FACT

SERVICE

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The up and downs of RPI inflation measure

The contentious issue of the RPI measure of inflation has been in the news with BT losing out in the courts and the Bank of England rubbishing the measure favoured by union negotiators.

In the courts, Justice Zacaroli rejected a case brought by BT, ruling that the telecoms giant could not replace the Retail Prices Index (RPI) with the Consumer Prices Index (CPI) measure of inflation when uprating pension payments. Due to its exclusion of owner-occupier housing costs and a different method of calculating average rises, CPI is typically lower than RPI.

The BT case turned on the interpretation of the pension scheme rules which said pensions should be uprated by the RPI unless RPI ceased to be published or had “become inappropriate”.

On the first, RPI is still published by the Office for National Statistics (ONS). On the second, the ONS and the statistical regulator have deemed it “fundamentally flawed”. If the ONS were right, then BT could switch the pension to CPI.

Expert witnesses queued up on each side. However, it was Simon Briscoe, former FT statistics editor and member of the Council of the Royal Statistical Society, and his support for the RPI that won the day.

He argued that the significance of RPI’s reported flaws was overstated and applied more to its use for macro-economic purposes than as a measure of inflation as experienced by pensioners. He concluded that RPI is the best index available to measure inflation as experienced by pensioners of occupational pension schemes.

Zacaroli sided with Briscoe and found that the RPI had not "become inappropriate".

However, as the TUC’s senior economist, Geoff Tily, reports in a blog, this is not the end of the debate, with a forthcoming government White Paper on defined benefit pension schemes likely to be the next scene of battle. It is expected to favour allowing employers or trustees to impose changes in the inflation measure used to uprate pensions.

The TUC's position is clear, says Tily: “There is no case for permitting cuts to members’ benefits without their consent. This includes changes to rates of indexation and revaluation. Giving schemes with RPI inflation uprating in their rules the ability to switch to CPI for uprating without member consent, would cost an average affected DB scheme member £20,000 over their retirement.”

Meanwhile, Mark Carney, the governor of the Bank of England, wants the RPI pensioned off.

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He told the House of Lords Economic Affairs Committee that he wanted the government to stop issuing bonds — parcels of debt — linked to the RPI within the next seven to 10 years.

He also told that new public sector contracts should be moved as soon as possible to the CPI measure of inflation.

Carney said: “It would be helpful to just have one public-facing measure of the cost of living for consumers.

“At the moment we have RPI, which most would acknowledge has no merit; we have CPI, which virtually everyone recognises and is in our remit; and we have the ONS favourite CPIH, which includes housing costs.”

However, as Tily concludes: “In the meantime, trade unions will stand firm against attempts to fix the rules of the inflation game.”

www.tuc.org.uk/blogs/inflation-game---rpi-wins-court-pensions-still-danger-after-carney-comments

https://news.sky.com/story/carney-calls-for-govt-to-stop-using-discredited-rpi-inflation-measure-11229756

UK pilots agree recognition at Ryanair

The British Airline Pilots’ Association (BALPA) and Ryanair have concluded and signed a voluntary trade union recognition agreement. This follows Ryanair’s announcement before Christmas that it was changing its stance towards unions and was willing to enter into discussions about recognising pilots’ unions in a number of European countries, including the UK.

Those discussions have been ongoing over the past few weeks and have resulted in an agreement which states that BALPA will be recognised as the sole trade union representing all of Ryanair’s 600 employed pilots based in the UK.

General secretary Brian Strutton said: “Given Ryanair’s previous hostility towards unions, today’s agreement is an historic one.

"While we were initially sceptical about Ryanair’s sincerity in offering recognition to us and other unions, our conversations and meetings with them have shown that they are genuine in wanting a constructive trade union relationship.”

The union will be now open an election for five Ryanair Company Council representatives to be chosen from among the BALPA members employed by Ryanair. These reps will lead future negotiations on issues such as pay, hours, rostering and holidays on behalf of all BALPA's Ryanair members.

In addition, BALPA has begun the process of electing an advisory group for Ryanair contractor pilots who are not employed directly by the company.

www.balpa.org/Media-Centre/Press-Releases/BALPA-signs-union-recognition-agreement-with-Ryana

UK economic growth slower last year

The economy grew last year, but at a slower rate than 2016, preliminary figures suggest.

UK gross domestic product (GDP) was estimated to have increased by 1.8% between 2016 and 2017, slightly below the 1.9% growth seen between 2015 and 2016.

The 2017 figure is also well down on annual growth rates for the three years before that, which were 2.1% in 2013, 3.1% in 2014 and 2.3% in 2015.

The preliminary estimate for quarterly growth was 0.5% in the final quarter of 2017, compared with 0.4% in the third quarter, according to the Office for National Statistics (ONS).

The dominant services sector, driven by business services and finance, increased by 0.6% compared with the previous quarter, although the longer-term trend continues to show a weakening in services growth.

Production industries grew by 0.6%, boosted by the second consecutive quarter of strong growth in manufacturing.

The 1.3% growth in manufacturing was partially offset in total production by a significant fall in oil and gas extraction, caused by repair work made to the Forties pipeline.

Construction contracted for the third quarter in a row, although annual growth between 2016 and 2017 was very strong at 5.1%, due to a strong start to 2017, the ONS said.

www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/grossdomesticproductpreliminaryestimate/octobertodecember2017

Game's contractors will pay Living Wage

Birmingham City Council has confirmed that any contractors hired to deliver works or services for the 2022 Commonwealth Games will be paid the voluntary Living Wage rate.

In a public report delivered to Birmingham City Council in early January, the council stated that contracted organisations providing works, services or goods in relation to the Commonwealth Games will have to comply with Birmingham's Living Wage policy. This stipulates that third-party contractors, as well as permanent employees, are paid at least the voluntary Living Wage rate of £8.75 an hour. The budget prepared for the Birmingham-based Commonwealth Games reflects the city's Living Wage commitment.

Contractors hired in relation to the 2022 games will also need to regard the requirements of the Birmingham Business Charter for Social Responsibility. This aims to help the local economy by supporting local businesses, creating jobs and making sure employees are paid a fair wage.

www.employeebenefits.co.uk/issues/january-2018/birmingham-city-council-confirms-2022-commonwealth-wealth-contractors-receive-living-wage/

Scottish law aims for gender balance

Scotland has become the first country in the UK with a statutory gender representation objective for public boards.

The *Gender Representation on Public Boards (Scotland) Bill* has been passed by the Scottish Parliament.

The new law sets an objective for public boards that 50% of non-executive members are women by the end of 2022. It also requires action to encourage women to apply to become non-executive members of public boards.

Organisations with the remit to have an equal balance of men and women in the top jobs include colleges, universities and some public bodies including health boards, enterprise agencies, the Scottish Police Authority and the Scottish Fire and Rescue Service.

Equalities secretary Angela Constance said: "Over the last decade the numbers of women on public boards has risen from 35% to 45%, and last year saw more women than men appointed. But this progress doesn't just happen by accident. It has been achieved through the shared ambition and action of all of those involved." The new law will ensure that progress doesn't slip back.

https://news.gov.scot/news/gender-balanced-public-boards

Internships are unpaid and unfair, study finds

Unpaid internships, combined with rising living costs, are shutting less-advantaged youngsters out of many careers, according to a study from social mobility campaigners the Sutton Trust.

The key findings of the trust's research are:
- even if transport costs are provided, the minimum cost of carrying out an internship in London unpaid is £1,019 a month;
- although there has been some progress since the trust's last report on the subject, organisations continue to offer internships which are unpaid, and offer internships without formally advertising them;
- current research suggests that over 40% of young people who have carried out an internship have done so unpaid;
- the most recent government estimate is that there are 70,000 interns in the UK at any one time, although there is no newer estimate available than 2010. In 2017, 11,000 internships were found to be advertised online, but many more are likely to be being offered unadvertised;
- a Sutton Trust analysis of the most recent official data suggests that roughly 10,000 graduates are carrying out an internship at six months post-graduation, with 20% of them doing so unpaid; and
- there are concerns that some employers are either unaware that their interns should be paid, or that some employers are exploiting the lack of clarity in the law to avoid paying their interns.

The report makes three recommendations. Firstly, to open-up access to internship opportunities, interns should be paid at least the National Minimum Wage (£7.05 an hour for 21-24 year olds, or £7.50 for over 25s). Preferably, interns should be paid the voluntary Living Wage of £8.75 (or £10.20 in London).

And the current law should be tightened to ban unpaid internships of over four weeks in length.

Secondly, internship posts should be advertised publicly, rather than being filled informally, so that regardless of connections, all potential applicants can apply.

Large numbers of internships are never advertised, and instead offered through informal networks, for example to friends or family of staff. This practise locks out talented young people without connections, limiting their opportunities and hampering their social mobility, the report said.

Finally, as well as being openly advertised, the process by which potential candidates are selected for internships should be fair and transparent — upholding the same standards of recruitment as other jobs. All internships should be awarded on merit to the best candidate, not based on personal connections.

www.suttontrust.com/research-paper/internships-unpaid-unadvertised-unfair/#

Gender pay gap — the results so far

In an analysis of the data from the first 570 organisations to publish their gender pay gaps, *People Management*, the magazine of the CIPD HR professionals' organisation, found that the average gap in mean hourly pay between men and women is 11%.

Among individual companies, this figure is surprisingly inconsistent, with the highest pay gap reported at 64.8% (Phase Eight Fashion) and the lowest — where a negative percentage indicates a pay gap in favour of women — at -46.4% (Sweet Dreams).

Sectoral results are equally variable:

- perhaps unsurprisingly, the financial services, construction, and scientific and technical industries had the three highest pay gaps for hourly pay, with 27.5%, 19.5% and 16.8% respectively — suggesting less female representation in the top jobs;
- at the other end of the scale, the health and social care sector boasted the lowest gap for hourly pay — at 5.4% — implying a more even spread of women in the top jobs, as well as at lower levels.

There were also some more unexpected results in the sectoral comparisons. The housing and property sector, for example, has the lowest mean gender pay gap for bonus pay at -37.6% — in favour of women.

The manufacturing sector has the second-lowest mean pay gap for hourly pay, with 7.2%, indicating a higher-than-expected representation of women in higher-level jobs.

Meanwhile, with the fourth-highest gap for bonus pay (26.4%) and the sixth-highest for hourly pay (12.4%), the retail industry sat higher up both lists than expected, given that three out five of the total workforce is female.

However, gender pay gap figures reported by some firms have been called into question, prompting concerns about "fake data" from the Fawcett Society campaign group. Two dozen companies say they have a gender pay gap of zero, with 10 of them claiming that precisely 50% of lower, middle, upper and higher wage earners are female and 50% are male. One of those companies has admitted that its figures might have been "entered in error".

www.peoplemanagement.co.uk/long-reads/articles/gender-pay-gap-explain-eradicate
www.bbc.co.uk/news/uk-england-42611365

Do share buybacks push up executive pay?

New research into whether some companies are repurchasing their own shares to artificially inflate executive pay has been announced by the goverment.

The research will help to understand how companies use share buybacks and whether any further action is needed to prevent them from being misused.

This review is part of the broader package of corporate governance reforms announced in August 2017 to address concerns that executive pay can sometimes be disconnected from company performance.

A share buyback is where a company buys back its own shares from the market, often to reduce the number of available shares in order to increase their value. While there are a number of valid reasons why a company would use these schemes, business secretary Clarke said there are concerns that “some companies may be trying to artificially inflate executive pay by buying back their own shares”.

The government has appointed consultants PricewaterhouseCoopers to undertake the research, and will be supported by Professor Alex Edmans, a leading academic at the London Business School.

www.gov.uk/government/news/government-to-research-whether-companies-buy-back-their-own-shares-to-inflate-executive-pay

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