

# Bargaining Prospects 2011

## Introduction

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

## 1. Labour Market Changes

### UK

The unemployment rate for the three months to April 2011 was 7.7% of the economically active population, down 0.3 on the quarter. The total number of unemployed people fell by 88,000 over the quarter to reach 2.43million. This is the largest quarterly fall in unemployment since the three months to August 2000. The number of people unemployed for up to 12 months fell by 72,000 over the quarter to reach 1.60 million. The number of people unemployed for over 12 months fell by 16,000 to reach 829,000, but the number of people unemployed for over 24 months increased by 39,000 to reach 385,000. The quarterly fall in unemployment occurred mainly among people aged from 16 to 24. The number of unemployed people in this age group fell by 79,000 over the quarter to reach 895,000, the lowest figure since the three months to April 2009.

There were 1.49million people claiming Jobseeker's Allowance (the claimant count) in May 2011, up 19,600 on April. The number of men claiming JSA increased by 11,100 to reach 1.01 million and the number of women claimants increased by 8,500 to reach 483,700, the highest figure since September 1996. The claimant count rate was 4.6%, up 0.1% on the previous month but unchanged from a year earlier.

### Scotland

The latest data for Scotland highlights that unemployment has decreased by 9,000 in the three months to April 2011.

The unemployment rate for February to April 2011 was 7.7%, down 0.3% from the previous quarter.

## KEY POINTS:

- Unemployment rate falls to 7.7% but the claimant count increases to 4.6%
- CPI inflation forecast to reach 5% later this year
- Average earnings growth fell to 1.8%
- The gender pay gap narrowed to 19.8% in 2009



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The number of people unemployed in this period stands at 207,000 - a decrease of 9,000 over the year.

The claimant count in Scotland for May 2011 was 139,300 – 1,200 more than the previous month and 4,900 higher than the same time in the previous year. The claimant count rate was 5.2%.

**Fig 1. UK and Scotland ILO unemployment figures Aug '10 – April '11**

	ILO Unemployment UK (seasonally adjusted)		ILO Unemployment Scotland (seasonally adjusted)	
	000s	% of workforce	000s	% of workforce
Feb – Apr'11	2,430	7.7	207	7.7
Nov'10 – Jan'11	2,518	7.9	216	8.0
Aug – Oct'10	2,499	7.9	231	8.5

Source: ONS

**Fig 2. UK and Scotland Claimant Count figures March – April '11**

	Claimant unemployment UK (seasonally adjusted)		Claimant unemployment Scotland (seasonally adjusted)	
	000s	% of workforce	000s	% of workforce
May'11	1,492.7	4.6	139.3	5.2
Apr '11	1,473.1	4.6	138.1	5.2
Mar '11	1,456.2	4.5	137.4	5.1

Source: ONS

### Local Area data

The claimant count as a proportion of the resident working age population was lowest in the Aberdeenshire, Orkney and Shetland Islands, at 1.5%. It was highest in Glasgow and North Ayrshire, at 6.2%.

**Fig 3. Scottish Local Area Claimant Count – May 2011**

1 Aberdeen City	2.4%	17 Highland	2.7%
2 Aberdeenshire	1.5%	18 Inverclyde	5.1%
3 Angus	3.4%	19 Midlothian	3.8%
4 Argyll & Bute	3.1%	20 Moray	2.7%
5 Clackmannanshire	5.6%	21 North Ayrshire	6.2%
6 Dumfries & Galloway	3.4%	22 North Lanarkshire	5.4%
7 Dundee City	5.8%	23 Orkney Islands	1.5%
8 East Ayrshire	5.5%	24 Perth & Kinross	2.4%
9 East Dunbartonshire	2.7%	25 Renfrewshire	4.8%
10 East Lothian	3.3%	26 Scottish Borders	2.9%
11 East Renfrewshire	2.4%	27 Shetland Islands	1.5%
12 Edinburgh, City	3.3%	28 South Ayrshire	4.0%
13 Eilean Siar	3.1%	29 South Lanarkshire	4.3%
14 Falkirk	4.6%	30 Stirling	3.3%
15 Fife	4.5%	31 West Dunbartonshire	6.1%
16 Glasgow City	6.2%	32 West Lothian	4.0%

Source: ONS

## 2. Average Earnings

Average earnings growth, including bonuses, decreased in the year to April 2011 from the March 2011 rate of 2.4% to 1.8% in April 2011. Growth in average earnings excluding bonuses (regular pay) decreased from the March 2011 rate of 2.1% to 2.0% in April 2011.

In the year to April, pay growth (including bonuses) in the private sector stood at 1.6% compared with 2.2% in the public sector. Excluding bonus payments, growth in the private sector stood at 1.8 % compared with 2.4% in the public sector.

### **Earnings forecast**

It is an unusual state of affairs that while forecasters have been revising inflation expectations upwards over the past few months, they have also been revising expectations for earnings growth over 2011 downwards, reflecting lower-than-expected recent average earnings growth data. Average weekly earnings growth in the year to March 2011 for the private sector was just 2.2%, only slightly up on February's 2%.

XpertHR pay settlement data continues to show restrained wage deals in the private sector, with April 2011 public sector pay freezes pulling down the median for the whole economy. Looking forward to 2012, XpertHR's panel of forecasters sees slightly higher average earnings growth ahead, although most predict that it will remain significantly below the 4% to 4.5% level generally thought to be consistent with the Government's 2% inflation target.

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

The full-time gender pay gap (as measured by the median hourly pay excluding overtime from the Annual Survey of Hours and Earnings) narrowed by two percentage points between 2009 and 2010. For full-time employees the pay gap is 10.2%, down from 12.2% in 2009. This is the biggest fall in the gender pay gap since the measure was first produced using the ASHE methodology in 1997. For part-time employees the gap has widened in favour of women, extending to minus 4.0%, compared with minus 2.5% in 2009.

The gender pay gap for all employees has decreased to 19.8% from 22.0% in 2009. This is the largest movement since 1997. In April 2010 hourly rates for men were £13.01 for full-timers, £7.69 for part-timers and £12.35 for all employees. For women, hourly rates were £11.68 for full-timers, £8.00 for part-timers and £9.90 for all employees.

Women's full-time earnings increased more across the bottom 10% of the distribution than men's, with growth of 1.8% compared with 0.8% for their male counterparts. The hourly earnings of the top 10% grew by 0.8% and 2.1% for men and women respectively.

The scale and direction of the gender pay gap varies according to age. For instance in the 22–29 age group, full-time women earned 2.1% more than full-time men and part-time women earned 1.7% more than part-time men. The largest pay gaps in favour of men for full-time and part-time employees were in the 50–59 age group at 17.0% and 17.4% respectively. The largest pay gap for all employees, 27.4%, was seen in both the 40–49 and 50–59 age groups.

The gender pay gap in the public sector was 10.0% for full-timers, 20.6% for part-timers and 19.2% for all employees. In the private sector, the pay gap was 19.8% for full-timers, -2.0% for part-timers and 27.5% for all employees.

The widest pay differences by major occupation groups for full-time and all employees are seen in the Skilled Trades, where the gap ranges from 31.4% to 26.0%. The narrowest pay differences for full-time and all employees are in Professional occupations where the gap ranges from 4.2% to 1.6%.

Calculated using the mean rather than the median, women's hourly pay was 15.5% less than men's pay for full-time employees, 11.7% less than men's pay for part-time employees and 19.3% less for all employees. These are all below the mean pay gaps for full-time, part-time and all employees in 2009, which were 16.4%, 11.8% and 20.1% respectively.

Although mean and median hourly rates provide useful comparisons between the earnings of men and women, they do not necessarily indicate differences in rates of pay for comparable jobs. Pay averages are affected by the different work patterns of men and women, such as the proportions in different occupations, their length of time in jobs, and whether they work full-time or part-time.

#### **4. Inflation**

CPI annual inflation – the Government's target measure – was 4.5% in May, unchanged from April. Although unchanged overall, there were significant upward and downward pressures at the more detailed level between April and May.

By far the largest downward pressure to the change in CPI inflation came from transport services. The timing of Easter in 2011 had a significant impact on the April figures for air transport, sea transport and international rail travel since it fell in the collection period. By comparison, Easter in 2010 was much earlier and did not affect the April 2010 figures. The timing of Easter thus contributed to air fares falling by 11.1% between April and May 2011 whereas fares rose by 6.0% between the same two months in 2010. Similarly, sea fares fell by 14.7% between April and May 2011 compared with an increase of 1.0% a year ago.

A further large downward pressure came from furniture, household equipment and maintenance where prices, overall, rose by 0.4% between April and May this year compared with a rise of 1.2% a year ago. The largest downward effects came from furniture and furnishings and non-durable household goods, particularly household cleaning products.

By far the largest offsetting upward pressure to the change in CPI inflation came from food and non-alcoholic beverages where prices, overall, rose by 1.3% between April and May this year but fell by 0.1% between the same two months a year ago. The upward effects came from a wide range of product groups, most notably from fruit and meat.

Fruit prices rose by 4.7% compared with a fall of 0.4% a year ago with the main contribution coming from grapes. Meat prices rose this year but fell a year ago across a variety of items.

There were also large upward pressures from:

- alcohol and tobacco with the effect coming from wine and beer partially offset by spirits. Prices, overall, of wine and beer rose this year but fell a year ago, particularly for new world wine and lager. Whisky and vodka prices were the main causes of the downward contribution from spirits
- miscellaneous goods and services where prices, overall, rose by 0.6% between April and May this year compared with an increase of 0.2% between the same two months a year ago. The upward effect principally came from appliances and products for personal care

In the year to May, RPI annual inflation was 5.2 %, unchanged from April. The main factors affecting the CPI also affected the RPI.

RPIX annual inflation – the all items RPI excluding mortgage interest payments – was 5.3% in May, also unchanged from April.

As an internationally comparable measure of inflation, the CPI shows that the UK inflation rate in April was above the provisional figure for the European Union. The UK rate was 4.5% whereas the EU's as a whole was 3.2%.

### **Inflation Forecast**

When the Governor of the Bank of England, Mervyn King, introduced the bank's May 2011 Inflation Report (external website) he did not beat around the bush as to just how volatile and unpredictable inflation was likely to continue to be in the short term, noting, for instance, that "oil prices are 17% higher than we thought they would be three months ago". The report says that there is a "good chance" that consumer prices index (CPI) inflation will reach 5% later this year, with large rises in utility prices expected. However, King urged people to "look through these short-term fluctuations" to the bank's medium- and longer-term projections for growth and inflation, which are little changed from the bank's February 2011 report.

Most of the forecasters are predicting a fairly substantial fall in inflation on the RPI measure in early 2012, but the Inflation Report warns that the "timing and extent" of the expected decline in price rises over 2012 and 2013 remain "highly uncertain". For instance UBS states that, "Inflation is expected to remain at elevated levels for the rest of this year. There is really no option but for households to make a downward adjustment to relative lifestyles unless global commodity prices drop. If households resist that adjustment, the Monetary Policy Committee will tighten monetary policy and force the squeeze."

Forecast: RPI to reach an average of 5.4% in the final quarter of 2011, remaining above 4% for the first half of 2012.

## **5. Other Issues**

### **Latest Pay Settlement Trends**

The latest analysis of pay settlements recorded in IDSPay.co.uk shows that the median basic award has remained at 2.5%. A clear gap has emerged between the level of pay awards in the public and private sectors, in favour of the private sector. The median pay settlement for the public sector is zero, with all but one of the pay awards in this sector resulting in a freeze on basic pay. Meanwhile the median for manufacturing has increased to 3% while that for private services is down just slightly, to 2.8%.

The median and upper quartile figures for the whole economy have remained stable since the start of the year (at 2.5 and 3% respectively). However, the lower quartile has fallen to 1.5% having previously been at 2% since January. The number of zero or low awards in the public and not-for-profit sectors has been the main cause of this fall. Of the settlements in the lower quartile (those below 1.5%), all but four are at voluntary and public sector organisations. The rise in the number of freezes this time is accounted for mainly by zero awards covering staff in the armed forces, local government and the NHS.

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

Total hours worked per week were 910.9 million in the three months to April 2011, down 14.5 million from the three months to January 2011. Average weekly hours worked in the three months to April 2011 were 31.2, down 0.6 from the three months to January 2011.

Broken down by gender, the average weekly hours worked by men in full-time employment over this period ran at 38.5 hours, compared to 33.4 hours for women. The corresponding hours for part-time workers ran at 15.1 hours for men and 15.7 for women.

The quarterly falls in the estimates of total hours worked and average weekly hours were partly due to an additional public holiday on 29 April 2011 (for the Royal Wedding) which occurred four days after the Easter Monday public holiday.

### **Income Inequality: taxes have almost no effect**

Between 1980 and 2009/10 taxes made little difference to UK income inequality. This is because direct taxes (such as income tax and National Insurance contributions) reduce inequality and indirect taxes (such as VAT) increase inequality, by roughly the same amounts. In 2009/10, direct taxes reduced income inequality by 4% but this was offset by the effect of indirect taxes.

Direct taxes have become increasingly targeted towards reducing income inequality; this means that direct taxes paid by households, as a proportion of their income, have over time increased more for rich households than for poor households. Cash benefits also became increasingly targeted towards reducing income inequality; this means that cash benefits received by households, as a proportion of their income, have over time increased more for poor households than for rich households. However, between 2004/05 and 2009/10, cash benefits became slightly less targeted towards reducing inequality.

#### Further info

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 Scotland  
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