FACT SERVICE

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Low wage growth expected in 2016

Wage growth will remain at around 2% for most or all of 2016, according to the professional body, the Chartered Institute for Personnel and Development (CIPD).

Its forecast is significantly below the forecasts from the Bank of England and the Office for Business Responsibility, which advises the Treasury, for average earnings growth of about 3.4% to 3.5%.

CIPD chief economist Mark Beatson said the introduction of the National Living Wage might push up official data on average earnings, "but this is likely to be a temporary effect as these other cost increases in the pipeline will potentially restrict the ability of employers to afford significant pay rises".

"Our research shows pay expectations for the year ahead centred on a 2% increase, although with inflation expected to average 1% in 2016, most private sector employees will still see the value of their salary increase," said Beatson.

That view is echoed by the Resolution Foundation think tank. It estimates that real pay is more likely to be just 1% higher by this time next year because of the combined impact of Britain's continuing productivity problem and last year's historically low inflation which has produced an artificial impression of wage growth.

Laura Gardiner, senior policy analyst at the Resolution Foundation, said: "2015 marked the long-awaited return of rising real pay, following a six-year squeeze. But the recent pay rebound owed much to ultra-low inflation, which we're unlikely to see again [in 2016].

"Pay growth in 2016 will ultimately be determined by whether the recent upturn in productivity is enough to offset rising inflation. On the upside, strong output growth and prolonged low inflation could result in the highest level of real wage growth in over a decade.

"But equally, a failure to build on the early signs of a productivity recovery, combined with a swifter-than-expected return to target inflation, could send real wage growth tumbling to less than 1%. Such a scenario could mean typical pay not returning to its pre-crash level until the next decade."

Earnings forecasts for 2016 published in the last three months by around 40 City or independent forecasters produce a median rise of 3.4%. The range of forecasts is from 2.4% up to 4.0%.

Forecasts for inflation for the final quarter of 2016, as measured by the Retail Prices Index, range from just 0.6% up to 3.9%, with a median forecast of a 2.5% rise.

LABOUR RESEARCH DEPARTMENT
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Twenty four organisations produce forecasts for both earnings and RPI inflation and 21 of them expect earnings over 2016 to outpace their inflation forecast for the final quarter of the year.

www.cipd.co.uk/pressoffice/press-releases/predictions-2016-301215.aspx

www.resolutionfoundation.org/media/press-releases/pick-up-in-productivity-needed-to-maintain-pay-rebound-in-to-2016/

www.gov.uk/government/uploads/system/uploads/attachment_data/file/485731/201512_Forecomp_December_2015__.pdf

Wealth divide grows ever wider

Britain's richest households have pulled further ahead of the rest of the population as house prices have accelerated, with the top 10% now owning almost half of the country's £11.1 trillion total private wealth, according to the Office for National Statistics (ONS).

The top tenth of households owns 45% of total wealth — £5 trillion. However, the bottom half of the wealth distribution has seen its share decline. The least wealthy 50% has only 8.7% of total UK household wealth in 2012-14 — just less than £1 trillion. Their share of the total wealth has fallen from 9.6% in 2010-12.

The gap has widened as growth at the top has been faster than at the bottom. Since the previous survey two years earlier, the top tenth of households has seen a 21% increase in their wealth, including property and shares. That is three times as fast as the increase over the same period for the poorest half of households, who have seen their wealth rise by 7%.

TUC general secretary Frances O'Grady said: "The economy is paying people too little for hard work, and too much just for sitting on wealth. It is making Britain more and more unequal, with those who are already rich moving even further ahead of the typical family."

The ONS asked Britain's families about their savings, share portfolios and housing wealth. It found that the top 10% owns at least £1,048,500 in assets, while the bottom 10% owns £12,600 or less.

Private pension portfolios account for 40% of households' total wealth, with the richest 10% of households having a £749,000 pension pot, compared with just £2,800 for households in the least wealthy half of the population, the ONS found.

A regional dimension to the wealth gap is evident. The average household wealth in the north east, at £150,000, is less than half of that in the south east, where it is £342,400.

www.ons.gov.uk/ons/rel/was/wealth-in-great-britain-wave-4/2012-2014/index.html

www.theguardian.com/money/2015/dec/18/britain-private-wealth-owned-by-top-10-of-households

www.tuc.org.uk/economic-issues/britain-needs-pay-rise/industrial-issues/skills-policy/economy-paying-too-little

Workplace trends in the coming year

The workplace is ever evolving, bringing opportunities and challenges on how best to manage workplace relationships and deliver success.

The employment relations service Acas has produced a special report which examines the key workplace trends in 2016 to help employers plan for the year ahead and look at how the issues of the day might affect them and their employees.

The report, *Workplace trends 2016*, features commentary from Steve Elliott, chief executive of the Chemical Industries Association, Dr Makani Purva, anti-bullying tsar at Hull NHS Trust, Frances O'Grady, general secretary of the TUC, as well as a range of Acas experts, including its chair, Sir Brendan Barber.

Topics discussed include improving productivity; better ways of working; and encouraging positive behaviours in tackling bullying at work.

The TUC's Frances O'Grady looks at the giving a voice to a better way of working and details four suggestions:

- employers, politicians and policy makers need to recognise the value of unions and collective bargaining;
- make the Information and Consultation Regulations (ICE) work much more effectively;
- give workers a real say in the strategic decisions that impact on them and the organisations they work for; and
- let's acknowledge that good communication in the workplace doesn't happen by accident.

Good communication requires a genuine commitment to engage. It requires skilled, confident line managers. And from a union perspective it also requires skilled, confident, trained union reps. O'Grady said.

www.acas.org.uk/index.aspx?articleid=5584

Fact Cat Tuesday

By the end of the first Tuesday of 2016, Britain's top bosses had made more money in 2016 than the average UK worker earns in an entire year, according to the High Pay Centre's calculations.

Its calculations show that earnings for company executives returning to work in the New Year will pass the UK average salary of £27,645 by late afternoon on "Fat Cat Tuesday".

FTSE 100 chief executives (CEOs) are paid an average £4.96 million a year. The High Pay Centre said that even if CEOs are assumed to work long hours (12 hours a day) with very few holidays, this is equivalent to hourly pay of more than £1,200.

The figures will raise doubts about the effectiveness of government efforts to curb top pay by giving shareholders the power to veto excessive pay packages.

The centre has argued that further measures are necessary, such as representation for ordinary workers on the company remuneration committees that set executive pay, and publication of the pay gap between the highest and median earner within a company.

High Pay Centre director Stefan Stern said: "'Fat Cat Tuesday' again highlights the continuing problem of the unfair pay gap in the UK.

"Overpayment at the top is fuelling distrust of business, at a time when business needs to demonstrate that it is part of the solution to harsh times and squeezed incomes, and is promoting a recovery in which all employees can benefit."

http://highpaycentre.org/blog/fat-cat-tuesday-2016

Britain's rail fares the highest in Europe

The New Year saw rail fares increase and UK commuters now spend up to six times as much of their salary on rail fares as other European passengers.

Action for Rail, a campaign by rail unions and the TUC, has compared average earnings with monthly season tickets on similar commuter routes across Europe. The analysis looked at a UK worker on an average salary who is now spending 13% of their monthly wages on a £357.90 monthly season ticket from Chelmsford to London.

By contrast, the average amount of salary going on a monthly season ticket for a similar journey is just 2% in Italy, 3% in Spain, and 4% in Germany. Even in France, the country closest to the UK on cost, commuters still spend nearly a third (30%) less on season tickets than their counterparts in the UK.

The government points to regulated rail fare rises being capped at the rate of inflation. But Action for Rail says the public will pay for this cap through taxes amounting to £700 million over the next five years.

Research shows that more than double this (£1.5 billion) could be saved over the same period if the rail franchises up for renewal were returned to the public sector. Researchers at Transport for Quality of Life have estimated that this could fund a 10% reduction in season tickets and other regulated fares from 2017.

TUC general secretary Frances O'Grady said: "Years of failed privatisation have left us with exorbitant ticket prices, overcrowded trains and ageing infrastructure. Ministers need to wake up to this reality instead of allowing train companies to milk the system at taxpayers' and commuters' expense."

www.tuc.org.uk/industrial-issues/transport-policy/uk-commuters-spend-six-times-much-their-salary-rail-fares-other

Manifesto for disability equality from TUC

It's a shameful statistic, but nearly half of disabled people are not in work, official figures show. It's timely then that a manifesto, published by the TUC, aims to promote equality for disabled people and challenge discrimination against them.

The TUC's manifesto finds that progress in reducing the employment gap between disabled and non-disabled people has ground to a halt. The Labour Force Survey reveals that just 48% of disabled people are currently in employment compared to 79% of non-disabled people.

This employment gap has persistently been more than 30% since 2008. And for some disabled people it is particularly hard to get a job – just one in five (20%) of those with learning difficulties, less than one in four (22%) with mental illness or phobias, and only one in three (33%) of those who suffer from depression or anxiety are in work.

The manifesto also highlights reluctance from some employers to make "reasonable adjustments", as well as the government's failure to extend effective schemes such as Access to Work, as being part of the problem.

With public transport ill-equipped to help physically disabled people get into work, for some disabled people the barriers begin as soon as they leave the house. In London, for example, only a quarter of underground stations – 67 out of 270 – are step-free.

The manifesto calls for a variety of actions to promote disability equality both in the workplace and in wider society, including:

- proper interpretation of the reasonable adjustment duty;
- more employment rights and decent pay and conditions for carers;
- a British Sign Language Act; and
- improving legal recognition of disability hate crime.

"Unions are working hard to win decent pay, opportunities to training and promotion at work for disabled people, said TUC general secretary Frances O'Grady. However, the Conservative government is no friend of disabled worker. It has shown "its true colours by a series of measures that have hit them in the home, in the workplace and in education".

O'Grady said: "Disabled people deserve a fair deal at work and the chance to participate and progress in all areas of life. We need to change the approach to disability and remove the barriers that prevent disabled people participating, rather than focus on what an individual cannot do."

www.tuc.org.uk/sites/default/files/Manifestofordisabilityequality.pdf

Farm workers keep protection of board

The Scottish Agricultural Wages Board (SAWB) will continue to protect the rights of low paid farm workers in Scotland, rural affairs secretary Richard Lochhead has announced.

The decision follows a review and public consultation on the future of the body, which has the power to set minimum pay rates, holiday entitlement and certain other conditions of service for agricultural workers in Scotland.

A Scottish Government analysis found evidence that scrapping the board would drive down wages, particularly for young apprentices and migrant workers.

It also found no evidence that abolishing the board would help create more jobs in farming. On the contrary, agricultural job growth in Scotland has outpaced that of England, where the wages board there was abolished in 2013 leading to a fall in wages for the lowest-paid agricultural workers.

The Unite general union welcomed the decision. Scottish secretary Pat Rafferty said: "The SAWB is a bulwark against the type of exploitations that could prevail in its absence. We need to strengthen standards within the board and in particular the pursuit of a living wage rate of pay for workers, so we can begin building sustainable growth in local economies across rural Scotland."

http://news.scotland.gov.uk/News/Protecting-the-rights-of-low-paid-workers-20b5.aspx

www.unitetheunion.org/news/unite-welcomes-sensible-decision-to-retain-agricultural-wages-board/

Pay cuts at KPMG

Partners at KPMG – one of the "Big Four" accountancy firms – saw their average remuneration cut by 13% last year, according to the firm's 2015 annual report.

The average remuneration of its 617 partner was £623,000 in the year to September 2015, compared with £715,000 the year before for 588 partners. Still, the average partner earned almost £12,000 a week in 2015.

Simon Collins, chair and senior partner, saw his remuneration cut by 12% to £2.2 million from £2.5 million. That works out to over £42,300 a week.

Revenues increased 2.6% to £1.96 billion, helped by a 17% increase in its tax work to £151 million. However, pre-tax profits were cut by 7% to £383 million from £414 million as the firm continued its expansion through acquisitions along with investing in new offices.

Gender pay Across KPMG last year, based on salary, the overall gender pay gap was 21.4%. This proportion was "unfortunately reflective of the smaller number of women currently in senior roles in the firm," according to the annual report.

https://assets.kpmg.com/content/dam/kpmg/pdf/2015/12/kpmg-uk-annual-report-2015.pdf

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