

North Tyneside Council

Report to Council

Date: 27 September 2012

ITEM 9

Title: Pay Fair Campaign

Portfolio(s): Elected Mayor

Cabinet Member(s): Mrs Linda Arkley

Report from Directorate: Chief Executive's Office

Report Author: Carol Murphy (Tel: (0191) 643 5027)
Human Resources Manager (Strategy, Remuneration and Reward)

Wards affected: All

PART 1

1.1 Purpose:

The purpose of this report is to provide a report for consideration by Council in relation to the work of the Fair Pay Campaign with particular consideration for linkages to plans for Regional and Localised public sector pay, pursuant to the resolution of Council of 4 July 2012.

1.2 Recommendation(s):

It is recommended that Council note and consider the information in this report.

1.3 Forward Plan:

This report does not appear on the current Forward Plan. However, it is required to be considered at this Council meeting in compliance with the Council resolution of 4 July 2012 referred to in the report.

1.4 Council Plan and Policy Framework

This report has no direct relevance to the Council Strategic Plan.

1.5 Information:

1.5.1 Council Motion

At the rearranged meeting of Council held on 4 July 2012, the Council resolved as follows:

"In advance of the Pay Review Bodies report soon to be published, this Council will write to the Chancellor of the Exchequer and the Chief Secretary of the Treasury to inform

them that we are totally opposed to plans for regional and localised public sector pay. Our views should also be sent to our local Members of Parliament as soon as possible outlining our concerns about the negative impact that this policy would have on services and the local economy. Council requests to receive a report on the work of the Pay Fair Campaign in this regard for consideration at its next ordinary meeting.”

1.5.2 Regional and Localised Pay

The introduction of Regional and Localised pay was one of the proposals within the 2012 Budget set by the Chancellor of the Exchequer, George Osborne. This proposal included the ability to move away from national pay structures and develop new regional and local pay structures. This would include being able to set levels of payment per post that were relative to the same payments for similar posts paid by the private sector, and also taking into consideration the cost of living within a region.

According to the Chancellor the benefits of these proposals include the flexibility to renegotiate pay levels and associated costs e.g. enhanced rates to make the rate of pay for public sector employees more competitive to their counterparts within the private sector.

An example of regional pay was when the Labour Government introduced regional pay for the Courts system in 2007.

The negative impacts of the proposals according to organisations such as the Fair Pay Network and the TUC outweigh the benefits and include a north/south divide in pay, and the development of ‘pay hotspots’ across the country (when there are currently no pay hotspots north of Manchester). This could lead to migration of workers to the pay hotspots to achieve the higher rates of pay. There is also the possibility that some regions would be more vulnerable to ‘in work poverty’, which the Fair Pay Network has been set up to diminish. Therefore there are significant potential impacts on the Council.

1.5.3 Pay Fair Campaign

This is a campaign set up by the TUC which opposes the Government’s Regional Pay proposals.

The campaign lists five key reasons against the proposals (these are summarised below):

- **It’s unfair** – it could mean two people doing the same job in different areas of the country being paid different rates of pay. Pay should be based on skills and the work being done and not on where people live. Low pay could make it harder for poorer regions to attract and keep the skilled public sector workers they need. It could also unravel the work that has been done to narrow the pay gap between men and women.
- **It’s bad for the economy** – pay freezes; the VAT rise and inflation are all holding back pay for public sector workers. Regional pay would mean holding back pay for even longer in the parts of the country that are struggling the most. Holding back public sector pay will take money out of the public sector workers’ pockets that they would otherwise spend in local shops and businesses. Taking demand out of the economy like this will hurt the private sector and widen the north-south divide.

- **It isn't backed up by evidence** – there is no evidence to suggest that public sector pay stops the private sector growing. It is the lack of demand in the economy, not the wages of nurses and teachers that is causing the problem.
- **It isn't what the private sector does** – most big private sector employers recognise that a national system is the fairest and most efficient way to set pay. Companies like Waterstones, Greggs, Marks and Spencer, BT and Halfords all take the same sort of approach as the public sector; a national pay system with limited additions for London and the south east of England.
- **It's unpopular** - according to a recent opinion poll only 28 percent of voters believe the idea of extending pay freezes for public sector workers outside of the south east and London would be fair. As few as 17 percent of voters believe that real term pay cuts for public sector workers would help low pay regional economies.

The TUC are putting the following resources into the campaign and have a specific area on their website that updates progress on the campaign:

- Pay Fair campaign leaflet
- Pay Fair posters for Schools, Health and Businesses
- A response sent to the Office of Manpower Economics as part of a call for evidence regarding a consultation exercise on behalf of the government.
- Model motions for councils
- Case studies and projects.

1.5.4 Fair Pay Network

The Fair Pay Network (FPN) is a national, broad identity coalition set up to:

- Raise awareness of low pay and associated in-work poverty;
- Work proactively to ensure that the issue of work and pay sits at the heart of national policy debates concerning poverty;
- Build a strong working network of organisations committed to raising awareness of low-paid work and working poverty;
- Provide resources and support to national, regional and local campaigns for fair pay, from tackling national minimum wage violations to living wage initiatives.

The Fair Pay Network supports the work of the TUC Pay Fair Campaign.

One of the key themes that emerged around the topic of Fair Pay is to ensure that staff at the lower end of the pay scale need to be paid enough to ensure they don't slip into 'In-Work Poverty'.

There have been recommendations put forward via the FPN as to the amount of pay per hour individuals require to prevent them being classified within the 'in work poverty' group. The Minimum Income Standard Report (2012) now puts these levels as follows:

- A single person in the UK needs to earn at least £16,400 a year (£8.50 per hour) before tax in 2012, to afford a minimum acceptable standard of living.
- Two parents need to earn at least £18,400 (£9.54 per hour) each to support themselves and two children.

The FPN go on to note that due to a number of factors, including pay freezes and the budget requirements of different types of family, the National Minimum Wage is no longer at an acceptable level to prevent employees falling into poverty.

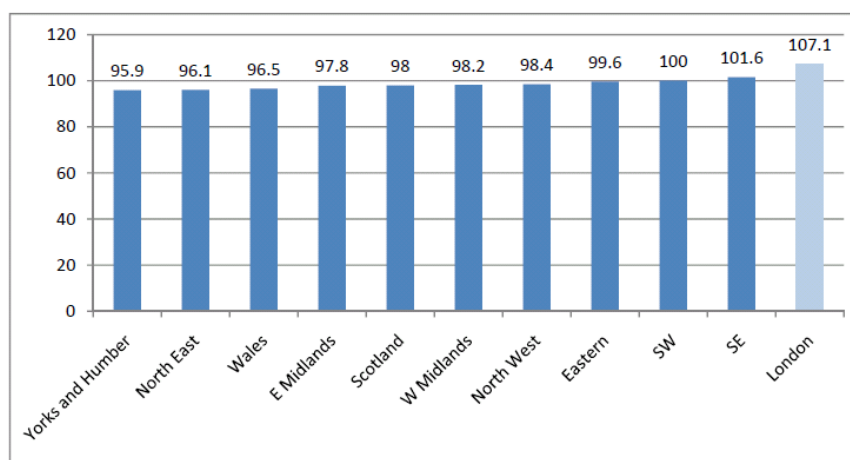
The FPN acknowledge that in-work benefits and tax credits must be taken into account and deducted from the proposed payment calculations and as such are looking for organisations to implement the 'Living Wage'. The Living Wage Campaign is encouraging organisations to sign up to the campaign to agree to a minimum payment for employees.

The proposed minimum payments per hour worked are:

- £8.30 for inner London
- £7.20 nationwide.

It is in the calculation of the Living Wage proposal that there appears some linkage between the Living Wage (and therefore by reference Fair Pay) and Regional/Localised pay plans. The calculation of the Living Wage is based, in part, on lists of essential items in the budget of different types of families. This list of essential items was broken down by region and the North East was considered to have the second lowest budget costs within England, Scotland and Wales (See Fig 1). However to date the Living Wage does not break down the recommended minimum hourly payments regionally and the only difference is between the inner London proposals compared with the rest of the nation. This is reflective of the pay structures currently in place within the Council.

Fig 1 Cost of an average basket of goods and services, after housing costs, by region (UK=100)



Source: Minimum Income Standard – The Living Wage in the United Kingdom, May 2011

1.6 Decision options:

There are no decision options as this report is provided for Council's information..

1.7 Reasons for recommended option:

N/A

1.8 Appendices:

There are no appendices.

1.9 Contact officers:

Carol Murphy – HR Manager (Strategy, Remuneration and Reward) Tel 0191 643 5027

1.10 Background information:

There are no background papers.

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

There are no financial or other resource implications directly arising from this information report.

2.2 Legal

There are no legal implications directly arising from this information report.

2.3 Consultation/community engagement

2.3.1 Internal Consultation

Any consideration by Council that required internal consultation would be carried out in accordance with Council policy.

2.3.2 External Consultation/Engagement

There are no current external consultation/engagement requirements to enable Council to consider the information in this report.

2.4 Human rights

There are no human rights implications directly arising from this report.

2.5 Equalities and diversity

There are no equality and diversity implications directly arising from this report.

2.6 Risk management

Any risks identified will be managed through the corporate risk management process.

2.7 Crime and disorder

There are no crime and disorder implications directly arising from this report.

2.8 Environment and sustainability

There are no environmental and sustainability implications directly arising from this report.

PART 3 - SIGN OFF

- Chief Executive X
- Mayor/Cabinet Member(s) X
- Chief Finance Officer X
- Monitoring Officer X
- Strategic Manager for Policy and Partnerships X