

# **Pay Offer:**

## **Reasons to reject**

- . 2008 Pay cut**
- . 2009 Pay cut?**
- . 2010 Pay cut?**

## **Where's the support?**

If the offer is so great, why is there so little support for it?

Negotiators for Unison and the RCN broke ranks with every other NHS union to agree the offer with the NHS Employers and the Department of Health. Unison's Service Group Executive did not believe that the offer should be supported, and Unison's Health Conference voted to go to ballot with no recommendation.

Unite (Amicus Section) – representing 100,000 health workers – has rejected the offer. Unite's Health Sector National Committee didn't even regard the offer as fit to put before members. Unite (T&G Section) is recommending rejection, and consulting with members through branches. The Royal College of Midwives is recommending rejection, and consulting its members through branches and stewards. It now appears that the smaller professional unions are also rejecting the offer.

A comment from the General Secretary of the Royal College of Midwives sums up the offer well.

*Dame Karlene Davis said: "Our council has recommended that our members reject the award because it is a poor deal for midwives and other NHS staff. They are already seeing their pay falling in real terms as prices, from bread to mortgages, continues to rise. This is not a pay award, it is the road to a pay cut. The Government might as well reach into midwives' bank accounts and take their money, because this is what it amounts to".*

A Nursing Times online poll of more than 2,400 NT readers found 71% said they did not want to accept the offer and 75% were unhappy with the idea of a multi-year deal. Many of these nurses will be RCN members.

RCN and Unison negotiators have got this wrong – and split a previously united staff side in the process. It's stating the obvious, but unions are at their strongest when they're united. We need to stand together, whether it's in defence of the NHS or to get a decent pay settlement for our members. The old slogan of 'Unity is strength' didn't come from nowhere.

## **So what's happening with inflation – and how does it compare with the offer?**

The Pay Review Body recommendation of 2.75% is very poor indeed - but the Government wants to make the payment even of this

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amount conditional on health workers accepting three years of pay restraint.

Inflation gets confusing, because different measures are used. The best measure of inflation, most accurately reflecting the actual expenditure of most households, is the Retail Price Index (RPI). The Government likes to use a different figure - CPI - but this is a bit of a con trick. The CPI is typically much lower - it doesn't properly include housing costs, and it includes the spending patterns of the super-rich (who tend to lead rather different lives to most of us). So RPI is the real figure, and the one that's always been used for pay bargaining purposes.

RPI is currently running at 4.1%, in the 12 months to February 2008. It's likely to get much higher over the next few months. Mortgage costs are soaring as fixed interest deals come to a close and cheap deals for new buyers also disappear. Fuel bills are going through the roof. Food prices are rising steadily, with recent reports of food inflation running at between 15% and 16%. The cost of imported goods is also rising fast.

So, the costs to us are 4.1% and rising. This fabulously successful pay offer is for 2.75% in the first year, 2.4% in the second year, and 2.25% in the third year. This looks suspiciously like a pay cut, followed by a bigger pay cut, followed by the biggest pay cut of all. This is not, by any stretch of the imagination, a good deal.

It's worth looking at what the Bank of England says about inflation

Here's quote from a February 2008 report on 'Prospects for Inflation'. This is from the MPC - the Bank of England's Monetary Policy Committee:

*In the central projection, CPI inflation picks up sharply in the near term, reflecting higher energy, food and import prices. Some increase in these prices was anticipated in the November Report. But since then, a number of domestic gas and electricity suppliers have announced substantial tariff rises, oil and food prices have risen further and sterling has depreciated, putting upward pressure on import prices. The extent to which these raise overall CPI inflation in the near term will depend on what happens to other prices, and on the extent to which domestic producers and retailers absorb higher input costs in lower mark-ups. Retail discounting was reported to be extensive for non-food items over the Christmas period. But survey measures of businesses' short-term pricing intentions have risen considerably. The central projection assumes that CPI inflation will pick up sharply in the near term as many of*

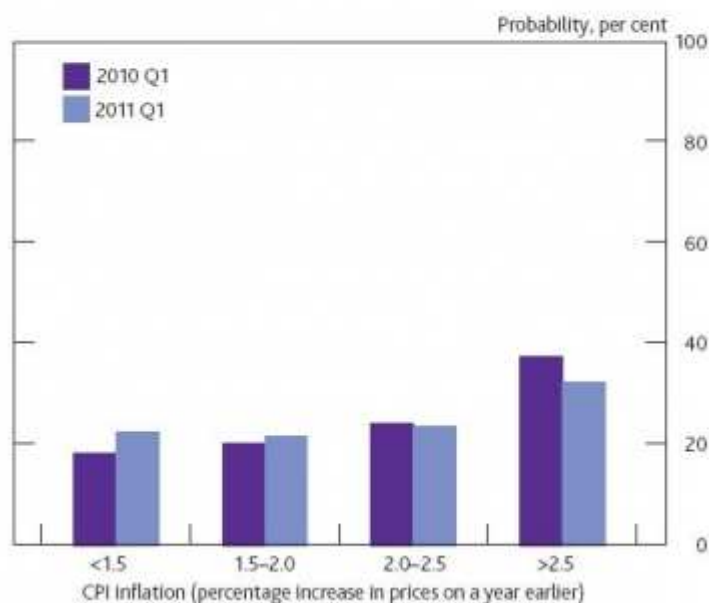
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these costs are passed on, and the falls in retail energy prices of a year ago drop out of the twelve-month comparison.

Put more simply, inflation is set to rise.

An interesting chart, from the same report, bears this out. This 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<sup>(a)</sup>



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. Remember that CPI is the 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 currently 1.6% higher than CPI; in the past, the discrepancy has been even greater.

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%. Yup, it's a pay cut.

### **But can't the deal be revised if inflation goes up?**

Well, the starting point is a big pay cut in Year 1. It makes you wonder how high inflation would have to go to get the recommended increases for Years 2 and 3 revised upwards.

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The RCN states, *'The RCN has won a firm commitment to re-open negotiations if inflation rises sharply, the labour market changes significantly, or the profession experiences problems with recruitment and retention. This process would be overseen by the independent pay review body'*.

Unison's claim is a little less robust. Unison notes *'a clause allowing the figures for years 2 and 3 to be revisited via evidence to the NHS pay review body if economic circumstances warrant it'*.

That's absolutely true. The clause *allows* for years 2 and 3 to be revisited. But does the clause guarantee that years 2 and 3 will be revisited, if inflation rises sharply? Sadly not.

The proposed agreement actually says, *'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'*.

There's no firm commitment here. There's no identified trigger point at which a higher pay rate kicks in. It's up to the PRB - yes, the body that has recommended below-inflation awards for the last two years. Even worse, it's up to the Secretary of State - that nice Alan Johnson who wants to cut our pay for the next three years. Our unions get no say at all. This is about as weak a commitment to review as you could possibly get. No decent local activist would let a local employer get away with an agreement like that.

To accept a 3 year deal, in a situation of economic turmoil, with no robust 'get out' clause - this would be foolish in the extreme.

### **Shouldn't we all accept this to help the lowest paid NHS workers?**

It looks overwhelmingly likely that this is a pay cut for **all** health workers, including those on the truly rotten Band 1 salaries. It's also worth remembering that inflation is effectively much higher for people on low salaries. If you're poor, a much greater proportion of your income goes on basic items like food, fuel and housing - and the prices of these things are going through the roof.

In Year 1, NHS workers on Band 1 get the same miserable 2.75% as everyone else. The overall rate of inflation is 4.1%. The 'personal' rate of inflation for those on low salaries is of course likely to be much higher. So in real terms we're looking at a bigger pay

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cut for lower paid NHS workers than for those on higher salaries. The salary for those on the bottom of Band 1 will be £12,517. There's not much leeway there for coping with escalating food and fuel bills.

In Year 2 (2009/10), the bottom spine point of Band 1 is deleted. This is NOT the deletion of Band 1, a long-held aspiration of Unison. The removal of Band 1 would be worth celebrating. The removal of the bottom spine point will only benefit a very tiny proportion of health workers – those right at the bottom of Band 1, in their first year at work. This small number of staff will get a decent pay rise of 5.72%. All other low paid workers, including everyone else on the disgracefully low Band one salaries, will get the standard 2.4%. It is a virtual certainty that this too will be a pay cut – including for the low paid.

The claim has been made that the abolition of this bottom spine point is a step towards getting rid of Band 1 altogether. It might make more sense to see this very minor tweak to the truly miserable salaries of band one as being an effective endorsement of poverty pay.

And how about Year 3? There's a flat rate payment of £420 to NHS workers on Bands 1 through to 3. A not very spectacular £420 will be worth rather less in 'real' money by 2010, of course. Even with the £420, the overall percentage increase for low paid NHS workers varies between a magnificent 3.17% for those earning £13653 a year and 2.31% for the lucky individuals earning as much as £18,577 a year. Financial instability makes it difficult to estimate what inflation will be by 2010/11 – but a lot of expert commentators are reckoning on around 4%. So the lowest paid are set for a pay cut in Year 3 too.

Unison says that this offer will benefit the low paid because it increases the starting salary in the NHS to a level above Unison's minimum wage. Well, this is kind of true. Unison decided in October 2007 that the minimum wage should be at least £6.75 an hour. That will not be achieved for health workers until 2009, when the very lowest paid will be getting £6.77 an hour – a whole 2p above Unison's minimum wage! But how about inflation? In the past, Unison has updated its calls for a living minimum wage in line with inflation. Why not now? Prices will clearly go up between October 2007 and April 2009, and are set to rise very sharply indeed over the next few months. To meet an October 2007 aspiration in April 2009 is no great achievement – and is arguably an attempt to make this pay offer appear better than it is.

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Huge anger has been caused by the completely false allegation that the unions who oppose this offer don't care about the low paid. This is simple nonsense. One thing is obvious though - you don't sort out the problem of low pay by accepting pay cuts for everyone.

### **Are there other benefits?**

There's some minor adjustment to pay bands which delivers slightly higher pay increases for some. For example, if you happen to be on spine point 20 in 2009/10, your percentage increase in that year will be 4.23% - which might realistically keep pace with inflation. Most people, though, will get 2.4%; some (by no means all) staff on Band 5 and the lower end of Band 6 will get around 3% in Year 2. So probably a slightly smaller pay cut than the rest of us then!

The changes to Bands 5 and 6 are welcome - far too many nursing and therapy staff get stuck on Band 5 and can't progress. It would have been far more effective, though, to make the mechanism for Band 5/6 'run through' compulsory, rather than dependent on the goodwill of employers.

Any proposals to reduce the working week are on hold - but it's OK, because we'll have *'future talks between the parties on productivity improvements within the NHS'*. Well, that's reassuring.

There are some gains, though. We're going to get a 'work-life balance and well being statement'. Lovely - but a statement on well being won't pay the gas bill. And we're also promised a revised facilities agreement. So we lose jobs, we get privatised, we get three years of pay cuts, but never mind - they'll give us a bit more time to talk about it!

### **Should we help the Government control inflation by falling into line?**

Gordon Brown would like us to - and keeps claiming that public sector pay restraint is vital to help the Government meet its inflation target. The only difficulty with this position is that it is completely untrue.

The link between public sector pay and inflation is weak. This is because public sector services are (still and just about) free at the point of delivery. There's no direct mechanism for higher pay for health workers, or higher pay for teachers, to be passed on to the general public in higher charges. There is therefore virtually no impact on inflation - a point acknowledged by most leading economists.

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In 2007, a record 1,445 company directors received a salary of more than £1 million. That was 40 per cent more in number than in 2005. That was basic pay, before bonuses, share options or other perks. Why does 'pay restraint' apply to porters and therapists and nurses – but not to the super-rich?

### **Can this pay offer be beaten?**

Yes! The offer is simply that – an offer, and not a done deal. There are 14 trade unions/ professional unions representing NHS workers. Only one of them – the RCN – is recommending the deal. Unison negotiated it, but conference activists did not want to make any ballot recommendation. It looks pretty certain that every other union will be rejecting the proposals.

The Government had hoped that this would just be nodded through – but now has a significant fight on its hands. This is the same Government that's just announced a U-turn on the abolition of the 10p tax rate. Faced with a bit of opposition, Brown suddenly discovered the need to compensate those who will lose out. Our job now is to deliver some significant opposition from health workers.

On 24<sup>th</sup> April, around 400,000 public sector workers took industrial action – not for the 'fat cat' salaries of the bosses, but just for pay that keeps pace with inflation. Schools across England and Wales were disrupted, as were colleges and government departments. Civil servants in PCS and college lecturers in UCU joined NUT members in an impressive display of unity.

We were wrong to let the Government cut our pay last year – it was entirely predictable that they would come back for more. This year, there's a greater mood for a fight, and a greater potential for a fight. Health workers need to work together across all our unions to get this unacceptable offer booted out.

We also need to start making common cause with other public sector workers. There are around 6 million public sector workers in the UK. We're all under attack. We all face privatisation, worsening conditions, and pay cuts. It's time to make a stand together.

**Gill George**

**24<sup>th</sup> April 2008**