

# Negotiating on pay

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# CONTENTS

<b>Introduction</b>	<b>4</b>
<b>What is a claim?</b>	<b>5</b>
<b>Why draw up a claim?</b>	<b>5</b>
<b>Pay structures</b>	<b>5</b>
<b>Deciding on your aims and objectives</b>	<b>6</b>
<b>Getting the information</b>	<b>7</b>
<b>Doing the sums</b>	<b>11</b>
<b>Drawing up the claim</b>	<b>14</b>
<b>Costing the claim and offers</b>	<b>15</b>
<b>How long a deal?</b>	<b>16</b>
<b>Pay formula</b>	<b>17</b>
<b>Evaluating offers</b>	<b>17</b>
<b>Appendix</b>	<b>18</b>
<b>Further information</b>	<b>23</b>



## INTRODUCTION

For most UNISON members pay is negotiated nationally. However, as more members are recruited in the private and voluntary sector, and as changes are made to bargaining structures, a growing number of stewards and branch officers find themselves involved in pay and conditions negotiations with their employer.

Drawing up a claim, finding information and working out the figures can be confusing. This guide is intended to help UNISON branch officers and stewards draw up a claim that will help ensure they get the best deal possible for their members.

This booklet should be read alongside *Local Bargaining—A guide for UNISON negotiators* (see page 23), which explains the importance of organising and consulting members and takes you through the practicalities of how to negotiate.

## WHAT IS A CLAIM?

A claim is simply a statement setting out what the union wants to achieve in negotiations, with some evidence to support its goals. While it is usually thought of as a formal document, a claim can just as easily be a short letter or even a verbal statement made at a negotiating meeting. You have to decide what is best for you, and what approach is likely to be most effective.

## WHY DRAW UP A CLAIM?

Because preparing a formal pay claim can take quite a bit of work, it is important to be sure of your purpose in drawing up the claim. On the face of it, the claim is written to be given to the employer. This is because you want to be able to influence the amount and shape of any offer, and also put your reasons across for claiming a certain amount. The claim will also contain supporting arguments and facts.

However, the process of drawing up a claim also helps the negotiators to decide on priorities and develop the arguments that they will use to help them in negotiations. On an issue like pay, a written claim can also be a way of highlighting the importance you place on certain issues, such as more help for the lowest paid.

Preparing a pay claim is also a useful way of ensuring that members know what their negotiators are doing on their behalf, and of involving them in the process. That is why the claim must be based on members' views and be one that they will understand and support.

Finally, the claim can be used to get support from others, such as the local press, user groups or the public.

Many negotiators think that because management never seems to take any notice of their pay claims, the best thing to do is not submit a formal claim and instead wait for management to make an offer and then respond. However, this gives the initiative to management, so it is always best to make some form of claim—even if it is just a verbal one. This means that you can focus the discussion around the union's goals, rather than management's.

## PAY STRUCTURES

Pay claims are usually seen as a way for a branch or steward to influence the annual pay increase. However, claims can also look at other aspects of pay such as allowances, or at the actual pay system itself.

There are various ways that pay systems are determined. Often they have developed within the organisation over a number of years. They may have come about through the adoption of a job evaluation scheme or performance-related pay scheme. Your employer might have decided to adopt the pay scales of another organisation.

Although pay systems and structures are a very different issue from the actual pay increase, branches can use pay claims as a way of looking at the pay structure of the organisation and seeking change.

This is because just increasing existing pay scales and structures will not be enough, if the existing pay structures are unfair and unjust.

Any pay system must be non-discriminatory. To ensure this, there should be transparency and fairness in the way that people and jobs are placed on grades. The grading structure should also be suitable for your organisation.

For example, because women are more likely to interrupt their working lives to care for children than men, long incremental scales based on length of service can discriminate against women.

'Transparency' means that everyone must understand the grades and pay system, know what their pay is made up of and how it has been arrived at. Bonus and performance systems can be discriminatory unless they are objective and can be justified as being fair. The same applies to market supplements (additional payments made by employers to attract staff in areas that are difficult to recruit; sometimes called 'golden hellos' if they are one-off payments). Often these are paid only to senior staff, even though the main recruitment problems are among the lowest paid grades.

Equal pay is a requirement in law. European law says that women and men must receive equal pay for work that is of equal value. This includes overtime, sick pay and unsociable hours payments. The Equal Opportunities Commission has produced a Code of Practice on Equal Pay which strongly recommends that all employers do a pay audit of their staff as a first step to addressing the issue of equal pay.

The Race Relations Act outlaws discrimination on the grounds of race in respect of pay.

The most transparent way of ensuring that the pay structure does not discriminate is to have all jobs properly evaluated using a job evaluation scheme, based on equal pay.

Within local government there is a nationally agreed scheme which was drawn up jointly with the employers to achieve equal value. A scheme based on the same principles is being jointly negotiated in the National Health Service. For help on developing non-discriminatory pay systems, speak to your UNISON regional officer or service group.

## DECIDING ON YOUR AIMS AND OBJECTIVES

What kind of pay claim should you draw up? The type of claim will depend on what you want to achieve. Should it be for a percentage increase, a flat rate, a mixture? Should it just include pay or ask for other improvements?

A percentage increase means that everyone gets the same proportion of their existing pay as a rise. So the lower paid you are the less you get in monetary terms—and low-paid members remain low-paid. A flat rate means that everyone gets the same rise, but in effect the higher paid get less as a percentage of their salary. Over time that can mean that higher paid staff see their spending power fall. A mixture can mean that everyone gets the same percentage of their current pay as an increase but, in addition, the lower paid get a flat rate amount.

The type of claim you put forward will depend on your priorities for that year.

One way of determining what should be in your pay claim, and what kind of pay increase to ask for, is to survey your members.

A simple questionnaire asking members what they want can have three benefits. Firstly, it gives you an accurate view of what members think are the most important issues for them. Secondly, it shows members that the union is actually seeking their views and listening to them. Thirdly, it can help recruitment.

When you get the results of the survey you might find that different issues are priorities for different groups. Rather than take the most popular issues, you can develop a claim that provides a balance between the different interests.

### A typical survey might ask

*(please tick as appropriate)*

Are you

- a) Male   
b) Female

Do you work

- a) 35 or more hours each week   
b) Between 24 and 35 hours   
c) Less than 24 hours

What are the three most important things you want the union to achieve for you? *(please place an X in three of the boxes below)*

- a) A pay increase well above inflation   
b) A pay increase that maintains my standard of living   
c) A higher pay increase for the lowest paid   
d) Equal pay for work of equal value   
e) More holidays   
f) More pay for working weekends   
g) A better deal for part-time workers   
h) Improved maternity leave   
i) More flexible working hours

Other issues can be added to reflect the local situation

## GETTING THE INFORMATION

Information is only useful if you can make use of it. Don't collect information for the sake of it. As you collect information make sure you separate it out, so that you only have information that you are actually likely to use.

The main things you will want to know are:

- A picture of the pay and grading structure and pay history within your organisation.
- The employer's ability to pay—analyse the financial accounts, budgets and annual reports.
- Staff recruitment and retention statistics (are the employers finding it difficult to get trained staff, and are staff leaving for better jobs?).
- Pay rates elsewhere—in comparable jobs or in jobs competing for your staff.
- Pay trends—what settlements are being reached elsewhere, and what increases are expected in the future?
- Inflation—how high is it, and where do experts think it's going: up or down?

### Pay within your organisation

The first step in developing a pay claim is to get a picture of how things stand at the moment. That means looking at how many people are on what grade, with a breakdown by gender, part-time or full-time, and if possible race and disability.

The easiest way to get this information is from your employer. If they keep the information, and you need it for a claim, then you are entitled to it by law.

Good industrial relations practice is laid down in a Code of Practice on Disclosure of Information that has been drawn up by the Advisory, Conciliation and Arbitration Service (ACAS).

This provides that recognised unions should be entitled to information on:

- Pay and benefits, including pay structures, job evaluation systems, earnings and hours. These should be analysed according to work group and sex, distribution and make-up of pay, total pay bill and details of fringe benefits and non-wage labour costs.
- Conditions of service.
- Staffing—numbers employed analysed according to grade, sex, age, labour turnover, absenteeism, overtime and future plans.
- Performance—productivity and efficiency data such as savings.

Employers can refuse to provide information on the grounds that it would cause 'substantial injury to their business' to do so. But it is up to them to show that it would cause such injury.

The European Court has said that figures on the general distribution of performance pay awards broken down by sex should be released to unions, although employers are not obliged to disclose information relating to specific individuals.

What you should try to do is write to your employer to get information in the detail you need to support your arguments. If possible, you should get this information for recent years as well, so that you can see trends. What you are likely to want to know is the wage bill and grading information for the organisation as a whole, but also broken down by occupational group and department.

Wage bill information should also show the number of staff employed within each department or section, both actual numbers and whole time equivalent

(for example, if your unit has 10 people working in it, and they work part-time 17.5 hours a week, then there are 10 employees, but five full-time equivalents based on a 35-hour week). Try to include a gender breakdown, breakdown by ethnic minority, and the number of disabled staff. Other information on wage costs that you need includes basic rates, overtime rates, enhanced and special payments—including any bonus or performance payments—and incremental points if your organisation has them. If your employer refuses to give you this information then contact your UNISON regional officer for advice.

### Financial information

Every organisation, even public bodies, keep annual accounts. These show the amount of money it is getting in (income) and money going out (expenditure). If it is a commercial organisation it will also show the profit. An information sheet on how to read accounts is available from the Bargaining Support Group (see page 23).

You can use this information to show that your employer can afford more than they say—or show that they are paying less in pay as a proportion of their income than other similar organisations.

### Recruitment and retention problems

It may be that your employer has difficulty recruiting staff, either generally or for certain types of work. You should ask your employer for staff turnover figures. And also ask if they are having to make any additional market supplements (see page 6) to any groups in order to attract staff.

You should also make use of local unemployment figures. If these are low then there is going to be more competition to find sufficient, suitable staff. You can get local unemployment rates and pay comparisons from your local reference library, or from UNISON's Bargaining Support Group (see page 23).

### Pay rates elsewhere

If you want to compare pay rates within your organisation with pay rates elsewhere try—as much as is possible—to compare like with like.

There are three types of pay comparisons that can be useful:

- Comparing pay rates for key jobs within your organisation with pay rates for similar types of jobs in the same kind of organisation, preferably within the same geographical area. While it may be difficult to be certain that job titles mean the same thing in different organisations, it can give you some idea whether your employer is paying above or below the norm.
- Comparing pay of key jobs within your organisation with similar jobs in other sectors. For example, comparing the pay of cleaners or computer operators in public sector organisations to those in the private sector.
- Comparing the pay of jobs that your employer is having difficulty recruiting or retaining with 'competitor' jobs. For example, comparing the pay of home care workers or classroom assistants to customer service representatives in call centres.

Every year the Government publishes a survey of earnings within all the main sectors across Great Britain. This is called the *New Earnings Survey* (NES). It provides vital information for negotiators on earnings of employees broken down by age, collective agreements, industry, occupation and region. As soon as it is available the Bargaining Support Group issues a summary of the information in the NES to all branches. The Bargaining Support Group

also publishes the annual pay rates for many of the main groups, including the Civil Service, teachers and police.

Some private research bodies produce pay comparison information broken down by occupation, sector or region. Details of earnings are also available by region. Many local reference libraries will keep some of this information, alternatively ask the Bargaining Support Group. Whenever major surveys are done into pay in areas where UNISON has members, the conclusions are made available to branches in the form of an information sheet or summarised in *UNISON Bargaining Update* (see page 23).

Another way you can get information on pay rates is to look at job adverts in the local or national press. Both the *Independent* and the *Guardian* have a large number of public sector job adverts one day a week. You may also want to look in specialist publications covering your occupation or sector.

## Pay increases

Earnings refer to the total amount a worker is paid for the number of hours work they do. It includes basic pay, earnings due to overtime, shift payments, grading increments, bonuses and other productivity or incentive payments.

For example: weekly basic pay rate (£337.60) + overtime (£27.72) + weekend enhancement (£55.10) = £440.42 average weekly earnings.

The Office for National Statistics publishes the Average Earnings Index (AEI), which measures the increase in the level of earnings of employees in Great Britain. The AEI shows the rise in earnings in two ways. The percentage change on the year measures the rate at which the Index has risen since the same month a year ago. The AEI Headline Rate is the percentage increase in the average Index value over the past three months compared to the same period a year ago.

Many pay packages now include elements besides basic pay. Increased bonuses, performance payments, enhancements and market supplements can push earnings up at a different rate than rises in basic pay. To get an accurate

picture of how your members are doing relative to other groups, you can compare the rises in average earnings over time. The AEI has separate indexes for public and private sector earnings, as well as manufacturing and services. The *New Earnings Survey* described on page 9 can give you earnings figures by gender, age occupation, industry, region (down to county and borough level) part-time and full time (see table below).

The all items Retail Price Index (RPI) represents the average change in prices of the goods and services purchased by people across the UK. The annual change in the RPI is known as the rate of inflation. The headline rate, or all items RPI, is the percentage the Index increases over one year and is what negotiators usually use. The RPI is currently measured from January 1987. The value of the Index in January 1987 was set at 100, so the Index now represents how much it costs today to buy the same as £100 would have bought you in January 1987.

Another measure that is used is 'underlying inflation' (or RPIX). This is the annual rate of inflation excluding mortgage interest payments.

All these figures, as well as forecasts for future inflation rates, are given monthly in *UNISON Bargaining Update*.

The rate of inflation is a key factor in any pay negotiations. If a pay increase is lower than the rate of inflation, workers will lose pay in real terms. This means that their pay will buy less than it did previously. An above-inflation settlement should provide a real increase in pay, but may still mean that members will be getting less than average earnings, which in recent years have been rising at a much higher rate than inflation. A factsheet on using the RPI in negotiations is available from UNISON Bargaining Support (see page 23).

## DOING THE SUMS

First of all you will need an explanation of some of the terms you will see when you look at the information you have collected. These terms are

### Comparison of average earnings: 1995-2000

	Public sector		Private sector		NHS ancillary		Whole economy
	amt. £	index	amt. £	index	amt. £	index	
1995	337.0	100	336.3	100	214.0	100	100
1996	355.7	105.5	351.6	104.5	226.9	106.2	103.6
1997	364.2	108.1	368.4	109.5	213.9	108.3	108.0
1998	379.4	112.6	386.9	115.0	220.7	112.3	113.5
1999	394.4	117.0	401.3	119.3	223.9	116.6	119.8
2000	406.6	120.7	412.3	122.6	241.3	120.5	125.3
<b>Increase</b>	20.70%		22.60%		12.8%		25.30%

**Source: New Earnings Survey; Labour Market Trends, Office for National Statistics**

This tells you that earnings for NHS ancillary workers rose much more slowly than in the rest of the public sector, and significantly less than in the private sector and the economy as a whole. The same calculation could be done for any other negotiating groups where figures are available.

'averages', 'deciles', 'quartiles', 'ranges', 'indexes' and 'percentages'. When dealing with decimal points it is normal to round the number up or down. This means using only one or two numbers after the decimal point by knocking off the rest and rounding the last number up or down depending on whether it is above or below 5. So rounding to one decimal point would be done like this: 34.56721 would become 34.6 and 4.83692 would become 4.8.

## Averages

These will be used in almost all discussions of pay trends. It is important to understand what an average is and when best to use it. Finding an average creates a way to compare a group of numbers with another. There are three types of averages that you may come across:

- the mean
- the median
- the mode

### The mean

When people talk about 'the average', they are usually referring to the 'mean' average. This can be found by adding together a group of numbers and dividing by the number of items added together (see below).

### The median

Another kind of average is the median. This is another way of finding a level to which all figures in a group can be compared. The median is the midpoint in a group of numbers when they have been placed in rising or falling order.

### The mode

The mode is the 'average' used least often. It is the number which occurs most frequently in a group of numbers.

When looking at the pay of members, you will almost usually use the 'mean' average. If any other kind of average is used then it should be made clear.

### Comparing pay rates using averages

The following table lists the average weekly pay of five men and five women working for a particular employer. Below are the three different averages that can be used to compare the two groups.

	Women	Men
1	209.4	261.1
2	285.2	273.0
3	170.6	192.9
4	227.3	218.9
5	170.6	192.9
<b>Mean*</b>	212.6	227.8
<b>Median*</b>	209.4	218.9
<b>Mode*</b>	170.6	192.9

\* Mean = sum of figures 1-5, divided by number in the group (5)

Median = middle point in the group

Mode = most frequently occurring number

## Deciles, quartiles and the range

These are another way to compare a group of numbers with each other.

### Deciles

A median divides a list of numbers into two equal parts by finding the one in the middle. Deciles are very similar in that they divide a list into 10. Two levels of decile are most commonly used—the upper decile and the lower decile. The upper decile is the number of the highest 10th. That means 10 per cent of the numbers in the list are above it. The lower decile is the number at the lowest 10th, which means that 10 per cent of numbers in a group listed in order are below it.

### Quartiles

These are points in a list that has been divided into four. Usually people refer to the upper quartile and the lower quartile. The middle quartile is the median. The upper quartile is the bottom number in the top quarter of the list where 25 per cent of the numbers are above this level and 75 per cent are below it. The lower quartile is the top number in the bottom quarter of the list—so 25 per cent of the figures are at or below that level and 75 per cent are above it.

### The range

The range of a group of numbers is the difference between the highest and lowest number. So all the numbers that are being used fall between the two numbers in the range that are the highest and lowest values.

## Index numbers

Another way of comparing the values of figures, such as earnings, over a period of time, is to use an index. An index can be used to measure changes between the values of a large group of items, rather than single items, over a period of time.

The indexes most commonly used by negotiators and employers are the Retail Prices Index (RPI) and the Average Earnings Index (see pages 10-11).

An index is measured from a 'base year', which is given the value of 100. Any year can be chosen as the base year, but it must not be one in which the values being measured were unusually high or low.

If an index was based in 1990, we would say that 1990 had the value 100, and you would probably see '1990 = 100' at the top of the index.

If the value of the item being measured in the index rose to 225 by the year 2002, we would say that the index had increased by 125 points.

Indexes are a useful way of making comparisons in pay or inflation over a period of time. (See the table on page 10 for an example of indexes.)

## Percentages

Working out percentages gives us another way to compare numbers with each other. Per cent means 'out of 100'. 100 per cent of something is the whole object. For example, 100 per cent of a cake is the whole cake. If we cut it in two pieces, both the same size, we get two halves, which are both 50 per cent of the whole cake.

If we want to find 10 per cent of £180:

Either: 10% of £180 = 0.1 x £180 = £18;

or: press 180 on the calculator then multiply by '10' and '%' = £18.

The best way to compare your members' pay to that of other workers is to use percentages.

For example: if average pay for women in your workplace is £210 a week and you want to compare their pay with the average pay of men, which is £290 a week:

- (i) Divide the women's average (£210) by the men's average pay (£290)  
$$= 0.7241379$$
  - (ii) Multiply this by 100 ( $0.7241379 \times 100 = 72.41379\%$ ) to give a percentage of the men's salary.
  - (iii) Round this up to one decimal place: 72.4%
- On average women's pay is worth 72.4% of the men's pay.

## DRAWING UP THE CLAIM

Once you know what members want and have gathered all the information together, you have to draft the claim.

The first thing to do is work out exactly what it is that you want to include. These are the basic building blocks and are usually called the 'headlines'.

For example:

- Is it to be a flat rate, percentage or mixture?
- How much will you be asking for?
- Will you include improvements to conditions of service?
- Are there any other issues to be included such as a proposal for a joint working party on some issue, or changes to working practices?

In deciding what amount should be claimed, there is often a tendency for negotiators to think the higher the amount the better.

This is not necessarily the case. If you ask for an amount that might be well above what you expect to get, then often the membership sees the claim as unrealistic. At the same time, the employers will dismiss your claim as being irrelevant or posturing and ignore your arguments altogether.

The issue of conditions of service is also a difficult one. If they are included in a claim, any improvements are likely to be costed by the employers. If you have the opportunity of presenting separate claims for improved conditions during the year, it is often a good tactic to separate these issues from pay.

However, if you are planning a major campaign involving the members then combining pay and another issue which they feel strongly about—such as hours of work—can be a good idea.

Once the 'headlines' have been agreed, then the claim has to be written. This will include all the information you have found that will support you.

There are no rules on length, although usually a claim will be between two and four sides of A4 paper. Many negotiators simply send a letter giving the highlights of the claim. However you do it, use plain language and keep statistics and charts simple.

A possible structure for the claim could be:

- Introduction—keep this to a couple of paragraphs at the most.
- Headline claim—these are often done as short bullet points.

■ Average earnings—perhaps comparing pay rises in your organisation over the last five or 10 years with the rise in average earnings over that period.

■ Likely trends—predictions of forecasts for inflation and the Average Earnings Increase.

■ Comparisons—either with competitor organisations' pay rates, or pay increases elsewhere.

■ Recruitment and retention problems—if you have trouble recruiting or keeping staff then this is a good argument to use.

■ Conditions of service—any arguments in support of other parts of the claim.

■ Conclusions and summary—end with a short reiteration of the basis for the claim and request that it be met in full.

Keep each issue separate and use headings. Also make sure that your arguments are not only based on statistics, but also on moral or legal grounds, particularly if making claims on issues such as low pay or a lack of equal pay within the organisation.

If you include any figures or tables, always say where they come from and try to avoid too many initials and jargon as they make the claim more difficult to read.

If the final claim is more than a couple of pages long, you should consider producing a shorter version for distribution to members.

Two examples of claims—one detailed and one very simple—are given in the Appendix (see page 18).

## COSTING THE CLAIM AND OFFERS

Before presenting the claim you should be quite clear about how much it is likely to cost the employer. The cost will also be a main part of their response. It's useful to be in a position to question or challenge their figures or assumptions as they may well try to make the claim look unreasonably large.

For example, a straight claim of five per cent on all hourly rates and premiums is most likely to result in a simple five per cent increase in the wage bill. If you are claiming specific increases in shift or overtime premiums, then they will have to be costed carefully. This means working out the total number of employees who will benefit, the total cost and calculating it as a percentage of the pay bill.

If the claim is for a percentage rise backed by a minimum cash sum, or a percentage rise plus flat rate amount, then the total cost will be more difficult to work out since the outcome will depend on the distribution of the workplace across the grades. An example of how to do this is given overleaf. Software—like Microsoft Excel—can make these calculations simpler.

Proposed conditions of service improvements should also be costed. This way the negotiating team will have a clear idea of which items are worth the most and which are likely to be resisted.

The employer's figures should also be checked closely, especially if they cost conditions of service improvements. For instance, a reduction in the working week will only cost more if they increase the number of staff employed and/or keep the hours of part-time staff the same. In practice, what happens is that most people will do the same amount of work in less time and there is very little cost to the employer.

**North Caledonian Water PLC employs 169 staff. There are six main staff groups. You have been able to obtain the following information from the employer on basic salaries.**

Staff group	Numbers	Salary	3.5% + £500	Pay bill	Increased Pay bill
Managerial	5	£35,000	£1725	£175,000	£183,625
Marketing	4	£20,000	£1200	£80,000	£84,800
Technical/ Maintenance	5	£17,000	£1095	£85,000	£90,475
Admin	10	£17,000	£1095	£170,000	£180,950
Clerical	10	£15,000	£1025	£150,000	£160,250
Production	115	£15,000	£1025	£1725,000	£1842,875
Ancillary F/T (36 hours)	15	£10,000	£850	£150,000	£162,750
Ancillary P/T (18 hours)	5	£ 4,160	£396	£20,800	£22,780
<b>TOTAL:</b>	<b>169</b>			<b>£2555,800</b>	<b>£2728,505</b>

If there are lots of part-time workers on different weekly hours it is essential to use 'full-time equivalents' in the calculations.

Increased holiday entitlement also rarely leads to an increase in the pay bill, and many other improvements in conditions, such as parental leave, childcare provision or flexible working may lead to improvements in productivity.

If the pay settlement will lead to other allowances being increased by the same rate as the pay increase it is important to agree the value of the settlement with the employer. This is especially important if the offer is more than just a straight percentage for everyone.

## HOW LONG A DEAL?

Most pay deals remain in force for one year, but occasionally an employer will offer a settlement that will last for a longer period. Most long-term deals provide for increases in the following year or years linked to the rise in inflation. They may guarantee a certain percentage above the RPI figure for a particular month (for example, August RPI + 0.5%). Alternatively, the agreement may be for a fixed increase, with a provision that it be reviewed or uprated if inflation rises above that figure (eg, 3.5% or RPI + 0.5%, whichever is higher).

There are many reasons why a long-term deal might be considered. They are sometimes concluded in order to phase in significant pay increases when there are recruitment and retention problems in an industry. Or they may be used to allow negotiators' energy to be put into a major restructuring of some other area of the collective agreement, such as a new grading system.

It is important not to be locked into a long-term deal that cannot be reopened if inflation rises faster than expected. Even when a deal is advantageous, branches should ensure that they continue to negotiate on non-pay issues during the years when pay negotiations are not taking place. You want your members to know that you are continuing to actively pursue their interests, and a year when you are free from pay talks might be an excellent time to make progress on other fronts.

## PAY FORMULA

Employers are increasingly asking unions to accept that members' pay should be linked to a formula, sometimes the RPI, AEI, or the average of the RPI and AEI. Sometimes the proposal is that this is agreed indefinitely, or for a fixed period.

This can seem attractive to stewards, especially in the public sector where pay has been squeezed in recent years. However, in agreeing to a long-term formula, the branch is giving up its right to negotiate—and also to any prospect of achieving changes in the pay structure during the period of the formula.

## EVALUATING OFFERS

When considering employers' offers there are a number of potential pitfalls that you might face. Often an offer looks good on paper, but when you go into detail it is not what it seems.

- Employers may offer a really good deal for some members but not for others. Check to see what the offer means in monetary and percentage terms to different groups of staff.
- A big increase in pay can be linked to an attempt to cut back on allowances or conditions. Check to see whether members are better off when the whole package is taken into account.
- An employer may offer to stage an offer. This means paying part of it on the review date and another part later in the year. This reduces the total value of the offer. For example, a 3.5% staged increase, with 2% paid on 1 April and the remaining 1.5% paid on 1 August is worth 3% over the year.
- An employer may offer an increase linked directly to the RPI, saying that this will allow workers to keep up with the cost of living. This is not exactly correct. The RPI is an *average*, based on the cost of items most people buy, in the amounts most people buy them. Individuals with different spending patterns may have higher costs. For example, the cost of petrol and oil rose much faster over the past year than the index for all items. A person who used their car more than the average would find that their expenses had risen faster than the rate of inflation. It is sensible, therefore, to seek an increase *above* the rate of inflation to ensure that all members are protected from falling behind the RPI.

Employers may also attempt to base pay increases on the underlying rate of inflation. Branches should evaluate such an offer carefully as the underlying inflation rate excludes mortgage interest costs, and therefore does not reflect the true cost of living for our members.

For detailed advice on responding to pay offers, talk to your regional officer.

# APPENDIX

## Examples of pay claims

### Example 1

#### X County Council

Pay and conditions of service claim 2001

Submitted by UNISON

1.1 This year's claim is lodged against the backdrop of a continuing decline in the pay of staff in X County Council in relation to the private sector, and the rising costs of living.

1.2 The claim from UNISON is straightforward and realistic. It seeks to maintain living standards and address the problem of low pay, which is now endemic in local government.

1.3 UNISON is seeking on behalf of its members:

■ a general increase of £500 or 5%, whichever is the greater;

■ further action to end low pay.

1.4 The increase of £500 is aimed at addressing the problem of a large number of low-paid employees in the County Council by weighting the increase towards those on pay points of less than £10,000 a year.

1.5 The increase of five per cent is required to help restore and maintain living standards of all employees covered by X County Pay, who have seen their pay eroded considerably in comparison with those in the private sector.

1.6 It is UNISON's intention that the 2001 settlement should run for 12 months.

1.7 The claim is both modest and fair. The following pages expand on the main points and give justification for them. It is hoped that the County Council will give our claim full consideration and respond favourably.

### 2 Local government pay

2.1 Local government pay has been hit hard by five years of successive public

spending restraints. This has meant that local government workers have ended up earning significantly below other public sector workers.

The table below illustrates this dramatically

2.2 Between 1996 and 2000 private sector pay has increased by 17.3%. Public sector pay has risen by only 14.3%. However, in local government the increase has been even lower—13.5%. [New Earnings Survey, available from UNISON Bargaining Support]. This increase is significantly below both the increases in average earnings over the same period, which rose by 23.6% and even below the Retail Price Index which went up by 14.6%. Effectively this has led to a fall in living standards for employees in X County Council.

2.3 It is not only overall earnings that have declined in relation to both inflation and earnings elsewhere. Over the same period, X's pay settlements have also fallen below both these indicators. This means that the X's pay ranges have declined in value since 1996. In 1996, 1998 and 1999, X's increases were below the rate of inflation at the time the award was agreed.

2.4 In 2000, for example, X's Pay staff received only a 2% increase at a time when the RPI stood at 4% and the Average Earnings Index Headline Rate stood at 5.4% [UNISON Bargaining Update]. The Average Earnings Index is currently showing a year-on-year average rise in earnings of 5% [Labour Market Trends, Table E.3, available from Bargaining Support]. At the same time average pay settlements in local authorities across the South East were above 3.4%. Indeed, our evidence shows that X County Council pay settlement was lower than any other local authority in the South East. Not a single local authority in the country to our knowledge awarded less than 2% in 2000.

2.5 The table overleaf shows the comparative increases for a cross-section of local authorities in the South East.

2.6 For some occupational groups in the private sector, such as finance workers and computing staff, the average increases in the past year have been even higher—almost 10%. In addition, many private sector employees have access to bonuses and other reward schemes that are not available to their local government counterparts [IDS Study, Computer Pay, available from Bargaining Support].

2.7 Set out below is an analysis of a cross-section of posts in the County

### Average earnings over last five years (source: New Earnings Survey; Labour Market Trends)

Average gross weekly earnings

	Public sector		Private sector		Local government		RPI	Whole Economy Average Earnings Index
	amt.	index	amt.	index	amt.	index	Annual average	
1996	355.7	100.0	351.6	100.0	364.4	100.0	150.2	103.6
1997	364.2	102.4	368.4	104.8	371.6	102.0	154.4	108.0
1998	379.4	106.7	386.9	110.0	385.4	105.8	164.4	113.5
1999	394.4	110.9	401.3	114.1	400.2	109.8	167.3	120.9
2000	406.6	114.3	412.3	117.3	413.5	113.5	172.2	128.1
Increase 1996-2000	14.3%		17.3%		13.5%		14.6%	23.6%

**South East pay deals average 3.2% in 2000  
(Source: Local Government Chronicle)**

A District Council	3.9%
North B District Council	3.7%
South C District Council	3.25%
D Borough Council	3.0%
E County Council	3.0%
F District Council	3.7%
X County Council	2%

Council, compared with similar jobs in the region in both private and public sector employers. This demonstrates the increasing divide between pay in the private sector and pay in X County Council.

2.8 It should be noted that, in fact, the proposed increase of 5% would not be enough to restore comparisons with the private sector. However, it will at least go some way towards restoring living standards of those covered by the pay settlement

**3 Low pay**

3.1 Over 300 workers on X's Pay are on pay points X Pay 8 or below (less than £11,200 pa), which is below the Low Pay Unit's low pay threshold of £13,439 [Low pay thresholds available in *Bargaining Update*].

UNISON would wish the County Council to address this issue and raise the lowest paid staff in X out of the poverty trap, in which they find themselves.

**6 Future pay trends**

6.1 Average earnings grew by 5% in the year to December 2000. Public

**Accountant (Source: IDS Pay Benchmark Service)**

<i>6 Brick Housing Association</i> Pay: £16,724 to £18,647 Hours: 35 Holidays: 20 days 2000/01 pay award: 3%	<i>7 Southern Telecommunications</i> Pay: £15,489 to £22,944 Hours: 41 Holidays: 25 days 2000/01 pay award: 4.3%
<i>8 C Borough Council</i> Pay: £24,990 to £29,998 Hours: 37 Holidays: 27 days 2000/01 pay award: 3%	<i>E County Council</i> Pay: £29,592 to £36,241 Hours: 37 Holidays: 27 days 200/01 pay award: 3%
<i>9 Local Insurance</i> Pay: £24,856 to £37,284 Hours: 36 Holidays: 23 days 2000/01 pay award: 4%	<i>K City Council</i> Pay: £27,756 to 29,748 Hours: 37 Holidays: 25 days 2000/01 pay award: 3%

**Care Assistant/Homes Carer  
(Source: IDS Pay Benchmark Service)**

<i>10 X County Council</i> Pay: £10,227 to £11,484 Hours: 39 Holidays: 2000/01 pay award: 2%	<i>B County Council (mental health care worker)</i> Pay: £12,518 to £13,900 Hours: 37 Holidays: 25 days 2000/01 pay award: 3%
<i>11 Local Hospital</i> Pay: £11,432 to £13,522 Hours: 37 Holidays: 28 days 2000/01 pay award: 2.8%	<i>12 E Borough Council</i> Pay: £12,602 to £15,873 Hours: 37 Holidays: 27 days 2000/01 pay award: 2.7%

**Secretary (Source: IDS Pay Benchmark Service)**

<i>13 X County Council</i> Pay: £12,000 to £17,000 Hours: Holidays:  14 2000/01 pay award: 2%	<i>15 Southern Motor Company</i> Pay: £14,311 to £18,589 Hours: 37 Holidays: 30 days  16 2000/01 pay award: 4.5%
<i>17 Brick Housing Association</i> Pay: £14,724 to £18,647 Hours: 35 Holidays: 20 days 2000/01 pay award: 3%	<i>18 Southern Telecommunications</i> Pay: £14,489 to £20,944 Hours: 41 Holidays: 25 days 2000/01 pay award: 4.3%

sector earnings rose by 4.6%, compared with 5.1% in the private sector [*Labour Market Trends*, Table E.4]. Average earnings growth in the public sector has lagged behind the private sector over the last three years.

6.2 Average earnings growth is likely to remain high through 2001 as falling unemployment continues to create tight labour markets. There are now large parts of the country with full or near full employment, where issues of high staff turnover and recruitment difficulties are widespread [IDS, *Pay in the Public Service*, available from *Bargaining Support*]. Pressures will also come from the rise in the minimum wage to £4.10, due to come into force on 1 October 2001.

6.3 Unemployment in X County currently stands at 1.2%, compared to a national average of 3.5% [*Labour Market Trends*, Table C.22, available from *Bargaining Support*].

## 7 Cost of living

7.1 Inflation has averaged 3% in the months since the last X County Council's settlement. Compared to the settlement level of 2%, this represents a real loss in pay for X County Council workers.

7.2 Headline inflation is generally expected to remain in the range of 2.5% for the remainder of 2001. However, the low level of inflation masks rises of 8.3% in overall housing costs in the year to January 2001 [*Labour Market Trends*, Table H.15, available from Bargaining Support]. Such rises hit our members hard, especially the lower paid, for whom housing costs account for a substantial proportion of income.

7.3 According to the *Cost of Living Report* published by Reward [available from Bargaining Support], income needed to maintain average living standards in X region is 14.5% higher than the average for the rest of the country.

## 8 Conclusion

8.1 There can be no doubt that staff on X's Pay have seen their real earnings fall in comparison with both other employees and prices.

8.2 At the same time, the number of low-paid employees has increased enormously, leaving huge numbers of workers caught in the poverty trap.

8.3 In making a claim for £500 or 5% (whichever is the greater), we aim to address these two issues. Given the levels of low pay—and the fall in real earnings that X's Pay staff have experienced—our claim is simple, fair, modest and justified. We therefore ask the County Council to meet the claim in full.

### *Example 2*

To: The Personnel Officer  
North Caledonian Water PLC

Dear Ms Dee,

#### Annual pay claim

I am writing to give a brief outline of UNISON's pay claim for the coming year. After consultation with our members we are seeking an increase of 3.5% plus £500 a year for all staff. This would represent an increase of 6.6% on the pay bill. This claim reflects the fact that last year's increase was 2% lower than the rise in average earnings and that the rates of pay—in particular for clerical, ancillary and production staff—are well below those paid by our competitors.

Given that the company made £17 million profit last year we believe that the company can easily afford this increase.

A more detailed submission will be made when we present the claim at the negotiating meeting scheduled for the 1 February.

Yours sincerely

Pat Don, UNISON steward

## FURTHER INFORMATION

UNISON's Bargaining Support Group produces a number of guides and information sheets on negotiating issues.

Among the information you are likely to find useful are:

*Local Bargaining—A guide for UNISON negotiators*

*Retail Price Index* factsheet

*New Earnings Survey* factsheet

*Using Company Accounts* factsheet

*Bargaining Information on the Web* factsheet

(all available from the Bargaining Support Group)

It also publishes a monthly newsheet called *Bargaining Update*. This gives information and statistics that are likely to be of use to local negotiators. To get on the mailing list, please write to:

Bargaining Support Group

UNISON

1 Mabledon Place

London WC1H 9AJ

giving your address, membership number and e-mail address if you have one.

Much of this information can also be found on UNISON's website [www.unison.org.uk](http://www.unison.org.uk), under the category 'workplace advice'.

For information on training courses on negotiating and other related issues, please contact your regional education officer.

If you have any specific problems you need help or advice on, then your branch secretary should contact your regional officer who may be able to assist.

And do not forget UNISONdirect—UNISON's phonenumber service dedicated to providing an information and advice service for members. It has a special stewards helpline which can be contacted on 0800 0 923 924 between 6am and midnight Monday to Friday, and 9am to 4pm on Saturday.

### **Your comments**

UNISON welcomes comments on this booklet. Please either write to:

The Bargaining Support Group

UNISON

1 Mabledon Place

London WC1H 9AJ, or

e-mail: [bsg@unison.co.uk](mailto:bsg@unison.co.uk)

For help when you need it call  
UNISON *direct* FREEPHONE  
**0800 5 97 97 50**

For information visit  
**[www.unison.org.uk](http://www.unison.org.uk)**