a more difficult and expensive option.

### **Full employment**

Amicus has fully supported the Government's commitment to full employment and we believe the Government must also work towards the goal of full employment in every region, intervene where rapid and severe job losses take place due to industrial restructuring and help prevent job losses through an active industrial policy.

### **The economy**

Amicus has raised concerns that the Monetary Policy Committee decisions on interest rates have not taken sufficiently into account the need to support manufacturing industry. Amicus believes that the remit of the committee should be widened to take account of regional and sectoral impacts of their decisions on interest rates.

### **Offshoring**

Amicus is concerned at the pressure that business is coming under to outsource jobs overseas, particularly in the service sector. Amicus believes that offshoring is having a damaging impact on the UK's skills base as well as the ethical concerns we have raised. As an internationalist organisation Amicus is committed to raising labour standards at home and abroad. Amicus welcomes the development of

emerging economies and accepts the reality of globalisation. However, we believe that employers must recognise the wider social and economic impact of their decisions.

### **Europe**

Amicus has a pro European policy. While Amicus has supported a referendum on the single currency we have also raised the need to reform the stability and growth pact and its implementation of the convergence criteria set under the Maastricht treaty. Amicus wants the Government to deliver the European social agenda, the charter of fundamental rights under the draft constitution and deal with the implications of enlargement. We need to end the practice of mass job losses when plants close simply because British workers are cheaper and easier to sack than their European counterparts.

### **High performance workplaces**

Britain must compete in the global marketplace on the basis of high performance workplaces where employees are involved in innovation and the decision making process and where we seek to improve productivity through a culture of long term investment, skills and high quality production.

### **Information and consultation**

The Government has agreed a social partnership agreement between the TUC and CBI on the implementation of the information and consultation in to UK law. Amicus has developed our industrial strategy with regards to the implementation of the draft regulations in terms of protecting and extending our collective bargaining influence in the work place, the opportunities for recruitment and organisation, and the education and support that Amicus representatives will require as they deal with a range of complex business and economic information.

### **Working Hours**

Amicus is campaigning for a 35-hour week without loss of pay. We are persuading employers that competitiveness does not depend on our members working longer hours than any other workers do in Europe. In fact all available research shows that reducing working hours increases overall productivity. Amicus is also campaigning to end the UK opt out of the Working Time Directive.

### **Work-Life balance**

The Employment Act 2002 introduced the right to request flexible working. Amicus is campaigning for flexible working hours to help enable our members reconcile their work with their family life and women in particular to participate in the labour market.

## **Childcare**

Amicus welcomed the child tax credit and has long campaigned for workplace childcare. Amicus is concerned with the lack of access to high quality affordable childcare, in particular for those members who work non-standard hours or have children with special needs.

## **Corporate manslaughter**

Amicus believes it is essential to reduce the number of fatalities at work and this will only come about when those companies that have caused deaths through negligence are held to account. The Government is expected to announce a draft bill imminently, which will introduce a new offence to enable successful prosecutions of companies whose failure to set or maintain standards causes a death. Amicus has held many events to highlight the corporate manslaughter campaign in particular around Workers Memorial Day and works closely with the Centre for Corporate Accountability and Hazards to campaign for a change in the law.

## **Skills**

Amicus has welcomed the Government Skills white paper that provided the new structural framework for unions, the Government and employers to work together to deliver skills. The Union Learning Fund and Union Learning Representatives have delivered many learning opportunities to our members, however, Amicus believes that learning should also be integrated into the mainstream collective bargaining agenda under recognition legislation.

Amicus believes there must be an extension in provision of modern apprenticeships. While we are strongly supportive of the Government's Employer Training Pilots, we regret the absence of a statutory right to paid time off for vocational education for all workers from the White Paper and the decision to evaluate the pilots before introducing such a right.

## **The welfare system**

Poverty and deprivation causes lasting damage to people, families and whole communities. Amicus wants people to be supported to escape poverty through an inclusive modern welfare system. The root causes of poverty must be tackled through redistribution of wealth to close the widening gap between rich and poor using measures such as the national minimum wage, progressive taxation and decent levels of universal state benefits.

## **Public services**

Amicus believes that access to high quality, modern public services widens opportunities for people, is the engine that delivers equality and provides the infrastructure that supports communities and the economy. Amicus wants a Government that is committed to investing in our public services and providing for all a decent health service, housing, education, childcare and an integrated transport system.

Amicus recognises that reform is needed to improve public service delivery, but believe this will not be achieved at the expense of public sector workers' security of employment. Where public services have been privatised, workers' wages and conditions have suffered causing a negative impact on the quality of service delivered. Amicus believes that the Government's two-tier workforce agreement should be extended to cover all areas of public services. It is essential to get the balance right of how the public sector engages with the private and voluntary sectors to ensure that workers, the public and the taxpayer receive the best possible deal through well funded, publicly owned, publicly accountable, modern public services.

## **Corporate social responsibility**

Businesses that operate in the UK have a responsibility to the environment and society that are wider than shareholder interests. Amicus wants business regulation and legislation so that we can ensure businesses meet the minimum standards of corporate social responsibility and ensure all 'stakeholders' are valued.

## **Equal pay**

Equal pay has been agreed as a priority campaign for Amicus. There are many gains to be made through the Amicus industrial strategy, and the support that will be required by officers and working representatives. Amicus has also highlighted the discrimination in pay on the grounds of race, sexual orientation, disability and age. We have yet to see the change in the Equal Pay Act that will require employers to carry out equal pay audits.

## **Single Equalities Act**

The Government intends to create a single equalities commission to replace the EOC, DRC and RRC. Amicus is concerned that the single equalities commission will require additional resources to promote equality in relation to age, sexuality and religion, as well as continue work in the areas of sex equality, race and disability. Amicus believes that a single equality body may well be a longer-term progressive step, particularly in the many cases where individuals experience multiple discrimination, but in particular, this must not be at the expense of many

years of work and campaigning on disability rights, and the sidelining of the Disability Task Force recommendations. Amicus believes there should be a single Equalities Act that deals with all areas of discrimination and modernises our legislation and can adequately ensure that the single equalities commission has legally enforceable powers.

### **Trade union rights**

Britain still has some of the most restrictive trade union legislation in the Western world. Working people should have the right to join and take collective industrial action through their trade union whatever the size of their workplace. Amicus members should be able to organise industrially and politically without the burden of legislation that has been designed to obstruct or frustrate legitimate trade union activity. The employment bill that is currently before parliament was disappointing in that it failed to address many of Amicus's concerns. There are a number of amendments that will clarify the CAC procedures for statutory recognition and the right for trade unions to exclude members from far-Right organisations.

### **Recruitment and organisation**

Amicus has a strong commitment to recruitment and organisation and has won many recognition agreements since the implementation on the Employment Relations Act. Amicus also recognises the changing nature of the workplace means that there are often individual or smaller groups of members. As a union, Amicus provides its representatives with the training, development and protection of the Union to perform duties effectively. Amicus has a strong tradition in supporting union organisation in the workplace and believes that strong collective bargaining structures are central to defending members' terms and conditions.

### **Citizenship and an inclusive democracy**

Amicus wants a more inclusive democracy in Britain with membership-based political parties. Amicus is opposed to restricting funding to state funding. Amicus believes in the first past the post system for elections, we want our representatives in Parliament, local government and regional assemblies to be democratically elected, and reflect the diversity of our nation. We want reform of the European institutions to make them accountable and democratic.

Amicus wants active citizenship and respect for all people who live in our country. Amicus wants our Government to build cohesive communities that celebrate our ethnic and cultural diversity and citizenship based on respect for fundamental human rights for all. Amicus is particularly concerned at the recent electoral success of far-Right political organisations and is committed to working with the wider community to campaign against racist propaganda that divides our communities.

## **Globalisation**

Globalisation affects our lives as citizens as well as at work. Many people in Britain work for trans-national companies. The Government must engage with corporations and international bodies in a dialogue over workers' rights, social issues and the responsibilities of globalisation. Along with global markets we are part of a global community and want our global institutions to reflect the social dimension through reform of the World Trade Organisation, World Bank and IMF so that there is greater transparency and democracy within their operations.

# **Amicus research**

## **Industrial report 2004**

### **Section 2**

Amicus and the education sector

The important role played by the university technicians and other academic related staff in the work of The Association of Scientific Workers and other predecessor unions of Amicus has led today to the formation of the Education sector of Amicus. The history of this sector forms the foundation for the growth of Amicus into the Education sector of tomorrow.

## **Background**

The academic year 2003-2004 is the period of greatest change that has been experienced in the higher education sector since the recommendations contained in the Deering Report in 1998. That report led to the Bett Committee enquiry into pay within Higher and Further Education. The outcome of these enquiries can be traced to the application of the current "framework agreement" and the resultant job evaluation process which is now beginning to be experienced by members generally.

2003-2004 saw not only the formation of Amicus and the application of the Bett Report recommendations on pay determination but many more local changes that have affected all our members in the sector. The background of why Bett sought to apply a process for the modernisation and equalisation of pay within the sector rests, in part, on legal challenges by founder unions such as ASTMS and MSF which identified the real possibility that pay equality in those sectors was unreliable. That in turn led to Bett and the university employers through UCEA (University Colleges Employers Association) to begin to address the problem on unequal pay, obscure pay determination and the unreliability of pay determination and grading schemes.

Amicus was involved in detailed discussions with our sister unions UNISON, GMB, TGWU, AUT, EIS and NATFHE on how to address the issues. Negotiations with UCEA and the unions resulted in Amicus considering the resultant framework agreement. The Higher Education NAC, in September 2003, voted unanimously to recommend to the membership that they accept the framework agreement and the pay rises of 3.44% for 2003 and 3% in 2004 built into the agreement. Although there were reservations HENAC believed acceptance of the framework was the best deal on offer. On the 30<sup>th</sup> September 2003, Amicus-MSF representatives from all major universities were invited to hear first hand the detail of the framework agreement.

Subsequent to that meeting a ballot of all staff employed in the sector took place. The result was announced on 17<sup>th</sup> October 2003. Amicus-MSF sector voted 2,043 for the agreement with 709 voting against. Although not overwhelming in terms of member participation the result was an overwhelming yes to the acceptance of the pay increase and to the application of the framework agreement.

The employers association, UCEA, were advised of the acceptance from Amicus-MSF. In further ballot results that autumn UNISON voted by 84% to accept and the T&G by 69% to accept. Following some disputes from other unions, in April 2004, the AUT membership also voted to accept the

framework agreement. This had been preceded by NATFHE and EIS's acceptance.

The AUT agreement included a "No detriment" clause but the value of this is disputed. AUT also have obtained a benefit that national job profiles will be kept as a library for comparison across the UK. Amicus is going down a similar but more in house route. Amicus will be seeking information as each University "fixes" its pay spine grades. It will be information that Amicus will retain for itself and will utilise for the benefit of Amicus members. The exact formation of the database has been the subject of a database users group to assist in the compilation of the data. Hopefully it will be a tool of use to all Amicus reps in the sector.

### **Sector pay history**

It is useful to look at the sector pay increases in recent years:

Year	% Increase	RPI
1987	5.8	-
1988	5.1	3.9
1989	6.0	8.0
1990	9.0	9.4
1991	7.0	6.4
1992	5.5	4.3
1993	1.5	1.3
1994	2.5	2.6
1995	2.7	3.3
1996	2.9	2.4
1997	2.9	2.4
1998	3.8	4.0
1999	3.5	1.6
2000	3.0 imposed	3.0
2001	3.0 + 1.0 on various settlement dates	1.8
2002	3.2 to 4.8 and move onto interim spine	1.5
2003	3.44 as part of framework agreement	3.1
2004	3.0 as part of framework agreement plus 1.1% to be used to assimilate on to new spine points	2.5

Although many of these negotiations have been difficult, overall the pay increases have kept pace with inflation but not necessarily average wages or RPI taking into account interest rates. It can be argued however that Amicus has defended its members' pay successfully over this period.

As the full impact of the assimilation's and framework agreement takes place Amicus is now being drawn into the second phase which is the actual job evaluation process itself.

## **Job evaluation**

Amicus has examined in detail the two main systems Higher Education Role Analysis (HERA) produced by ECC Ltd and Hay JE produced by the HAY Group. It is considered that HERA is the Amicus preferred scheme of choice. This is because Amicus has been part of the pilot of the scheme in many places and has had the opportunity to fine-tune the scheme.

Amicus is aware of a number of institutions that have adopted Hay. With its basic dependency on knowledge and decision making it may not be as suitable especially in the ex-AEEU Estates areas. That said the scheme has been successfully implemented in a number of areas.

One thing in common to both schemes is the necessary involvement of Amicus reps in the evaluation process. This is essential as is the exchange of information on how the schemes are being implemented.

Within the next few weeks, the first grade rate boundaries will be fixed. Those close to completion are Southampton (Hay) Loughborough (Hay) Leeds and Bradford (HERA) Queens Belfast (Hay) and both U.M.I.S.T. and Manchester (HERA) who are close to merging. As our database of job grade rates fills up, these will be issued to representatives in due course.

## **Future Pay and Conditions Bargaining**

The potential gap in local versus national pay bargaining, until the full implementation of the framework agreement by 2006, will need to be met. With that in mind, Amicus will need to be ready to submit a pay claim. As part of our involvement in the JNCHES committee, its staff side sub committee, the Professional, Technical, Administrative and Ancillary Staff Sub Committee (PTAASS), has met on 28<sup>th</sup> May 2004. It has been agreed to seek a meeting with AUT about the conduct of negotiations within JNCHES and also to present a conditions claim for all other "finance" related conditions with a view to seeking uplift. This will be presented shortly once all affected terms have been identified.

The London Weighting aspect has been awaiting the report commissioned by JNCHES via Income Data Services into the disparate way London Weighting is dealt with in various HE and FE institutions. The full findings are not yet available but are expected on the 7<sup>th</sup> July, in time for the next discussion at Officer level with Jocelyn Prudence and Peter Thorpe at UCEA next month.

In addition to the work on the framework agreement, consideration has also been given to the funding of the implementation. JNCHES with UCEA have written to HEFCE and SHEFC as well as the Welsh and Northern Ireland counterparts for additional implementation funding to go towards further training of union representatives in HERA/HAY training.

Amicus has already led the way with three education events having been planned so far this year. Job Evaluation courses were run for representatives

on 4/5th April and for Regional Officers on 5/6th April. Further courses are arranged on 5/6th July and 1/3rd September for reps and 6/7th July for Regional Officers. Additional courses may be run and consideration is being given to the particular needs of our membership in Scotland, that has specific problems on evaluation in some institutions.

### **Government lobbying**

The Union has been in touch with Ministers on two important matters. Meetings have been held with Margaret Hodge, who at the time was Minister for Lifelong Learning and Higher Education, about the plight of some of our members where the employer has chosen to downgrade the pension entitlements in particular universities. Although the Minister maintained the line that each employer is a separate arrangement she is keen to see the best possible standards for pensions in the sector. Amicus understands that this was a matter she took up with the employers directly.

Our second major involvement has been on the Government proposals for top up fees. The Union position has been the same as the TUC line. The previous National Officer, George Orr was involved with meetings, via the TUC, with Alan Johnson, Higher Education Minister. The argument seems to have taken place and has now moved on. In some matters we won concessions, but not in all. The fact the matter will come back to the House by independent review is some small reassurance.

One benefit of the government proposal is that the additional income generated of between £7.5Bn to £10.Bn means the employers can no longer claim they do not have the ability to fund decent pay and conditions in the future.

### **Organising**

Our Organising agenda stands alongside our negotiating agenda in importance. Unless Amicus recruits and organises the workforce in each institution it runs the risk of becoming out of touch and obsolete. Recent experience of open meetings on the framework agreement had resulted in attendances of up to 100 staff. The role of the union is to sustain existing interest and relevance and to continue to be a force in Higher Education. Amicus also needs to grow into the further education sector. Amicus must aim to be the union of choice for technicians and estate workers in FE as much as HE.

Through the Amicus Research Department, it is intended to develop future projects particularly on the numbers of staff close to retiring in HE and the effect that may have on the sector. Also on the agenda will be an exercise to identify any major areas of pay inequality for the union to tackle.

# **Amicus research**

## **Industrial report 2004**

### **Section 3**

Economic overview 2004

## **Introduction**

The UK economy has remained stable and strong over the past year with steady interest rates and low inflation. Although there was a sluggish start to 2003 in terms of growth, with many City analysts suggesting the Treasury figures were too optimistic, the economy recovered and grew to meet the Chancellor's forecast of 2-2.5%. The UK economy has shown more resilience in weathering the downturn than any other major European economy. In the last three months of 2003, the economy expanded at its fastest rate in almost three years. Growth targets of 3-3.5% have been set for 2004-05, indicating a positive outlook from the Treasury. This forecast was recently supported by Ernst & Young who are predicting 3% growth this year and possibly 4.75% next year.

The key to greater growth is often seen as dependent on recovery in the global market, particularly the US market. Towards the end of the year, the US began to show signs of recovery with 8% growth in the third quarter. This success has been at the expense of increasing deficits, making it increasingly difficult for the US to be able to balance its books, resulting in a weak currency. In the past year, the dollar has declined 21% against the euro and is at its lowest level against the pound since 1992. The expected knock-on effect for the UK from US growth may be limited, as the weak dollar damages the European export market. In addition, the World Trade Organisation has expressed concern that the US trade deficit could give rise to increasingly protectionist measures.

The level of UK Government borrowing has increased to £37bn for 2003-04, £10bn more than predicted in last year's Budget. The Chancellor points to increased spending in Iraq as a contributory factor to greater levels of borrowing. However, this increase in borrowing still meets the 'golden rule,' which says the Government should not borrow for current spending over the whole economic cycle, and gives the UK a lower deficit than other major economies such as Germany, the USA, and Japan. Public sector net debt is projected to be low and stable over the next five years, stabilising at 35.2% of GDP and well below the 40% ceiling set in the sustainable investment rule.

## **Interest rates**

2003 interest rates continued to have a major impact on industry, particularly in terms of European export levels. For the 14th month in succession, interest rates were held at 4% in January 2003. Employers and trade unionists welcomed February's 0.25% cut. A key factor in the Bank of England's decision for this cut at the start of the year was the news that factory production fell by 4% in 2002, the largest annual slump since 1991.

In a measure to boost industry and growth, a further cut of 0.25% in July brought interest rates down to 3.5%, a level not seen since 1955, and established Mervyn Peake's position as the new Governor of the Bank of England. However, this rate was short lived as in November interest rates returned to 3.75% following concerns that consumer debt and house prices were rising too rapidly. In January 2004, interest rates remained at 3.75% but many analysts predict a rise in Spring if the economy looks strong in early 2004.

### **Inflation: RPI, RPIX, CPI**

Inflation has fluctuated over 2003 but has always remained within 1% of the Bank of England's Monetary Policy Committee's target figure of 2.5%. Both the RPI and the RPIX, which excludes mortgage interest payments, closed the year on target at 2.5%, although there have been concerns that house price inflation is the biggest driver of price increases in the RPI. In November's Pre-Budget Report, the Chancellor confirmed that the Bank of England would replace the RPIX with the Consumer Price Index (CPI), believed to be a key part of the UK's preparation for entry to the single currency as countries in the eurozone already use this measurement. The target CPI is 2% and the January 2004 level is 1.3%.

The difference in RPIX and CPI raises some issues. Some commentators are suggesting that the low level of CPI encourages an interest rate cut but the Bank of England may wait to see if the gap between CPI and RPIX narrows before adjusting the interest rate. The Government has given reassurance that payment of benefits will continue to be indexed to the RPI, but there is concern over which inflation measure the public sector will be expected to use as a shift to CPI could hold down wages. The TUC is pursuing this issue.

### **National Insurance**

The 1% increase in National Insurance, announced in the 2002 Budget, came into effect in April last year. The Government made clear that this increase is to fund investment in the health service. Opponents of the Government argued that the 1p in the pound NI rise was a tax on business that threatened jobs. However, there does not appear to be any evidence to support this. For business, the rise only restored the contribution to a similar level to what it was in April 2000 prior to the cut that they received to offset the climate change and aggregates levy. Also, independent economic research undertaken for the OECD has demonstrated that there is no link between levels of employment and payroll tax. UK spending on the NHS will increase by an average of 7.1% a year in real terms over the five years to 2007-08.

## **Trade Deficit**

Trade figures at the close of the year confirmed that the strong pound and the weak dollar is adding to the UK's trade deficit, which currently stands at £3.3 billion for goods and services, and at £4.4 billion for goods alone. Lower imports of oil were offset across the board by falls in exports to leave the deficit with non-EU countries unchanged at £2.3 billion. The deficit with the EU widened slightly to £2.1 billion as a result of higher imports of semi-manufactured goods towards the end of the year, in particular paper and paperboard. Within exports to the EU, lower exports of oil were offset by higher exports of a range of manufactured goods. The surplus on trade in services rose to £1.1 billion. The UK traditionally counterbalances its shortfall in trade in goods with a surplus in the supply of services, such as transport, banking, and insurance, to the rest of the world but this is being challenged by an increase in offshoring in the financial sector.

The UK's export performance continues to suffer from difficult trading conditions, particularly in Europe. Although the trade deficit is concerning for the economy, and there are concerns that it is set to widen, the deficit has largely been stable through what have been difficult circumstances. In comparing the UK with the US, analyst Alan Castle, of Lehman Brothers, states: "Overall we have limited concerns over the UK trade and current account deficit compared with the US."

## **Labour Market Trends**

A TUC report on labour market trends 1992-2002, published in the summer, concluded that key areas of working conditions have improved over this period. Compared with the previous five years, 74% more jobs have been created since the Labour Government was elected in 1997 but, perhaps more surprisingly, in contrast to the mainly temporary and part time jobs created between 1992 and 1997, the jobs created since 1997 have been permanent with nearly two-thirds of them full time. Since 1997 fewer people are working in either very long hour jobs (above 45 hours) or very short hour jobs (under 16 hours). All the increases in job numbers have been in the middle range part time and full time jobs with average weekly hours of between 16 and 45 hours. This reverses the trend pre-1997 where most of the increase in jobs was coming from those working in excess of 45 hours a week.

The report also concluded that wages have improved. Although partly fuelled by inflated wages at the higher end of the scale, average wages have grown faster since 1997 and, after years of under funding of the public sector, the gap between public and private sector pay has closed significantly. Over the last three years, the public sector average earnings index has increased by 15.9%, which is 4.8% more than the private sector.

## **Sector comparisons**

Significant variations in pay across sectors look set to continue. Although 3% was the common increase last year, there were pay freezes in parts of the electronics sector, while increases of 5 to 7% were not uncommon in construction. The car industry saw increases of 3.5 to 4%, while settlement levels in other parts of engineering were stagnant at 2.5%. Some sectors are increasingly using comparative market data in pay offers and awards, with evidence from the finance sector suggesting that an employee's position in the pay band relative to a market rate carries more weight in pay determination, while in the utilities sector, the use of market rates is widespread. The uncertainty in the manufacturing sector, and the rising skills shortages in other sectors, is expected to lead to further diversity in settlements.

## **The euro**

In June, in an assessment of the five economic tests for joining the single currency, the Chancellor announced that only one, which evaluates the impact on financial services, had been met. The Chancellor did confirm that progress on passing two of the tests – on economic flexibility and convergence with the eurozone – would lead to the remaining two tests being satisfied. In his Pre-Budget report, Gordon Brown announced the publication of a paving Bill which includes a proposed referendum question: 'Should the United Kingdom adopt the euro as its currency?'

The euro has had a fairly turbulent early history, with a record low of \$0.84 in September 2000. However, at the close of 2003 it reached its highest level of \$1.20 against the weakening dollar, seen as evidence that the Euro is robust enough to ride out concerns about political factors interfering with the currency's launch criteria. Fears about economic growth in the eurozone area prompted the European Central Bank (ECB) to cut interest rates by 0.5% to 2% in June, where it has remained.

The latest eurozone economic data showed the region's recovery is continuing, but at a slow pace. The ECB has forecast growth will be between 1.1% and 2.1% in 2004, double its best expectations of 0.6% in 2003.

**From the 2003 Pre-Budget report, Amicus welcomed announcements that:**

- There will be a new framework of incentives for small firms
- Tax relief will be enhanced to encourage businesses to invest in North Sea oil exploration
- Tax credits for research and development will be widened
- The windfall tax reserve, previously used for job creation, will now be used to fund training pilots, in an effort to boost skills
- For the first time, full employment plans for each region of the country will be published
- Employers will be able to give staff a tax-free £50 a week for childcare.

**From the 2003 Budget Amicus welcomed:**

- An additional £3 million committed to the Union Learning Fund up to 2005
- A deferred increase, in line with inflation, in the main road fuel duties from 1 October 2003
- A new Child Trust Fund giving every newborn child £250, or £500 for the poorest, ensuring that every child has money in the bank at the age of 18;
- Improved tax incentives to boost research and development and investment in information technology by small companies
- An extension of existing pilots to improve access to training among low-skilled people
- A 7.2% a year in real terms in UK spending on health up to 2007-08, putting the NHS on a sound long-term financial footing.

# Amicus research

## Industrial report 2004

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