

Fact:

The 3 year pay offer STILL means a probable 3 years of pay cuts

Fiction:

This in the interests of health workers

**Gill George
May 2008**



Fact and Fiction: A Response

News items from the last two days:

- ***The inflation rate for staple food items is now 19%***
- ***Household energy prices are set to rise 46% by the end of this year***
- ***RPI for April rose to 4.2% (compared to 3.8% in March)***
- ***The Bank of England predicts further rises in inflation***

Unison and RCN negotiators are trying to tell us that a three year pay offer of 2.75%, 2.4%, and 2.25% is a good deal.

Forget it.

This document is written as a restatement of the arguments against a truly disgraceful pay offer, and in response to the recent 'Fact and Fiction' document produced by the Unison leadership.

I stress that my own document represents only my personal views. I am writing as an informed and active trade unionist in the NHS, not in my capacity as Unite Executive Council member and Unite Health Sector National Committee member.

This is of course not in any way a criticism on Unison's lay members – on the Service Group Executive, at Unison's Health Conference, or in the wider union. If this deal goes through, Unison's membership – along with the members of every other health union – will lose out.

A Summary of the Offer

On 4th April 2008, Unison and RCN negotiators reached a 'proposed multi-year agreement' with the Department of Health. They did so without the agreement of other NHS unions, and broke the unity of the national Staff Side.

The offer is for a three year deal: 2.75% in 2008/09, 2.4% in 2009/10, and an even worse 2.25% in 2010/11. At the time of writing, the inflation rate for staple food items is running at 19%, household energy costs are predicted to rise by 46% by December this year, and RPI has risen to 4.2%.

It is a certainty that the proposed 2.75% for Year 1 represents a significant pay cut. It is very, very likely indeed – as mortgage costs increase, and energy and transport costs also rise – that we're set for

pay cuts in Years 2 and 3 too. This pay offer, if we let it roll out, will deliver a three year pay cut for health workers.

There is no robust mechanism for re-opening negotiations when inflation rates go even higher than they are now. It is madness to sign up to a three year deal at a time of economic instability and an inflation rate that is spiralling ever-higher.

The offer also includes some minor tinkering with Agenda for Change pay bands in 2009/10, and – in 2010/11 – a flat rate increase of £420 to NHS workers on Bands 1, 2 and 3. These proposals raise the percentage increases only marginally. A pay cut for the lowest paid NHS workers remains a certainty in Year 1, and a virtual certainty in future years.

Most of this document is a rebuttal of the weak arguments used by Unison's leadership to justify the proposed deal. There is necessarily a fair amount of detail included here.

The question facing health workers, though, is a simple one: Do we sign up to a big pay cut, or don't we?

What Does Unison Say?

A mandate for a multi-year deal?

Unison's 'Fact and Fiction' document says that the final pay agreement for 2007 included a commitment to negotiate to see if a three-year pay deal could be reached.

This is correct, and can be easily checked on the NHS Employers website. However, the agreement commits employers and unions only to *'entering into discussions on the potential for a multi-year pay deal...'* and stresses that *'discussions do not at this stage imply the commitment of any of the parties to a multi-year deal'*.

There was a mandate to discuss a multi-year offer, and all our unions did precisely that. There was of course no mandate for Unison and RCN to break ranks and sign their own deal, despite the opposition from other unions.

There is a further important change between 2007 and 2008. A year ago, inflation was low, and the economy seemed stable. Now, the economy has lurched into crisis, the Bank of England predicts a sharp rise in inflation, and NHS workers face enormous insecurity. A three-year deal against this backdrop makes no sense at all.

Did Unison and RCN break ranks?

Unison says that it is 'fiction' to claim that Unison and the RCN broke ranks with other unions and negotiated their own deal.

Fiction? Maybe not. The 'Proposed Agreement' document states very clearly, *'This proposed agreement has been made between: Unison, RCN, NHS Employers, and the Department of Health'*. There's no sign of the other unions there.

The RCN's Question and Answer Briefing states, *'On Friday 4th (April) staff side met at 1pm and after five hours was unable to reach agreement on the staff side... So, RCN and Unison lead negotiators made a judgement call, met with the management side and concluded the proposed agreement'*. Again, there is no indication here that Unison and RCN did *not* break ranks.

Unison's document – having said that Unison did not break ranks – goes on to state that *'several of the smaller unions said they could not put their names to the proposed agreement'*. It's a funny thing, but breaking ranks is breaking ranks, whatever the size of the unions you break ranks with.

A rather startling suggestion made in the Unison briefing is that Unison and the RCN only went ahead because Unite said they could! Only those present in the negotiating room will know who said what and when – but this does not tally with any report from any other union (including the RCN).

And why should Unite's Head of Health – acting on behalf of the two sections of Unite, CSP, RCM, SoCP, GMB, BOS and BDA – write a strongly worded letter to the NHS Employers on 17th April? The letter states, *'We have major concerns about the process in which the long term offer was reached. It is clear, and has been widely publicised as such, that this offer is between the Health Departments, Unison and the RCN. It was not reached under the aegis of the NHS Staff Council on 4th April 2008 and therefore we do not consider ourselves party to the offer'*.

If Unison and RCN did not break ranks, there is perhaps a new meaning to breaking ranks that the rest of us are unaware of. A basic point to make – but an important one – is that Unison's lay members are, of course, not in any way responsible for the divisive actions of national negotiators.

Does it matter if NHS unions don't work together? Of course it does. It's worth remembering the old trade union slogan, 'Unity is strength'. We can expect divide and rule games from the employers and the Government – but it's a disaster to see the leadership of a major

national union helping them out. The strong risk is that health workers as a whole will lose out.

Health workers are under attack from pay cuts; the NHS itself is being steadily eroded through privatisation and 'marketisation'. This is precisely the time when our unions need to stand together in defence of our NHS. It is a tragedy to see the opportunities for joint working thrown away.

Do other unions oppose the offer because it's below the rate of inflation?

The Unison document says that it is 'fiction' that opposition to the deal is because it is below inflation. However, the joint union letter – from Unite, GMB, RCM et al – states very clearly, *'We believe that the proposed long-term settlement for the two years after the PRB recommendation represents a potential real-terms cut in the pay of staff in the NHS. We are not prepared to recommend this to our members given trends in the economy and prospects for inflation'*. This looks pretty clear.

I can't comment on the position of other unions on the Pay Review Body recommendation, but I was present at the Unite Health Sector National Committee meeting on 22nd April. We noted that the PRB recommendation for a one year offer was not on the table, as the Government/Unison/RCN plans were rushed out just before the PRB report was published. Since it wasn't on the table, we didn't take a formal position on it. We did vote unanimously that the three year offer was not even fit to be put to our members.

We went on to register our strong concern that this is the second year running that the PRB has recommended a below-inflation pay rise. We had other strong disagreements with aspects of the PRB report. Existing union policy is for support for the PRB – but this will be reviewed at our forthcoming conference.

Unison cares about the low paid and nobody else does?

The Unison document makes the allegation that *'these smaller unions said they were not accepting the deal because they did not support the extra money for the low paid or for Band 5 staff'*.

The repeated suggestion that Unite members don't care about low pay is one that makes me genuinely angry. As a member of our National Executive and our Health Sector National Committee, I have NEVER heard the argument that low pay is unimportant. It's also worth noting that Unite's national policy on low pay is for a minimum wage equivalent to the European Decency Threshold (rather than the

unimpressive minimum of £6.77 in 2009/10 that this offer would provide).

This proposed agreement will deliver pay cuts for **all** health workers if it goes ahead. It fails conspicuously to provide an acceptable pay increase for the low paid. I've not met a single health worker who believes that we should accept pay cuts for health workers on a living wage in order to fund a deal that also delivers pay cuts for the lowest paid. This is just nonsense. This is one of the richest nations in the world. The notion that the UK can't afford a living wage for its public sector workers is laughable.

The real rate of inflation is of course higher for the lowest paid workers. If you're on a low wage, most of your pay will go on housing, food and energy bills. Inflation is soaring on precisely those items – remember the 19% inflation rate on staple food items, and the likely 46% rise in energy bills by the end of the year.

'We're the only trade union that counts'

Unison's 'Fact and Fiction' document states, with no apparent embarrassment, *'If UNISON and RCN members support it, there will be an agreement'*.

This is not a helpful approach to joint working, and I personally find it surprising that Unison, as a TUC-affiliated union, doesn't understand this.

We have a whole host of unions representing health workers. If you're a physiotherapist, you're most likely to join the Chartered Society of Physiotherapists. If you're a podiatrist, it makes sense to join the Chartered Society of Chiropodists and Podiatrists. The list of smaller professional unions is a long one.

It is in the interests of all of us that we work together. An arrogant approach of *'We're bigger than you so we'll do whatever we want'* is disappointing in the extreme.

Playing the numbers game!

The 'Fact and Fiction' document lists the NHS membership of national unions, presumably in order to demonstrate that Unison has more members in the NHS than other trade unions. *'So what?'* might be a reasonable response. Surely what counts is whether or not our unions deliver for their members.

However, if we're going to play the numbers game, it would be nice to do it accurately. Unison's account of Unite's membership in Health is a sharp under-estimate. And the claim of 470,000 NHS members in Unison is a really interesting one. Unison's website, reporting on the pay ballot held in September 2007, notes that 362,954 ballot papers were issued. Unite's NHS membership is growing steadily - but if Unison has increased its membership by over 100,000 in the last few months, it's doing a truly extraordinary job!

So is it a pay cut for Years 2 and 3?

Unison says it is 'fiction' to argue that the proposed agreement is less than inflation for the second and third years of the proposed agreement. The document says '*No one knows what inflation is going to be in future years. The average of all independent forecasts is that the Retail Price Index will be 2.5% in 2009*'.

The figure used by Unison is possibly taken from the data collected by the Treasury (although the most recent Treasury report actually quotes an estimate of 2.6% in 2009). Even if this is accurate, the proposed pay increase of 2.4% in 2009/10 represents a pay cut.

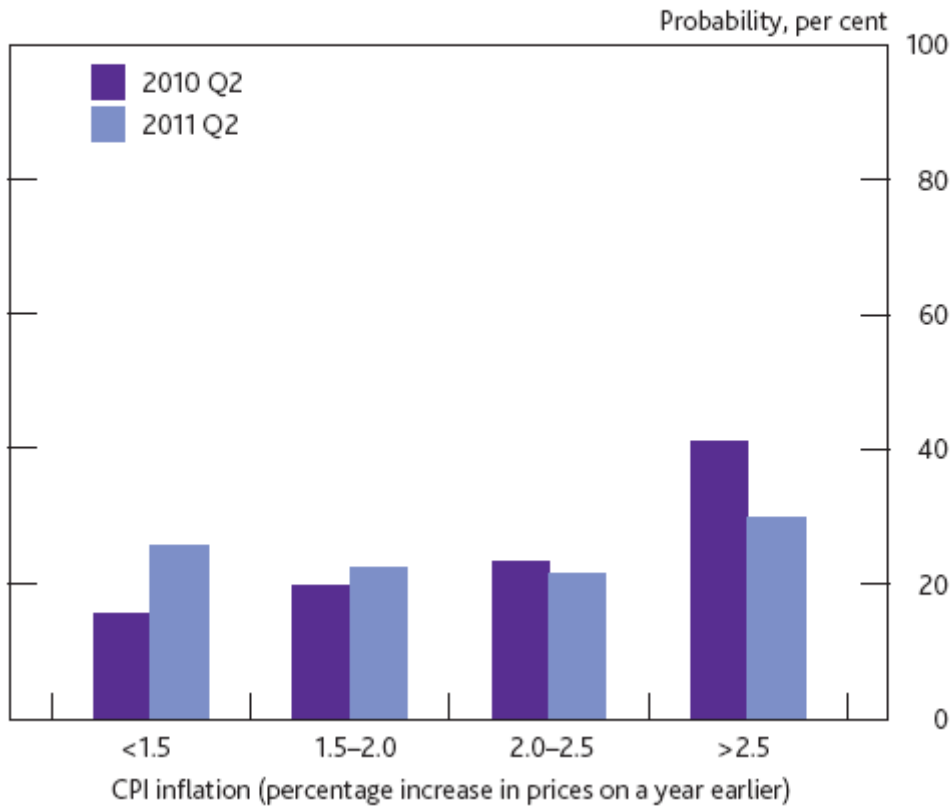
Is the Treasury data accurate, though? In November 2006, the same 'independent forecasters' made their predictions for 2007. The average of the predictions for RPI inflation was 2.8%. The actual rate of inflation in 2007, as recorded by the Office for National Statistics, was 4.3%.

And as recently as February 2008, the Treasury's 'independent forecasters' were predicting RPI of 2.6% for this year. In March, RPI was 4.1%; in April, RPI was 3.8%; in May, RPI was 4.2%. The reality is that price rises and economic instability are running on far more rapidly than these forecasters can keep up with.

Interestingly, the Bank of England's predictions for future inflation are a good deal more concerning than the Treasury's. The chart below is taken from the May 2008 report 'Prospects for Inflation'.

The chart shows the range of estimates of inflation in the first quarters of 2010 and 2011 - the period covered by Year 2 and Year 3 of the proposed pay deal.

Chart 5.8 Frequency distribution of CPI inflation based on market interest rate expectations^(a)



So, the chart confirms that no one really knows - but look at the most popular estimate. The expert commentators are most likely to plump for CPI inflation being greater than 2.5% in Years 2 and 3 of the pay deal. CPI is the Government's tweaked version of inflation that doesn't reflect the costs for normal households. 'Real' inflation is RPI - the Retail Price Index always used in wage bargaining. RPI is higher than CPI because it includes housing costs. In 2007, RPI was 2% higher than CPI - because mortgage costs were increasing. As more fixed term mortgage deals expire, it is very likely indeed that this will feed into higher RPI (and a larger gap between CPI and RPI).

All a bit technical - but the conclusion is that an awful lot of financial experts expect inflation to be over 4% in the years when we're being offered 2.4% and 2.25%. This looks very much like a pay cut.

If we sign up to this offer, we are almost certainly signing up to three years of pay cuts. Why on earth should any union regard this as a good deal?

The 're-opener' clause

This is a fantastically important issue. It wouldn't matter so much signing up to a below-inflation agreement for 2009/10 and 2010/11 if we could sort it out later on. Unison says it is 'fiction' to say '*the re-opener clause is too weak*'.

So what does the clause actually say? The Proposed Agreement states: '*In the event that the NHS PRB receive and identify new evidence of a significant and material change in recruitment and retention and wider economic and labour market conditions, they may request a remit from the Secretary of State to review the increases set out in this agreement for 2009/10 and/or 2010/11*'.

Read it again. This does **not** say, 'If inflation goes up, health workers will get a bigger pay increase'.

It's worth checking out the remit of the Pay Review Body. This does **not** include 'ensuring fair pay for health workers'. Tellingly, part of the PRB's remit is to consider not *inflation* but the Government's inflation target!

So what the 're-opener clause' actually says is that, if the PRB feels like it, then the PRB can ask that nice Alan Johnson to review our pay cuts. We have no rights at all. We're left dependent on the good will of the PRB and the good will of the Government. This is, of course, the PRB that has recommended pay cuts two years running, and the Government that is in the business of forcing through something even worse.

The 'fiction' is that this clause is worth the paper it's written on. No experienced local rep would let an employer get away with an agreement that is so loosely worded.

Is this a pay cut?

Yes! Unison says, '*No one's pay is going to be cut. The issue is whether the pay rise will keep pace with inflation...*'

This is playing semantic games. If the cost of living goes up faster than pay, then in real terms this is a pay cut. This is pretty straightforward.

Unison's dangerous justification for the very poor cost of living increases is that the inclusion of incremental increases delivers more pay. I've heard Gordon Brown use a similar argument at Unite (Amicus) Conference – and he was jeered for doing it. Incremental increases are given for increased knowledge, skills and experience – a recognition that, over time, most people do their jobs better and are more valuable

to their employer. Cost of living increases are quite different – these are about allowing us to keep up with rising prices.

It is mistaken for a trade union to confuse cost of living increases and incremental increases. This will be thrown back at us, again and again, by employers and the Government.

It's also worth noting that a growing number of us don't get incremental increases. When Agenda for Change was implemented, the assimilation process meant that people were fairly even spread within their pay bands – some at the bottom, some at the top, many in the middle. Now, 24% of NHS workers are at the top of their pay band – and will get no incremental increase in 2008. That percentage will be higher in 2009, and higher again in 2010. Whatever spin we put on it, these people are heading for a pay cut.

'Benefits' for the low paid – very small ones!

Unison says it is a 'fiction' that existing staff will not benefit from the increase in the NHS minimum wage. We're reassured in Unison's document that in 2008/09 the lowest paid NHS workers will get £6.40 an hour; by 2009/10 they will get £6.77 an hour; and by 2010/11, they will get £6.98 an hour.

A small question: is an annual salary of £12,517 really something to boast about?

Any claim that this package is a step towards solving the issue of low pay is very far-fetched indeed. This is a proposal that accepts miserably low salaries for far too many health workers – and, even worse, accepts poverty pay for the next three years at a time when prices are soaring.

Years of below-inflation increases?

Unison says it is a 'fiction' that members are having to suffer years of below-inflation increases, and boasts that '*thanks to Unison the low paid got up to 3.4%*' last year. RPI – the real rate of inflation – was 4.3% in 2007. In England, health workers got 1.9% - a pay cut. Elsewhere in the UK, health workers got 2.5% - a pay cut. The lowest paid got 'up to' 3.4% - a pay cut.

Unison's proposed agreement is for a pay cut in 2008, and very probable pay cuts in 2009 and 2010. This looks very much like the '*years of below-inflation increases*' that are supposedly fictional.

Is the Pay Review Body recommendation on the table?

The PRB recommendation was for 2.75% in a single year deal. Many of us think that – even if this were on the table – it should not be accepted. The recommended 2.75% would quite clearly be a pay cut for our members, when inflation is 4.2% and rising sharply.

Unison is correct, however, in pointing out that it would be a 'fiction' to think we could accept the 2.75% for now. We can't – it's not on offer. Unison and the RCN signed their own agreement with the Department of Health and the NHS Employers one working day before the Pay Review Body recommendation was publicly released. It is this private deal - so eagerly embraced by the Government – that is now out for consultation. It's no wonder that the Government is resorting to all sorts of blackmail and threats about staging awards and so on to try and force this rotten package through.

The employers love this deal. Unite Health Sector National Committee members were given a report of NHS Employers' representatives being 'cock-a-hoop' that they stood a chance of getting away with such a low pay award.

The lesson for health workers? Relying on the goodwill of employers and the Government is a blind alley. We'll get what we fight for. We made the mistake last year of allowing the Government to get away with cutting our pay. That's why they have come back for more this year. It's time for our unions to stand firm, stand together, and say 'No'.

This is a Government in absolute crisis. The last thing it wants is a fight with 1.3 million health workers.

Other public sector workers have meekly fallen into line?

The Unison document says it is a 'fiction' that other public sector workers are taking strike action. Since Unison's document was written, Unison's local government members have just agreed to be balloted on industrial action against the Government's pay cuts!

On 24th April, over half a million teachers, civil servants and college lecturers were on strike against the Government's pay policies.

On 9th June, there will be a public sector pay lobby against the Government's attacks on public sector pay.

There is no question at all that the fight for decent pay for public sector workers will go on.

The question is, should we accept whatever miserable amount the Government offers us? Or should we join forces with other public sector workers and fight for something better?

This is a Government in absolute crisis. There are around 6 million public sector workers in the UK. If the Government thinks we're serious, the pressure on them to make concessions is huge. And since when did picking fights with nurses help to win elections?

So what is Unite policy?

The Unison document states, *'FACT: No one knows what the members of Unite want because their Executive chose not to consult them'*.

This direct attack on Unite really is unacceptable.

In fact our Health Sector National Committee - the elected lay reps representing our members in Health - met and discussed the offer at length on 22nd April. I recall the word 'crap' being used a couple of times in relation to the pay offer. The unanimous view, of every elected representative, from every occupational group, and from every region, was that the offer was not fit to be put to our members.

How were we able to agree this? Because Unite members have already had a say, and the very miserable proposed offer did not come close to matching our members' aspirations.

We believe that health workers deserve a pay increase that at least matches inflation. We want a one year deal - a three year deal in a period of economic uncertainty is a mistake of monumental proportions. The 're-opener' clause in the offer doesn't allow unions to re-open pay negotiations - instead, it leaves us entirely at the mercy of the PRB and the Secretary of State for Health. Not a lot of security there.

What else do Unite members want? We are, of course, opposed to low pay - and our union policy is crystal clear on this. Working hours also matter to us. Our evidence to the Pay Review Body pushed for a 35 hour week NOW, not some vague pledge to look at working hours when the Government gets around to it.

Should we have wasted vast amounts of money balloting on a deal that we were not party to, and that met none of our aspirations? Our senior lay reps certainly didn't think so.

Unite is now organising meetings in NHS workplaces to explain to our members just how disgraceful this proposed agreement is. The feedback so far? I've not found a single Unite member who thinks we should accept this.

Where now?

Every single day, the economic forecasts get worse. Inflation is soaring. We're working harder and harder as staffing levels are reduced, and pay bands are driven down in each successive re-organisation.

If we accept three years of pay cuts now, the costs to health workers will be immense. The credibility of unions that supported the deal will be severely damaged. Our ability to unite across all our unions in defence of the NHS will be massively weakened.

With a weak Government, the opportunities to stand together with other public sector workers have never been greater.

The wealth of the richest 1000 people in Britain has risen by 260% in the decade since Labour took power. If the super-rich get bucket loads of money thrown at them, why is it that health workers have to accept pay cuts? Gordon Brown supports the proposed agreement. No wonder.

The proposed agreement is a proposal for pay cuts. Let's kick it out.

**Gill George
14th May 2008**