TWO YEAR PAY CLAIM: 2016/17 & 2017/18

SUBMITTED BY THE POLICE STAFF COUNCIL TRADE UNION SIDE

1. INTRODUCTION

This two year pay claim is submitted by the Police Staff Council Trade Union Side on behalf of police staff employed by police forces in England and Wales for the pay years: 2016/17 and 2017/18. The claim is the result of consultation by the trade unions with our members.

The claim is set at a level that we believe recognises the following key points:

- Increases in the cost of living over recent years have significantly reduced the value of police staff salaries
- Appropriate reward is needed to:
  - sustain the morale and productivity of police staff in their crucial role of delivering high quality services
  - recognise the increased workload and stress placed on our members against a background of 25% police budget cuts since 2010
- Average pay settlements across the economy have been running ahead of those received by police staff over recent years, increasing the likelihood of recruitment and retention problems in the long term.

2. SYNOPSIS

This claim is presented in the following sections:

- Summary Claim
- Police Staff Council Pay Determination Factors
- Impact of New National Living Wage
- Impact of Changes to National Insurance Contributions

3. SUMMARY OF CLAIM

The Trade Union Side is seeking the following increases to police staff pay for the 2 year pay period – 1 September 2016 to 31 August 2018:

Year One (2016/17)

- A 2.5%, or £500, increase on all PSC pay points, whichever is the greater
- A 2.5% increase in PSC Standby Allowance
- The deletion of the bottom pay point in the PSC pay spine
Year Two (2017/18)

- A 2.5%, or £500, increase on all PSC pay points, whichever is the greater
- A 2.5% increase in PSC Standby Allowance
- The deletion of the bottom pay point in the PSC pay spine

The Claim Explained

A table is attached at Annex A showing the effect the two year claim would have on current salaries. Please note the following:

- The claim is for an award weighted in favour of lower paid staff, earning £20,000 or less a year at present, for who the £500 flat rate award would be worth more than a 2.5% increase. The attached salary chart which shows which salary points (shaded in yellow) would benefit more from a £500 flat rate increase than a 2.5% increase.

- By deleting the bottom pay point from the Police Staff Council pay spine in each year of the claim we start work which will be necessary to comply with the government’s New Living Wage initiative which will require Police Staff Council pay points 4-9 inclusive to be deleted by 2020. The attached salary chart shows the salary points we are seeking to delete shaded in red.

- The predicted rates for the government’s New Living Wage will be:
  - £15,819 in 2018
  - £16,784 in 2019 (purple shading in attached table)
  - £17,941 in 2020 (blue shading in attached table)

- A 2.5% increase to Standby Allowance would take it from £28.88 to £29.60 per standby session

Re-opener Clause

Negotiations to re-open in advance of 1 September 2017 in the event that there is significant change to the values attaching to the PSC Pay Determination factors in the interim, which would impact on the second year of the award.

A two year settlement would be attractive to staff and police forces alike, on account of the certainty it would provide for financial planning in the medium term.

It would also provide much needed breathing space for Part 2 of the Police Staff Council Pay and Reward Review, which is due to examine police staff basic pay/pay and grading schemes.
4. Police Staff Council Pay Determination Factors: Summary

The Police Staff Council Handbook sets out the following six factors which the negotiators must have regard for when negotiating PSC pay deals. They do not constitute a rigid formula, but they are significant reference points for any pay claim that the Trade Union Side wants to submit.

The current values (year to January/February 2016) attaching to the factors are:

- Pay movements elsewhere in the public sector: 1.1%
- Pay movements elsewhere in the economy: 2%
- Movements in the retail prices index (RPI): 1.3%
- Recruitment and retention factors: no measure available
- Police Service Funding (2016): -1.2%

These pay determination factors remain depressed as a result of the government's public sector pay policy and the on-going cuts to Home Office Grant to police forces. Some of the central grant cuts might be off-set by increases in the police precept at local force level, particularly following the PCC election outcomes in May, but this information is not consistent and will be difficult to present. If there were a big increase in the precept for forces following this year’s PCC elections, this would be one of the factors which we would like to trigger a re-opener clause in time for the second year of any eventual settlement.

5. Pay Movements in the Public Sector and Wider Economy

The ability of police forces to attract and retain the staff they want in the long term will be damaged if the pay of its staff falls behind the going rate in the labour market.

With the unemployment rate on a downward trend over most of the last three years and the decline predicted to continue into 2016, vacancies are getting harder to fill and staff turnover is on the rise. Latest figures from UK Commission’s Employers Skills Survey estimate that vacancies have grown by 42% over the last two years.

The table below shows that pay settlements over the last year across the economy have been running at 2%.
A sample of economic sectors that can provide alternative career options for many police staff shows that pay settlements are running at the rates shown below.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Average reported pay settlements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Across economy</td>
<td>2.0%</td>
</tr>
<tr>
<td>Private sector</td>
<td>2.0%</td>
</tr>
<tr>
<td>Public sector</td>
<td>1.1%</td>
</tr>
<tr>
<td>Not for profit</td>
<td>1.5%</td>
</tr>
<tr>
<td>Energy &amp; gas</td>
<td>1.5%</td>
</tr>
<tr>
<td>Water &amp; waste management</td>
<td>1.8%</td>
</tr>
<tr>
<td>Retail &amp; wholesale</td>
<td>2.2%</td>
</tr>
<tr>
<td>Transportation &amp; storage</td>
<td>2.0%</td>
</tr>
<tr>
<td>Admin &amp; support services</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

Source: Labour Research Department, based on reported settlements in sector over last year

In order to remain competitive with wages across the economy, police staff will need to keep up with average earnings growth predicted to rise across the economy at 2.6% during 2016 and jump to 3.6% by 2017, where is it is set to broadly remain until 2020 following the pattern shown in the table below.

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1 Office for Budgetary Responsibility, Economic and Fiscal Outlook, March 2016
6. Movements in the Retail Prices Index

The table below demonstrates the major fall in living standards suffered by staff over recent years.

<table>
<thead>
<tr>
<th>Year</th>
<th>Police staff pay increases</th>
<th>Rise in cost of living(^2) (as measured by Retail Prices Index)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>2.58%</td>
<td>4.6%</td>
</tr>
<tr>
<td>2011</td>
<td>0.0%</td>
<td>5.2%</td>
</tr>
<tr>
<td>2012</td>
<td>1.48%</td>
<td>3.2%</td>
</tr>
<tr>
<td>2013</td>
<td>1.0%</td>
<td>3.0%</td>
</tr>
<tr>
<td>2014</td>
<td>-(^*)</td>
<td>2.4%</td>
</tr>
<tr>
<td>2015</td>
<td>2.2(^{\text{a}})</td>
<td>1.0%</td>
</tr>
</tbody>
</table>

* Value of 2.2% from 1 March 2015

This means that, while the cost of living has risen by over 19% over the last five years, police staff pay has risen by just over 7%, which means that thousands of pounds have been cut out of the value of staff wages.

Treasury forecasts indicate that the cost of living is set to rise significantly once more, with the 2016 rate hitting 2.1% followed by an acceleration to over 3% a year between 2017 and 2019, in line with the pattern below.

Forecast annual increase in cost of living

![Forecast annual increase in cost of living](image)

Source: HM Treasury, Forecasts for the UK Economy, November 2015

7. Impact of New National Living Wage

The Government announced a new National Living Wage (NLW) for workers aged 25 and above. The NLW has a target of reaching 60% of median hourly earnings by 2020. This is separate from the voluntary living wage figure calculated each year by the Living Wage Foundation.

The NLW rate has been set for 2016, and the Office for Budget Responsibility has forecast what rises are likely in the rate, consistent with its rest of economy predictions, up to 2020.

The hourly NLW rates up until 2020 are therefore as follows, with corresponding annual rates (hourly NLW rate x 37 x 52.14) and corresponding PSC pay point (2015/16 values):

<table>
<thead>
<tr>
<th>YEAR</th>
<th>NLW (Hourly)</th>
<th>NLW (Annual)</th>
<th>PSC Salary</th>
<th>PSC Pay Point</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>£7.20</td>
<td>£13,890</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>£7.65</td>
<td>£14,758</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>£8.20</td>
<td>£15,819</td>
<td>£15,717</td>
<td>5</td>
</tr>
<tr>
<td>2019</td>
<td>£8.70</td>
<td>£16,784</td>
<td>£16,587</td>
<td>7</td>
</tr>
<tr>
<td>2020</td>
<td>£9.30</td>
<td>£17,941</td>
<td>£17,763</td>
<td>10</td>
</tr>
</tbody>
</table>

The above figures show that PSC pay points will require deletion to comply with the NLW from the 2018 pay round forward. The projected NLW figures suggest that the 7 lowest PSC pay points (4 – 10) will have been overtaken by the NLW by the time of 1 September 2020 pay award. This would obviously be better done over time, rather than in one go.

This will also have significant implications for police forces which will need to adjust their local pay and grading systems in order to comply with the NLW, by deleting pay points and potentially reforming grades and adjusting pay and grading relativities between grades.

The Police Staff Council could play an important role in helping forces to manage these changes, potentially through the introduction of a national pay and grading scheme covering all forces in England and Wales.

However, in the short to medium term, the impact of the New Living Wage could be accommodated by planning to delete pay points incrementally from the bottom of the PSC pay spine.

This claim therefore seeks to remove PSC Pay Point 4 from 1 September 2016 and PSC Pay Point 5 from 1 September 2017.
8. Impact of Changes to National Insurance Contributions

One of the key impacts on police staff salaries in 2016 has been in the increase in national insurance contributions with effect from April.

From 6 April 2016 the Basic State Pension and Second State Pension (S2P) came to an end as separate schemes and were combined/replaced by a new single State Pension. Those police staff who were paying reduced rate National Insurance (NI) Contributions because they were in a workplace pension scheme (LGPS) that was better than the Second State Pension, have now started to pay standard NI contributions and start to earn a higher State Pension.

This will apply to nearly all our members who are contributing to the Local Government Pension Scheme (LGPS).

The average NI contribution rate rise for our police staff members affected by these changes is in the region of 1.4%, offset to some small degree only by the implementation of new higher Tax thresholds which also came into effect in April. So, although there has been a variable impact on the take home pay of police staff depending on income, many have seen a reduction in take home pay as a result of these changes.

9. CONCLUSION

There can be no doubt that police staff have seen the value of their earnings fall considerably over recent years, and they are now also falling behind pay settlements for less stressful jobs in other sectors of the economy.

On-going cuts to police force funding will intensify pressures on our members at the same time as greater job choices are opening up in an improving labour market.

This pay claim therefore represents a very reasonable framework within which to reward police staff for their dedication, skill and hard work, and sets out the minimum improvement in pay needed to maintain workforce morale to deliver consistently high quality services.
This table shows the impact the pay claim would have on current pay points if implemented in September 2016 and September 2017.

<table>
<thead>
<tr>
<th>Pay Point</th>
<th>01/09/16</th>
<th>01/09/17</th>
<th>01/09/18</th>
<th>01/09/19</th>
<th>01/09/20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>NLW 2018</td>
<td>NLW 2019</td>
<td>NLW 2020</td>
<td></td>
<td></td>
</tr>
<tr>
<td>01/03/15</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>£15,330</td>
<td>£16,784</td>
<td>£17,941</td>
<td></td>
<td></td>
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<tr>
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<td>£17,941</td>
<td></td>
<td></td>
</tr>
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<td>£16,784</td>
<td>£17,941</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>£17,941</td>
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