

# Briefing on ...

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## Bargaining Prospects 2009

This briefing aims to provide a range of UK and Scottish data (where available) to aid pay negotiations. In this briefing, you will find the latest information on the following topics:

1. Labour Market Changes
2. Average Earnings
3. The Gender Pay Gap
4. Inflation
5. Other Issues

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### 1. Labour Market Changes

#### **UK**

The figures for October 2008 show a fall in both the number of people in employment and the employment rate. The number of unemployed people, the unemployment rate and the claimant count have all increased.

The unemployment rate was 5.8% in the three months to September 2008, up 0.4 percentage points from the three months to June 2008.

The unemployment level was 1.825 million in the three months to September 2008, up 140,000 from the three months to June 2008.

The claimant count in October 2008 was 980,900 up 36,500 on the previous month. The claimant count rate in October 2008 was 3.0%, up 0.1% from the previous month.

#### **Scotland**

Labour Force Survey data for Scotland indicates that the trend in the employment rate is decreasing, but the rate in the latest period is not significantly different from a year ago. The trend in the unemployment rate is increasing, but the rate in the latest period is not significantly different from a year ago.

Data for the three months to September 2008 show the seasonally adjusted employment rate at 76.3%, down 0.3 percentage points on the same period a year earlier. The seasonally adjusted unemployment rate in Scotland was 4.7% in the July to September 2008 period, down 0.1 percentage point on the same period a year earlier. The rates for men and women in July to September 2008 were 5.0% and 4.3% respectively.

The seasonally adjusted claimant count rate in October 2008 was 3.1%, up 0.1 percentage point from September 2008, and up 0.5 percentage points since October 2007.

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**Fig 1. UK and Scotland ILO unemployment figures Jan'08 – Sep'08**

	ILO Unemployment UK (seasonally adjusted)		ILO Unemployment Scotland (seasonally adjusted)	
	000s	% of workforce	000s	% of workforce
Jul – Sep 08	1,825	5.8	126	4.7
Apr – Jun 08	1,685	5.4	113	4.2
Jan – Mar 08	1,624	5.2	123	4.6

Source: ONS

The seasonally adjusted claimant count rate in October 2008 was 3.1%, up 3% from September 2008. The seasonally adjusted number of claimants in October 2008 was 85,400.

**Fig 2. UK and Scotland Claimant unemployment figures Aug'08 – Oct'08**

	Claimant unemployment UK (seasonally adjusted)		Claimant unemployment Scotland (seasonally adjusted)	
	000s	% of workforce	000s	% of workforce
Oct 08	980.9	3.0	85.4	3.1
Sep 08	944.4	2.9	82.1	3.0
Aug 08	908/1	2.8	78.7	2.9

Source: ONS

**Local Area data**

The claimant count as a proportion of the resident working age population was lowest in Aberdeenshire, at 0.8%. It was highest in North Ayrshire, at 4.2%.

**Fig 3. Scottish Local Area Claimant Count (October 2008)**

1 Aberdeen City	1.2%	17 Highland	1.8%
2 Aberdeenshire	0.8%	18 Inverclyde	3.9%
3 Angus	2.2%	19 Midlothian	1.9%
4 Argyll & Bute	2.2%	20 Moray	1.7%
5 Clackmannanshire	3.1%	21 North Ayrshire	4.2%
6 Dumfries & Galloway	2.6%	22 North Lanarkshire	3.0%
7 Dundee City	4.1%	23 Orkney Islands	0.9%
8 East Ayrshire	3.7%	24 Perth & Kinross	1.4%
9 East Dunbartonshire	1.8%	25 Renfrewshire	2.7%
10 East Lothian	1.6%	26 Scottish Borders	1.6%
11 East Renfrewshire	1.1%	27 Shetland Islands	1.1%
12 Edinburgh, City	1.9%	28 South Ayrshire	2.8%
13 Eilean Siar	2.1%	29 South Lanarkshire	2.5%
14 Falkirk	2.7%	30 Stirling	2.1%
15 Fife	3.1%	31 West Dunbartonshire	4.1%
16 Glasgow City	4.0%	32 West Lothian	2.5%

Source: ONS

**2. Average Earnings**

The seasonally adjusted whole-economy average earnings (including bonuses) growth in the year to September 2008 was 3.3%, down from 3.4% for August. The 'headline rate' is the average of the annual change in the seasonally adjusted series over the past three months.

Earnings in the private sector rose at a headline rate of 3.1% in the year to September 2008, down from 3.4% for the year to August, compared with 3.9% in the public sector, up from 3.5% for a month earlier.

In manufacturing industries, earnings increased at a headline rate of 2.9% in the year to September 2008, up from the figure recorded a month earlier.

In services industries, average earnings rose at a headline rate of 3.5% in the last 12 months to September 2008. This was down from the level recorded in August.

### **Earnings forecast**

Latest official figures show that average earnings remain subdued, running at 3.3% in September 2008. Meanwhile, the rate of unemployment continues to show sharp growth, rising to 5.8% between July and September 2008.

In its latest quarterly report the National Institute of Economic and Social Research (NIESR) argues that, when the subdued earnings growth of the past two years is measured against sharp rises in RPI inflation, suggests that "average real wages have been falling since September 2006". NIESR expects earnings growth to remain muted. It notes that: "Increased slack in the labour market due to rising unemployment is expected to put downward pressure on wage growth, implying real wages will weaken further."

With the addition of latest forecast data from NIESR, Oxford Economics and the Royal Bank of Scotland, the consensus view of the IRS panel is that average earnings growth will remain subdued, averaging 3.6% over both 2008 and 2009.

### **Average hours worked (weekly)**

Average weekly hours worked in the period from April 2007 to March 2008 were 37 for all full-time workers and 16.5 hours for part time workers.

Broken down by gender, the average weekly hours worked by men in full-time employment over this period ran at 39.1 hours, compared to 33.5 hours for women. The corresponding hours for part-time workers ran at 16.2 hours for men and 16.5 for women.

## **3. The gender pay gap**

The gender pay gap (as measured by the median hourly pay excluding overtime of full-time employees) widened between 2007 and 2008. The gap between women's median hourly pay and men's was 12.8%, compared with a gap of 12.5% recorded in April 2007, when it was at its lowest since records began. The median hourly rate for men went up 4.4% to £12.50, while the rate for women increased by 4.1% to £10.91.

The increase in the gender pay gap can be explained by a significant number of women moving into full-time jobs with low rates of hourly pay. This has the impact of reducing the overall growth in earnings of full-time female employees.

Median weekly earnings of full-time employees in 2008 for women (£412) were 21 per cent less than those for men (£521), unchanged from 2007.

Women's weekly earnings, including overtime, were lower than men's, partly because they worked fewer paid hours per week. Based on full-time hourly earnings excluding overtime, women's earnings increased more slowly across the bottom 10 per cent of the distribution than men's, with a growth of 3.0 per cent compared with 3.3 per cent for their male counterparts. The hourly earnings of the top ten per cent grew by 3.1 per cent and 3.8 per cent respectively.

Although median hourly pay provides a useful comparison between the earnings of men and women, it does not necessarily indicate differences in rates of pay for comparable jobs. Pay medians are affected by the different work patterns of men and women, such as the proportions in different occupations and their length of time in jobs.

Source: Annual Survey of Hours and Earnings (ASHE)<sup>1</sup>

#### 4. Inflation

**Consumer Prices Index<sup>2</sup> (CPI)** annual inflation – the Government's target measure – was 4.5% in October, down from 5.2% in September.

The largest downward pressure on the CPI annual rate came from transport costs where the price of fuels and lubricants fell this year but rose last year. The decrease this year was triggered by a sharp fall in the price of crude oil. The average price of petrol fell by 7.1 pence per litre between September and October this year, to stand at 104.5 pence, compared with a rise of 2.7 pence last year. Diesel prices fell by 7.0 pence per litre this year, to stand at 116.3 pence. There was also a fall in the price of both air transport and sea transport. The effect from air fares came mainly from the cost of European flights.

There was another large downward contribution from food and non-alcoholic beverages. The effect came largely from the price of meat, which fell this year compared with a rise last year. Prices fell for a range of pork products and beef prices fell, with discounting in supermarkets. There was a small downward effect from biscuits and a partially offsetting upward effect from the price of milk.

There were further large downward contributions from:

- recreation and culture, where the effect came mainly from pre-recorded DVDs and computer games
- miscellaneous goods and services where, overall, bank charges decreased and home delivery charges rose by less than last year
- education services where the upward effect from increased tuition fees is less than the previous year

**Retail Prices Index<sup>3</sup> (RPI)** inflation slowed to 4.2 per cent in October, down from 5.0 per cent in September. The main factors affecting the CPI also affected the RPI. Additionally, there was a large downward contribution from housing with the main effect coming from house depreciation, which is excluded from the CPI.

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<sup>1</sup> The Annual Survey of Hours and Earnings is based on a sample of employee jobs taken from HM Revenue & Customs records. The 2007 ASHE is based on approximately 142,000 returns. In 2007 information was collected for the pay period that included 18 April.

<sup>2</sup> CPI is the Consumer Prices Index. It is the measure adopted by the Government for its UK inflation target. The Bank of England's Monetary Policy Committee is required to achieve a target of 2 per cent. Prior to 10 December 2003, the CPI was published in the UK as the harmonised index of consumer prices (HICP).

<sup>3</sup> RPI is the Retail Prices Index - the uses of the RPI and its derivatives include indexation of pensions, state benefits and index-linked gilts.

**RPIX** inflation – the all items RPI excluding mortgage interest payments – was 4.7 per cent in October, down from 5.5 per cent in September.

### **Inflation Forecast**

The current economic crisis has led many forecasters to reassess their original inflation forecasts with many now predicting that RPI inflation will fall sharply in 2009, possibly even hitting negative figures. Other economic indicators such as the rapid reduction in interest rates will also have an impact on inflation figures as commentators wait to see if the actions of the UK Government will limit the effects of recession.

RBS are predicting ‘huge Bank of England rate cuts will send RPI inflation into negative territory in 2009’. The latest forecast from IRS is that RPI will fall sharply, from 3.8% in the fourth quarter of 2008 to 1.1% in the first quarter of 2009. It will then continue this rapid descent, to run at -0.5% in the final quarter of next year.

### **RBS Inflation Forecast**

<i>Year (quarter)</i>	<i>RPI</i>	<i>CPI</i>
2008 (1)	4.0	2.4
2008 (2)	4.4	3.4
2008 (3)	4.9	4.8
2008 (4)	3.0	4.0
2009 (1)	1.0	3.1
2009 (2)	-0.1	1.9
2009 (3)	-1.2	0.8
2009 (4)	-0.5	1.0
2010 (1)	0.9	1.2
2010 (2)	1.5	1.6
2010 (3)	1.9	1.7
2010 (4)	2.2	1.7

## **5. Other Issues**

### **Latest Pay Settlement Trends**

The IRS measure of pay awards - the midpoint in the range of basic pay deals - has risen to 3.8% in the three months to 31 October 2008, according to the latest provisional analysis. This is up 0.3 percentage points on the figure for the previous rolling quarter (3.5%). The headline pay award is now 0.4 percentage points below RPI inflation, which was 4.2% in October 2008

### **New Hours and Leave Report Published**

Industrial Relations Services (IRS) have published their 2008 reports on hours and holidays in the workplace. The reports show that average holiday entitlement remains around the same mark as 2007 at 25 days per annum.

The research also showed significant variations in annual leave across industries. Holiday is highest in energy and water and the public sector (both 26.3 days a year) and the lowest was in hotels and leisure (21.5 days). IRS found that the average working week varies significantly between manual and non-manual workers. For white collar employees the most common working week is 35 hours, while for manual workers it is 39 hours.

Finance and Not for Profit sectors have the lowest average working weeks (35.2 and 36.2 respectively) whilst mining and quarrying had the highest (39.7).

### **FURTHER INFORMATION:**

#### **UK Official National Statistics**

<http://www.statistics.gov.uk>

#### **Scottish Official Statistics**

<http://www.scotland.gov.uk/stats/scotstats.asp>

#### **Scottish Executive Statistics**

<http://www.scotland.gov.uk/Topics/?pageID=62>

#### **UNISON Internet**

<http://www.unison.org.uk>

#### **UNISON Scotland**

<http://www.unison-scotland.org.uk/>