FACT SERVICE

129 The widening pay gap

130 Inflation stays at 1%
Rise in regulated rail fares outstrips wages

131 High cost of bogus self-employment laid bare

132 More firms commit to paying Living Wage

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The widening pay gap

Executive pay has continued to climb at the expense of ordinary workers, says the High Pay Centre.

The average remuneration of a chief executive (CEO) of a company ranked in the FTSE 100 was up to £4.96 million in 2014 according to a new report from the think-tank. That is a slight increase on £4.92 million average in 2013, but a more drastic rise from the £4.14 million average in 2010. The top 10 highest-paid CEOs alone were paid a total of over £156 million in 2014.

Last year, average FTSE 100 CEO pay was 183 times the earnings of the average full-time UK worker, up from 182 times in 2013 and 160 times in 2010

Only a quarter of FTSE 100 companies are Living Wage accredited, according to the High Pay Centre.

The average FTSE 100 CEO pay of £4.96 million was approximately 324 times as much as a full time worker on the Living Wage of £7.85 an hour would make, based on a 37.5 hour working week.

High Pay Centre director Deborah Hargreaves said: “Pay packages of this size go far beyond what is sensible or necessary to reward and inspire top executives. It’s more likely that corporate governance structures in the UK are riddled with glaring weaknesses and conflicts of interest.”

The High Pay Centre analysis is based the single total remuneration figure for each executive that has to be disclosed in their remuneration reports.

Unfortunately, institutional shareholders have failed to voice their opposition to executive pay policy at company AGMs and the average vote against pay awards across the FTSE 100 was just 6.4%.

A majority of shareholders in only two FTSE 100 companies voted against their company’s remuneration report in the advisory vote on remuneration in 2014. There has not yet been a majority shareholder vote against remuneration policy at a FTSE 100 company in the binding vote.

TUC general secretary Frances O’Grady said: “Inequality is reaching stratospheric levels. After years of falling living standards it is a disgrace that top execs are taking an even bigger share of the rewards of growth. We need a recovery that works for the many and not just the few.

“Ordinary employees need to be included in workplace pay committees to add some common sense and reality to boardroom pay decisions."

http://highpaycentre.org/pubs/new-high-pay-centre-report-executive-pay-continues-to-climb-at-expense-of-o

http://highpaycentre.org/files/State_of_Pay_Aug_2015.pdf

www.tuc.org.uk/economic-issues/rising-executive-pay-disgrace-says-tuc

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Inflation stays at 1%

In July, the annual rate of inflation — as measured by the Retail Prices Index (RPI) — was 1.0%, the same rise as for the previous two months.

Falling food and diesel prices partially offset the positive impact of the higher air and bus fares and clothes prices.

Inflation under the Consumer Prices Index (CPI) edged higher to 0.1% in July from 0.0% in June, the Office for National Statistics said.

It is still below the 2% target set by the Treasury for the Bank England's Monetary Policy Committee in its deliberations on interest rates.

Warning against a rate rise, TUC general secretary Frances O'Grady said: "The strength and stability of the recovery can't be taken for granted".

"There is still a large living standards gap to make up, and it won't be closed without a higher productivity recovery," she added.

Price inflation

		% increase on a year earlier		
	RPI [1]	RPI	RPIX [2]	CPI
July 2014	256.0	2.5	2.6	1.6
August	257.0	2.4	2.5	1.5
September	257.6	2.3	2.3	1.2
October	257.7	2.3	2.4	1.3
November	257.1	2.0	2.0	1.0
December	257.5	1.6	1.7	0.5
January 2015	255.4	1.1	1.2	0.3
February	256.7	1.0	1.0	0.0
March	257.1	0.9	0.9	0.0
April	258.0	0.9	0.9	-0.1
May	258.5	1.0	1.1	0.1
June	258.9	1.0	1.1	0.0
July	258.6	1.0	1.1	0.1

[1] January 1987=100 [2] RPI except mortgage interest payments

Seven of the 14 groups that make up the basket of goods used to calculate the RPI increased by more than the overall rise of 1.0%.

The annual rate of inflation in the clothing and footwear group was 9.1% in July as there were 15.3% and 10.2% increases in women's clothing and children's clothing respectively.

The fares and other travel costs group posted a 7.5% rise with "other travel costs", such as air fares up by 3.7%, while bus and coach fares rose by 3.8%

There was an overall fall of 2.6% in food prices. Eggs were down 8.9% and a loaf of bread was down by 8.3%. Fresh milk — the subject of protests in supermarkets across the country by dairy farmers — was down by 7.6%.

There were few rises in the group, but lamb (spring lamb?) was up by 4.1%.

The fuel and light group showed a fall of 4.9% as oil and other fuels were down by 24.2%.

The motoring group's 4.0% fall included an 11.6% drop in the price of petrol and oil.

More than 1.0%	%	1% or less	%
Clothing & footwear	9.1	Household goods	1.0
Fares etc	7.5	Personal goods & services	0.9
Tobacco	5.2	Alcoholic drink	0.5
Household services	3.3	Leisure goods	-1.6
Housing	2.6	Food	-2.6
Leisure services	2.6	Motoring expenditure	-4.0
Catering	1.4	Fuel & light	-4.0

www.ons.gov.uk/ons/dcp171778_413520.pdf

www.tuc.org.uk/economic-issues/near-zero-inflation-not-enough-secure-living-standards-says-tuc

Rise in regulated rail fares outstrips wages

Rail fares for season tickets and other regulated fares have risen nearly three times faster than wages over the last five years, according to a new analysis by the TUC and the rail unions' Action for Rail campaign.

The analysis shows that between 2010 and 2015 fares increased by 25%, while average pay went up by just 9%.

The government has announced plans to cap annual increases in regulated rail fares at the Retail Price Index (RPI) measure of inflation for this parliament. That means the July RPI inflation rise of 1% will be applied to the annual rise in regulated rail fares from January 2016.

The Department for Transport (DfT) offered no explanation as to why the government is quite happy to use the higher RPI inflation rate, whereas in other spheres of government price influence the Consumer Prices Index is used.

Rail minister Claire Perry said the move would make a "real difference to household budgets". Speaking on BBC Radio 4's Today programme, she conceded that train companies could still increase non-regulated fares, but insisted the increase in cheaper "advance" fares – an unregulated ticket type – were the "big change".

However, the public will finance the fare cap through paying their taxes. The capping of rail fares will cost taxpayers around £700 million over the next five years, according to DfT figures.

The TUC says that far bigger savings could be passed onto passengers if services were run by the public sector. Research commissioned by Action for Rail shows that £1.5 billion could be saved over the next five years if routes, including the Northern, Transpennine and West Coast Main Line, were returned to the public sector.

The research – carried out by Transport for Quality of Life – estimates that season tickets could be 10% cheaper by 2017 if routes coming up for re-tender were run by the public sector.

A third of the £1.5 billion saving – £520 million – would come from recouping the money private train companies pay in dividends to their shareholders.

http://actionforrail.org/

www.tuc.org.uk/economic-issues/economic-analysis/industrial-issues/transport-policy/rail-fares-have-risen-25-cent

www.gov.uk/government/news/earnings-outstrip-rail-fare-increases-for-first-time-in-a-decade

www.politicshome.com/transport/articles/story/rail-fare-cap-announced-amid-rip-accusations

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High cost of bogus self-employment laid bare

Bogus self-employment comes with a cost to the worker and the public purse. As many as 460,000 people could be "bogusly self-employed" meaning workers miss out on holiday pay, the government loses tax revenue and responsible businesses could be undercut, says Citizens Advice.

Its new report, *Neither one thing nor the other*, highlights how unscrupulous employers can compel staff to be self-employed when they should in fact have employee status. This means employers can avoid paying the National Minimum Wage, employers' National Insurance Contributions (NICs), sick pay, holiday pay and pension contributions.

Citizens Advice surveyed 491 people who were identified as working for themselves, but found one in 10 of them could be wrongly self-employed. Based on this figure the charity reveals bogus self-employment could cost the government up to £314 million a year in lost tax and employer NICs.

Responsible employers can also lose out as firms forcing people into self-employment means the savings they make can be used to undercut competitors' prices.

A combination of factors including work hours set by the employer, using the business' equipment and having tax deducted from their pay by their employer could mean an individual should be an employee rather than self-employed.

The research also identifies specific financial losses felt by the bogusly self-employed and the government:

- an average of over £1,200 per worker per year lost in holiday pay;
- people pay an extra £61 a year in National Insurance that they would not pay were they classified as employed; and
- the loss of employer NICs costs the government over £300 per person per year.

Gillian Guy, chief executive of Citizens Advice, said: "Working for yourself should be an empowering experience not an opportunity for rogue firms to siphon away benefits like sick and holiday pay. But there are workers who are missing out on over a thousand pounds a year because they should legally be official employees.

"Not only does it cost workers, it also costs the government through lost tax revenue and undermines businesses trying to do right by their employees."

In July, the government announced an independent review of self-employment in the UK to be headed by Julie Deane, founder of The Cambridge Satchel Company. Citizen's Advice said the review is a welcome opportunity to look at how these workers can be more supported.

Citizens Advice has called on the Department for Business, Innovation and Skills to use the government review into self-employment to address key issues including:

- clarity and consistency around the definition of

self-employment;
- support for people looking to save for retirement; and.
- pay for parental leave.

Government departments, including the Department for Work and Pensions and HM Revenue and Customs, have different definitions of self-employment, making it hard for workers and businesses to be clear about employee status.

The only way to prove employee status and secure the rights this provides is to go to an employment tribunal, a lengthy process which many cannot afford since fees were introduced in 2013.

Last year, research from Citizens Advice showed seven in 10 potentially successful cases were not pursued by people at employment tribunals.

The construction industry is notorious for its bogus self-employment. New figures obtained by construction union UCATT indicate that false self-employment and casualisation grew in the construction industry last year.

HM Revenue and Customs confirmed that 963,000 workers received payments via the Construction Industry Scheme (CIS) in 2014-15 and “this figure will increase later this year as a result of some returns being made late". This is a 39,000 increase on the 924,000 workers paid via CIS in 2013-14.

UCATT said the increased use of CIS is particularly surprising as in April 2014 new rules were introduced by the coalition government that prevented agencies and other “intermediaries” from employing workers on a self-employed basis. The changes in the rules, which have resulted in hundreds of thousands of workers being forced to operate via umbrella companies, were expected to result in a fall in the number of workers employed via CIS.

Brian Rye, national secretary of UCATT, said: “It is clear that the only way to resolve the problem is for fundamental change, with workers either being classed as employees or being genuinely self-employed in business for themselves. Further tinkering of the rules will just make the situation worse.”

www.citizensadvice.org.uk/about-us/how-citizens-advice-works/media/press-releases/bogus-self-employment-costing-millions-to-workers-and-government/

www.gov.uk/government/news/government-examines-support-for-self-employed

www.ucatt.org.uk/surprise-growth-construction-false-self-employment

More firms commit to paying Living Wage

Two more firms have committed to pay the Living Wage in London or elsewhere.

Staff at window cleaning firm Cam Specialist Support will receive the Living Wage, which is currently set at £7.85 an hour, or £9.50 in London.

Managing director Matt Johnson said: “Paying a wage that people can actually live on is absolutely the right thing to do morally and financially. Our employees are people not commodities.

“We want to attract and retain quality staff and so reward them accordingly. As a London-based organisation, we pay the Living Wage of at least £9.15 per hour in London.”

Printing firm Rival Colour has been accredited as a Living Wage employer, committing to paying staff the Living Wage rate of at least £7.85 an hour

The firm will pay all workers the hourly Living Wage, regardless of whether they are permanent employees or third-party contractors and suppliers.

www.employeebenefits.co.uk/benefits/pay-/-bonus-and-reward/cam-specialist-support-commits-to-living-wage/107339.article

www.employeebenefits.co.uk/home/rival-colour-gains-living-wage-accreditation/107359.article

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