

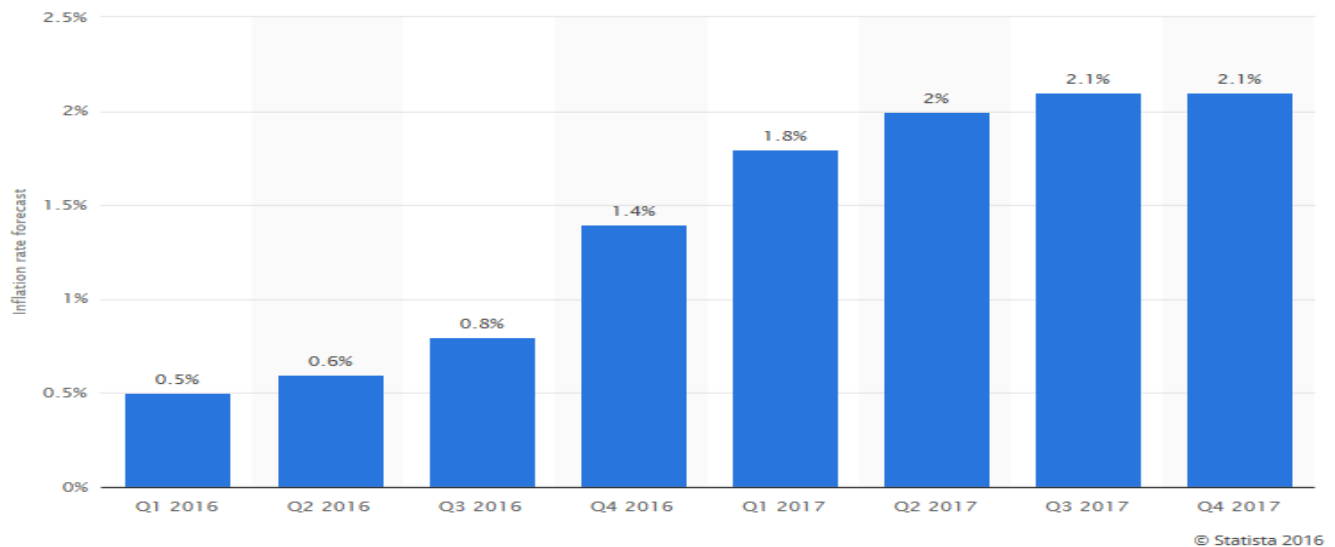
Appendix C

Pay awards and trends for 2017-18 pay claim

August 2016

1. Economic data

- 1.1 The Consumer Price Index (CPI) annual inflation increased to 0.6% in July 2016, from 0.5% in June 2016 and 0.3% in May 2016.
- 1.2 Retail Price Index (RPI) annual inflation increased to 1.9% in July 2016, from 1.6% in June 2016 and 1.4% in May 2016. Figures for August 2016 are due to be published on 13 September 2016 from Labour Research Department (LRD).
- 1.3 Inflation rate forecast as published by Statista shows forecasted percentage change of the Consumer Price Index (CPI) in the United Kingdom (UK) for the first quarter of 2016 to the fourth quarter of 2017. This forecast, calculated by the Confederation of British Industry (CBI), predicts a peak during this period of 2.1% in the last two quarters of 2017.



2. General pay trends

- 2.1 Results from the Labour Research Department (LRD) survey showed the median level of union-negotiated awards for the whole economy was 2% in the three months to June 2016 unchanged from the previous three months to May 2016.
- 2.2 The Engineering Employers Federation mean was 1.8% in the three months to June 2016, up from 1.7% for the three months to May 2016.
- 2.3 Figures provided by XpertHR showed the median whole economy pay settlement level of 1.8% for the three months ending June 2016, unchanged from the three months to May 2016.

3. The national picture

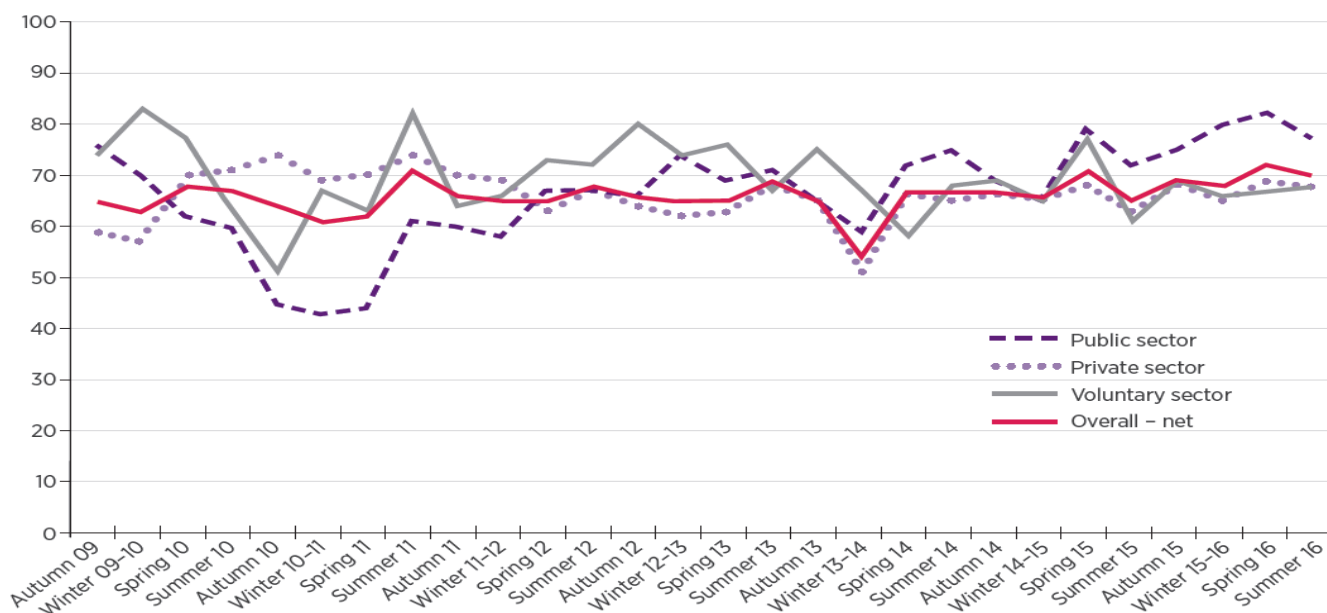
- 3.1 According to XpertHR's survey analysis, the median private-sector pay award from 1 September 2015 to 31 August 2016 is expected to be 2%. This is in line with the level of basic awards recorded in the sector over the previous bargaining year and unchanged on the predictions in both the pay forecasts survey carried out at the start of the year and the pay prospects survey carried out a year ago.
- 3.2 This is consistent with recent Labour Market Outlook reports; median pay increase expectations are higher in the private sector (2%) than in the public (1%) and voluntary (1.5%) sectors.

- 3.3 As reported by the Labour Research Department, in the year to May 2016, earnings growth for the whole economy (excluding bonuses) slipped to 2.1% from the April rise of 2.5%.
- 3.4 According to the Average Weekly Earnings data published by the Office for National Statistics, growth in the headline rate (the latest three-month average) for regular pay, excluding bonuses, was down to 2.2% in May from 2.3% for the previous month.
- 3.5 Headline average earnings growth in manufacturing was up to 2.2% from 1.9%, but growth in services was cut to 1.9% from 2.0%.
- 3.6 In the private sector as a whole, the growth was unchanged at 2.4%. In the public sector, excluding financial services, growth was down to 1.7% from 1.8% the previous month.
- 3.7 The CIPD Labour Market Outlook report for summer 2016 states that the planned median basic pay increase over the 12 months to June 2017 is 1.1%, significantly less than the 1.7% predicted in summer 2015.

4. Recruitment

- 4.1 The majority of employers say they intend to recruit, but the share is slightly down from 72% in spring 2016 to 70% in summer 2016. This is almost entirely driven by somewhat weaker intentions among public sector employers (down from 82% in spring 2016 to 75% in summer 2016). A consistent finding from previous surveys has been that more public sector organisations say they intend to hire than private sector organisations.
- 4.2 Apart from a marked, but short-lived, dip between summer 2013 and summer 2014, the overall public and private sector indicators of recruitment intentions have been fairly stable since summer 2010. The public sector has seen steady improvement since the low point of summer 2010–11, when just over 40% of public sector organisations said they would be recruiting.

Share of employers intending to recruit over next three months (%)



5. Labour turnover

- 5.1 The latest employment figures show a remarkably resilient labour market, with strong job growth and falling unemployment comparing the three months to May 2016 with the previous three months.
- 5.2 The Treasury compiles a list of independent economic forecasts each month. Comparing the forecast made in June (pre-Brexit) with the forecasts made in July (post-Brexit) indicates a

significant turnaround, with post-Brexit forecasts showing falling employment and rising unemployment in 2017, whereas the pre-Brexit forecast showed the opposite (see Table 1).

- 5.3 The forecast fall in employment for 2017 is likely to be between 50,000 and 100,000, but this is in contrast to a gain of between 200,000 and 250,000 implied by the pre-Brexit forecast. Unemployment is expected to rise from 4.9% to 5.7%, roughly where it was in mid-2014.

Table 1: the Impact of Brexit on economic forecasts for the labour market for 2017

	Pre-Brexit (June 2016)	Post-Brexit (July 2016)
GDP growth	2.1	0.5
Employment growth	0.7	-0.2
Unemployment rate	4.9	5.7
Inflation (CPI)	1.9	1.3
Average earnings	3.2	2.3

6. National pay negotiations

- 6.1 A continuation of the 1% public sector pay cap was announced by Central Government as well as a review of incremental increases. The current position on pay negotiations is:

- **Nationally negotiated local government employee terms and conditions (Green Book)** – two year deal for 2016 and 2017, with bottom loaded fixed sum increases up to Scale 3, and then 1% for all other pay points. RBWM employees are on local pay, terms and conditions.
- **Scottish Local Government** – as part of a two year deal, there was 1.5% from 1 April 2015 and 1% from April 2016. No Update for 2017 as yet.
- **Soulbury (educational psychologists and advisory teachers)** – pay offer of 1% for 2016 and 2017. RBWM equivalent staff are on local pay, terms and conditions, not Soulbury.
- **Craft Workers** – as per Green Book.
- **Chief Executive and Chief Officers** – two year deal 1% for 2016 and 2017. RBWM senior leaders are on local pay, terms and conditions.
- **Youth and Community (youth workers)** – pay offer of 1% for 2016 and 2017 with removal of the bottom pay point on the pay spine. RBWM equivalent staff are on local pay, terms and conditions, not Youth and Community.

7. National Minimum wage rates

- 7.1 Table 2 details the increase in National Minimum wage since 2010.

Table 2: National Minimum wage

Year	21 and over	18 to 20	Under 18	Apprentice
2015	£6.70	£5.30	£3.87	£3.30
2014	£6.50	£5.13	£3.79	£2.73
2013	£6.31	£5.03	£3.72	£2.68
2012	£6.19	£4.98	£3.68	£2.65
2011	£6.08	£4.98	£3.68	£2.60
2010	£5.93	£4.92	£3.64	£2.50

The UK Living Wage

- The current UK Living Wage is £8.25 an hour.
- The current London Living Wage is £9.40 an hour.

National Living Wage

- April 2016 – National living wage (NLW) is £7.20 for over 25's. This replaced the National Minimum Wage for over 25's. RBWM pays £7.26 per hour as its lowest hourly rate.
- Labour Market Outlook Summer 2016 reports that nearly half of all employers reported that the NLW had had some impact on their wage bill. Around one in seven (13%) said it had had a large impact and another 17% said it had some impact. A further 16% said it

impacted to a small extent. These results do not vary greatly between the public and private sectors.

Apprentice rate

7.2 RBWM currently pays £7,428 per annum for entry level apprentices, which is £3.85 per hour. This is higher than the national rate of £3.30 per hour. This apprentice rate is currently being reviewed.

8. Other Public Sector pay settlements

- **NHS** – 2015 1%. 1 April 2016 - 1% consolidated pay rise for all NHS staff in the UK, as well as 1% uplift to the minimum and maximum rates for High Cost Area Supplements.
- **Civil Service** – Average pay awards limited to up to 1% for four years from 2016-17.
- **Police** – From 1 September 2016 police officers will receive:
 - a 1% increase to base pay for all ranks.
 - a 1% increase to the London weighting payment.
 - a 1% increase to the dog handlers' allowance.
 - increased flexibility for South East forces to vary location-based allowances.
 - alignment of mileage expenses to standard HMRC rates.
- **Firefighters** – The NJC has agreed an increase of 1% with effect from 1 July 2015, 2016 is still pending.
- **School Teachers Pay** - 1% uplift to the minimum and maximum of all pay ranges and to classroom teacher allowances.

9. RBWM - Local pay settlements history

- April 2009 - the last global pay award under national pay.
- April 2010 – no annual pay award.
- April 2011 - £250 (consolidated) to those earning less than £21,000 per annum.
- April 2012 – 1% consolidated to those on the maximum pay point of scales 2-6.
- April 2013 – extra increment to the value of 2.5 % added to the top of scales 2 and 3, and 2% for scales 4 and 5. Increment values for scales 2 and 3 adjusted to reflect at least 2.5% increase. (NB: scales now renumbered as Grades as result of new pay Reward Scheme).
- With the introduction of the Pay Reward Scheme from April 2014, incremental progression is subject to at least satisfactory performance. Other staff had the potential to receive performance related pay.
- April 2015 – the pay reward was applied as follows: Good - 0.85%, Excellent - 2.56%, Outstanding - 5.97%
- April 2016 – the pay reward was applied as follows: Good – 0.78%, Excellent – 2.34%, Outstanding – 3.9%

10. RBWM - Recruitment and Retention

10.1 General recruitment has a high success rate although we continue to experience challenges in some specialist areas such as Children's and Adult Social Workers, Occupational Therapists, Approved Mental Health Practitioners, Accountancy and Planning. Feedback suggests these difficulties are being encountered by neighbouring authorities and reflect national shortages. A specialist head hunting agency has been successfully engaged to fill management positions within Children's Social Care and this approach will now be considered in other challenging areas.

10.2 Employment Panel have recently agreed a range of measures to support recruitment and retention in relation to those posts we have identified as hard to fill. These include revised remuneration packages for Child Protection Social Workers, Adult Social Workers, Occupational Therapists and Approved Mental Health Practitioners, reinstatement of relocation packages where appropriate and progressing the creation of more key worker housing. A dedicated recruitment microsite for Adult Social Care to complement that already in place for Children's Social Care roles will launch in September. Restructures involving the redesign of posts in Accountancy and Planning is expected to aid recruitment in these areas.

11. RBWM - staff turnover

11.1 Table 3 shows the percentage turnover of staff within the Royal Borough since 2014/15. Turnover is defined as all staff leaving the council, including those transferred to a new employer through a TUPE transfer or those leaving through redundancy. Voluntary turnover refers purely to staff who resign from their positions or retire from the council.

Table 3: RBWM staff turnover

	2014/2015				2015/16				2016/2017		
	14/15 Q1	14/15 Q2	14/15 Q3	14/15 Q4	15/16 Q1	15/16 Q2	15/16 Q3	15/16 Q4	16/17 Q1	16/17 Q2	16/17 Q3
% Turnover	13.95%	16.09%	16.82%	36.69%	16.43	14.77%	14.17%	17.48%	19.58%		
%Voluntary turnover	10.97%	11.99%	11.78%	11.09%	12.37%	12.55%	11.50%	13.65%	14.49%		

11.2 A report was submitted to Corporate Services Overview and Scrutiny panel on 19 September 2016 and contained some analysis of voluntary leavers. The analysis identified an improvement in the UK economy with more vacancies being advertised. This, linked to our proximity to London and the competitive market rates that brings, particularly affects the Royal Borough’s ability to recruit new staff and therefore could equally impact on our staff being more confident to secure roles elsewhere. These points have recently been addressed by employment panel when considering ‘hard to fill’ roles and measures to ensure a competitive approach is adopted to recruit and retain staff.