THE PRICE OF EVERYTHING

AND THE VALUE OF WAGES

UNISON Scotland report
October 2014

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> *"I just get by. Normally I am really struggling by week three. If my bills and rent go up any more I would not be able to live. Family holidays never happen." - hospital cleaner*

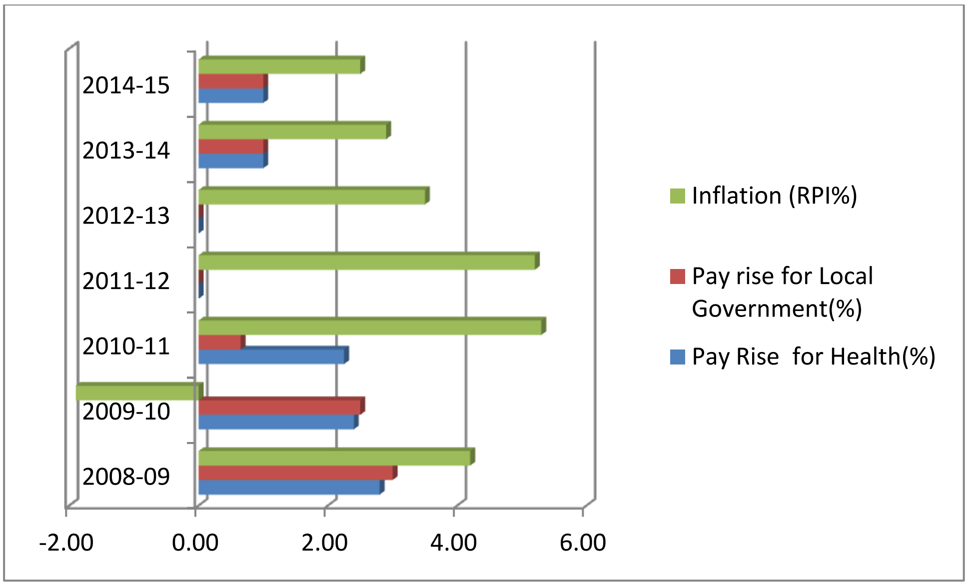
The inescapable fact for the vast majority of the workforce in public services in recent years is that prices have risen faster than wages. Many staff find themselves working harder as staffing cuts and rising demand put them under more pressure - at the same time their standard of living is going down.

Across the UK workers face a seventh consecutive year of decline in the value of wages, the longest such decline ever recorded. Of course not everyone is suffering. FTSE 100 directors have had an average pay rise of 21% in the last year. In 2000 such directors earned 40 times the salary of an average worker, now it's 120 times more. The share of the economy paid out as wages has also been in long term decline (over 60 per cent of GDP in the mid 70s to under 55 per cent in this decade). Good for profits, bad for pay packets. The wealth of the richest 1,000 people in Britain doubled to £519 billion since 2009. To put this sum in context it is about two and a half times the UK's deficit, which is often used as a justification for holding down wages.

This report seeks to give some of the scale of the problem facing workers in Scotland's public services. A problem that impacts not only on them, but on the services they provide and the wider economy. This is the workforce that cares, cures and educates, they are not a cost to Scottish society but an achievement in which we should take pride and they should recompensed accordingly. They are Worth It.

Working harder - getting poorer...

Wages in Scotland, and throughout the UK, have in recent years failed to keep pace with inflation. While wages have been virtually static, price increases impacting at greater levels than headline inflation figures have led to a considerable drop in living standards. Taking the two largest workforces in the public sector and comparing pay rises in recent years paints a very stark picture.



Pay settlements in NHS & Local Govt v RPI

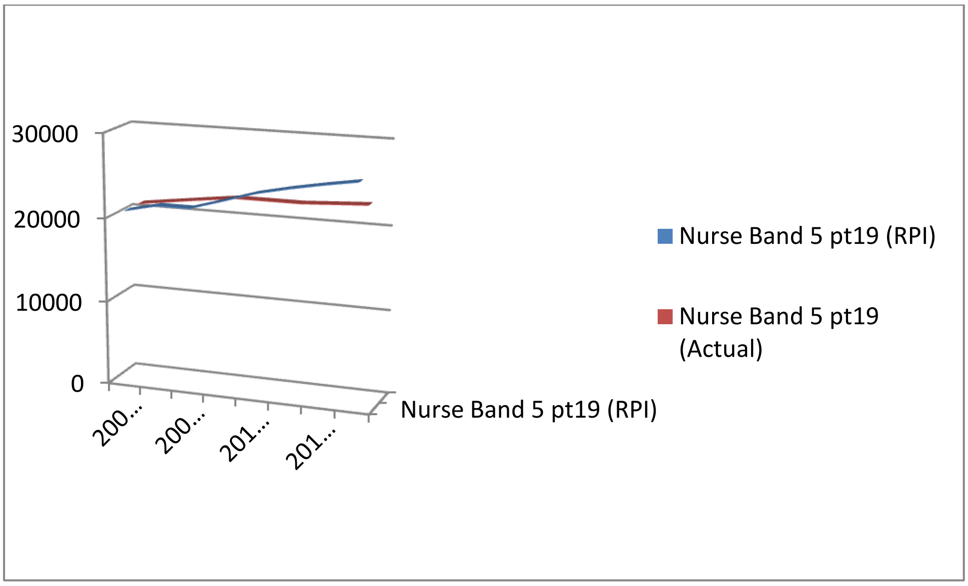
The only alleviation of this bleak picture have been a number of flat rate payments to the lowest paid staff and the gradual introduction of a living wage across both the NHS and local government during this period. This welcome development however hasn't come alone. Many sections of the workforce have faced cuts in the hours of work offered to them as well as an expansion in short or zero hours contracts. This has been particularly acute in sections of the workforce who have been outsourced to either private or third sector organisations.

The impact of the pay freeze

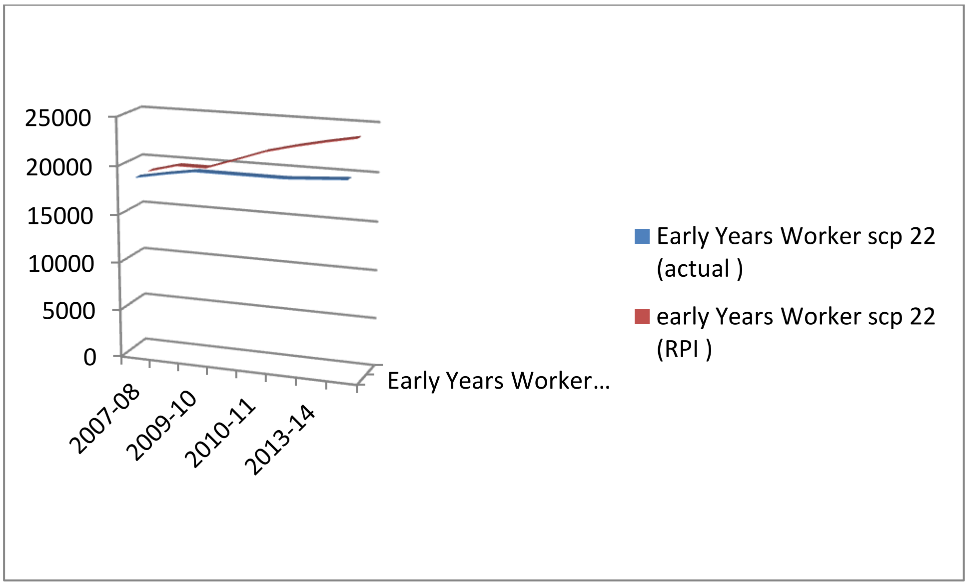
The cumulative effect of frozen or near frozen pay on actual wages is easy to spot. Had pay kept pace with inflation since 2007 this would have made a difference of over £3,000 to a Library Assistant (SCP25), and similar sums for a Band 5 nurse and early years worker.

	2007	2014-15 (actual Pay)	2014-15(RPI)
Library Asst (scp25)	20535	22258	25875
Home Support Worker (scp14)	15477	16776	19501
Early Years Worker (scp22)	18783	20228	23667
Nurse Band 5 (pt19)	20801	22771	26210

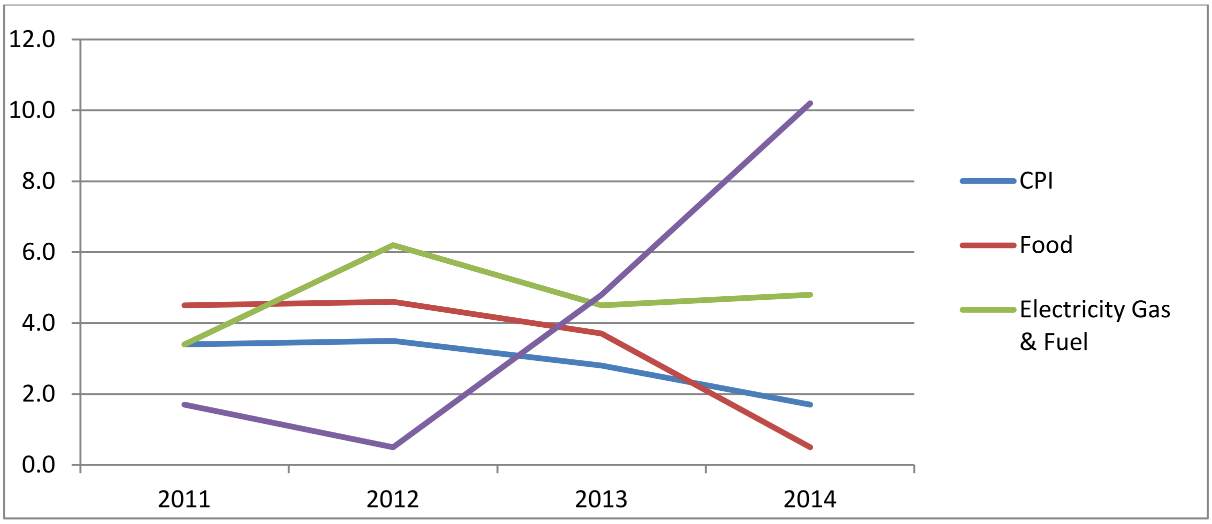
Pay - RPI and Actual Nurse (Band 5)



Pay - Actual and RPI Council Staff (Early Years Worker)



This obviously has an impact on living standards. But the failure of pay to keep pace with indexed inflation figures conceals the extent to which the value of wages has fallen. Inflation indexes are (as the term implies) an average of prices across the economy as a whole. Inflation as it is experienced by individuals can be markedly different. This has tended to be the case for workers - particularly lower paid workers in recent years. Spending on necessities makes up a greater share of the expenditure of the low paid than it does the better off. In the era of austerity the rate of inflation for these has often raced ahead of indexed inflation. Office of National Statistics data shows that food has mostly been increasing in price faster than indexed inflation for the last three years, and the price of electricity and gas has always been ahead of average inflation.



	2011	2012	2013	2014
CPI (%)	3.4	3.5	2.8	1.7
Food	4.5	4.6	3.7	0.5
Electricity Gas & Fuel	3.4	6.2	4.5	4.8
Transport	1.7	0.5	4.8	10.2

It's a similar story for housing costs. Since 2007 the average rent for a council house has increased by 26%. In the same time the wages of a council worker have increased by 8.3%. From 2007-13, Registered Social Landlords increased their rents by 23.6%. The impact of stagnating impact and rising rents can be seen from the fact that currently (Feb 2014) more than one in eight Scottish households in receipt of Housing Benefit were in work (13%). This compares with a mere 6% in 2008.
http://www.scottish.parliament.uk/ResearchBriefingsAndFactsheets/S4/SB_14-50.pdf

Private rents have also been increasing. The average residential rent across Scotland is now 2.7% higher than in August 2013, currently standing at £537 per month. In cash terms, this represents a rise of £14 from a year ago. This is the highest level of average residential rent in Scotland on record, and is up 0.5% since July.

The cost of childcare has also been increasing faster than wages. The National Daycare Trust survey indicates that since 2012 almost all the key childcare costs have risen well in excess of inflation.

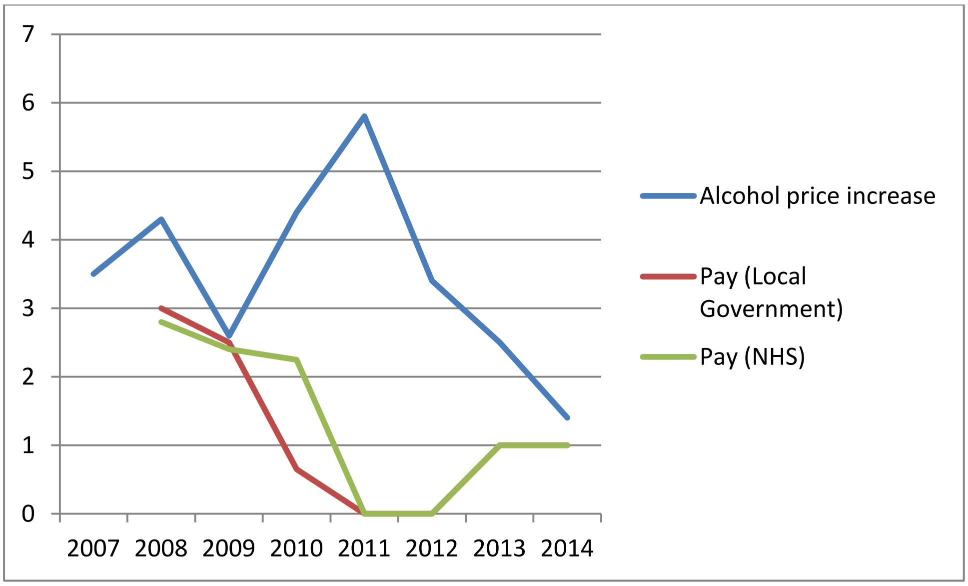
	Nursery 25 hours (under 2)	Nursery 25 hr (2 over)	Childminder 25hr under 2	Childminder 2 and over	after school club 15hr
%age rise since 2012	6	4	5.6	10	10

None of these expenditures can be described in any meaningful way as 'discretionary spending' - food has to be bought, the lights need to be kept on, the bus taken to work etc. Increases here, when combined with fixed pay mean direct reductions in overall standards of living.

UNISON members, of course, not only provide public services but also use them. And doing this is now more expensive than it was. Although Council Tax has been frozen many local authorities have either introduced or increased charges for services in recent years - school meals, access to day centres, lunch clubs, bulk uplift, even burial and cremation.

Audit Scotland have estimated that in recent years the proportion of local government spending raised by charges has gone from 40% of Council Tax funding to 57%. The shift from funding via taxation to charging at the point of use is regressive (more regressive than Council Tax increases) and bears down more heavily on the low paid.

It's enough to drive people to drink... except:



The high cost of low wages

Using national statistics data the Scottish Government say the proportion of people in poverty who live in working households increased in 2012/13.

In 2012/13, 52 per cent of working age adults in poverty were living in households where at least one adult was in employment, as were 59 per cent of children in poverty.

45 per cent of all people in poverty in Scotland were in in-work poverty.

In 2012/13, 59 per cent of children in poverty in Scotland in 2012/13 were living in families where at least one adult was in employment.

In 2012/13, there were 110 thousand children living in poverty who were in families in employment. This is an increase in 30 thousand compared with the previous year

A JRF/ NPI report in 2011 estimated that of the 13 million people living in poverty in the UK - over half lived in a working family. The proportion of working-age adults, without children, in poverty is the highest on record.

Scotland needs a pay rise

The TUC's estimate last year (based on ONS figures) that the total wage Bill in Scotland is now over £5bn less than it would have been had wages kept pace with inflation.

It is therefore not much of a surprise that one of the problems affecting the economy both in Scotland and the UK as a whole is one of lack of demand. Raising the wages in the public services will increase demand. Various estimates by the TUC and the Association for Public Service Excellence have estimated that of every £1 spent on wages for public service workers anything between 50p and 70p will be spent locally - lower paid workers both tend to spend their money and seldom avail themselves of off shore tax havens. A report by Landsman Economics commissioned by UNISON estimated that for every 1% increase in public sector pay across the UK, an extra £710-820 million would be collected in tax, substantially offsetting any cost.

Holding down pay, is bad for workers, bad for their families, bad for the economy and bad for the public services we all rely on. 'Austerity' isn't fair and isn't necessary - it is a political choice, bought into, or at least unchallenged. The issues of poverty and underperformance in the economy won't be solved simply by increasing wages. But they cannot be tackled without increasing wages. The necessity for doing so is fast becoming a social and economic priority, not merely a matter for those who will be the direct - and deserving - beneficiaries.

Scotland needs a pay rise.

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