

MSP Briefing

Scottish Water Pay Dispute

Nov 2008

Introduction & Background

This briefing sets out UNISON Scotland's position on the current Scottish Water Dispute and pay strike by our members, which is the subject of Scottish Parliament Motion S3M-02939 lodged by Bill Butler MSP on Friday 21 November 2008.

In September 2008 Scottish Water breached six years of partnership working with its staff in order to impose a 15 month pay rise of 3% (which equates to an annual offer of 2.4%). In November 2008 UNISON's Scottish Water Branch members voted by 2-1 in a ballot to take strike action for fair pay.

Staff Pay in Scottish Water

Staff salaries in Scottish Water have lagged behind inflation since the corporation was formed in 2002. The latest Retail Price Index for October 2008 shows that prices are 23% higher than they were in the middle of 2002. In contrast, wages in Scottish Water have only risen by about 15% in the same period. The current pay increase of 3% for 15 months from April 2008 which has been imposed by Scottish Water does not help workers to catch up with the price increases they have faced in the last few years.

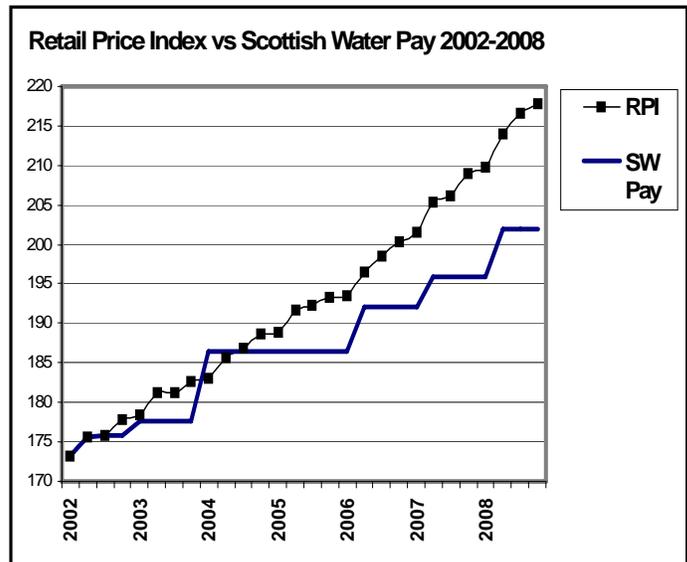
Inflation

Inflation has increased rapidly over the last few years. The annual rate reached 5% in September 2008. This has been driven partly by large increases in the worldwide costs of raw materials and fuel in particular.

The average annual rate of inflation, as measured by the Retail Price Index (RPI), was 1.7% in 2002 and reached 5.0% in September 2008. The latest RPI figure, for October 2008, is 4.2%. RPI is a wide measure of a range of key prices, and is used for the indexation of incomes, pensions and benefits.

The government's "headline" inflation measure, the Consumer Price Index (CPI), which is used to set monetary policy, was 4.6% in October 2008.

The current economic downturn is likely to cause inflation to slow down over the coming months. However, even if the rate of inflation were to stay at 2% for the whole of 2009, the purchasing power of Scottish Water workers would lag well behind their position in 2002.



Sources: Retail Price Index, Office of National Statistics, Nov 2008.
Staff pay rises, UNISON Scottish Water Br, baselined to RPI 2002

RPI % increases for 12 months to Oct 2008

Food	10.1
Bread	16.5
Milk	11.3
Potatoes	14.1
Other veg	8.1
Fuel and light	39.0
Coal	35.0
Electricity	31.4
Gas	51.9

Source: ONS, Nov 2008

Despite the economic downturn, the price of many basic necessities such as fuel and food continues to rise at a far higher rate than inflation. Food rose by over 10% in the year to October 2008, and fuel costs were up by 39%.

Directors Pay

In contrast with staff wages, the remunerations of Scottish Water's Executive Directors has risen substantially since 2002.

Three Executive Directors, who have been on the Board continually have seen their annual salaries (excluding bonuses) rise from an average of £108,000 in 2002/03 to £172,000 in 2007/08. That represents an average Executive Director increase of nearly 60% - more than twice the increase in RPI over the same period, and almost four times the increase in staff salaries. With bonuses and other benefits included, the average total remuneration in 2007/08 for these three Scottish Water Executive Directors was £244,000.

The previous Chief Executive, was paid £140,000 in salary (excluding bonuses) for eight months from April 2007 till his resignation in November 2007. With bonuses and other benefits, his remuneration package for the year 2007/08 totalled £198,000.

Staff reductions

Staff numbers in Scotland's water industry have fallen dramatically in the last few years, by more than 2,000 full time equivalent posts, or around 40%. At the time when Scottish Water was formed in 2002 out of the previous three water authorities, there were around 6,000 staff.

The average number employed in the year to March 2008 was 3,683.

Conclusion

Scottish Water is a highly successful public corporation, responsible to the Scottish Government. UNISON Scotland believes that it can afford to pay more. In recent years our members have saved Scottish Water over £1 billion through reduced operating costs and improved efficiencies. Customers and directors have benefited, while the workers face real terms pay cuts due to inflation. It is now time for the Scottish Government, which is blocking a fair pay deal, and Scottish Water to recognise the contribution of staff, and reward our members with a fair and proper pay award.

Scottish Water employees , 2003-2008

Average number employed
(full time equivalent)

2002	6,000*
2003	5,007
2004	4,516
2005	4,062
2006	3,693
2007	3,597
2008	3,683

Source: *Scottish Water Annual Reports*

* (est. before incorporation)

This large cut in the number of workers employed, along with its much needed capital investment programme, has helped Scottish Water to deliver huge savings. In this year's Annual Report, the Chairman of Scottish Water boasted about cost efficiencies totalling £1 billion in the corporation's first four years. These were largely passed on to customers.

Scottish Water – Key Facts

- Scottish Water is a publicly owned corporation established in 2002 and accountable to the Scottish Government.
- It provides water services to 2.4 million households and thousands of business and public sector customers in Scotland and employs around 3,700.
- Scottish Water has an annual turnover of over £1 billion. In 2007/8 Scottish Water delivered £625 million of Quality and Standards (Q&S) investment to improve treatment works, water mains, sewers and networks, and made a surplus of £195 million.

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