Public Sector Pay Restraint in England

Contents

Section one

Summary

"Our economy should work for everyone, but if your pay has stagnated for several years in a row and fixed items of spending keep going up, it doesn't feel like it's working for you."

Prime Minister Theresa May, Conservative Party Conference, October 2016

- Six years of public sector pay restraint has had a significant impact on the living standards of 5m public sector workers, with the median public sector wage over £1k lower in real terms than in 2010.
- Public sector pay is set to decline further as the government adheres to a 1per cent pay cap on the public sector pay bill till the end of this parliament, resulting in cumulative real terms losses of pay of over £4k for nurses, midwives, civil servants, firefighters and a range of other public service occupations.
- Public sector pay is set to decline further in relation to private sector pay. As private sector pay awards outpace those in the public sector, public sector employers are facing an increasing recruitment and retention crisis.
- Pay stagnation is affecting the living standards of public sector workers, with increasing numbers failing to keep pace with cost of living and relying on other forms of income either through accumulating debt, seeking agency work or employment outside of the sector.
- Increasing numbers of public servants, particularly in local government and health, are working at or marginally above the National Minimum Wage.
- Public sector employers, particularly in the health and education sector, are relying on costly and inefficient use of agency labour in order to fill gaps created by staff shortages.
- Pay restraint is reducing disposable income in local economies, exacerbated by large public sector job losses, particularly in regions in the north, midlands and south west with higher reliance on public sector employment, weak local labour markets and higher unemployment.
- The TUC believes that the government should work with public service employers and unions to:
  – Lift the public sector pay cap and allow public service wages to be determined according to the needs of each sector through collective bargaining between employers and unions or through genuinely autonomous and independent Pay Review Bodies where appropriate.

- Reform Pay Review Bodies to ensure that relevant trade unions and employer voices are included within board membership and that PRBs are able to look at a wider range of issues than affordability – focussing on recruitment, retention, market comparisons, staff morale and the impact on services.
- Place more value on all employees delivering public services by adopting the widely supported voluntary Living Wage, which is currently £9.40 per hour in London and £8.25 in the rest of the UK.
- Increase the National Minimum Wage as quickly and strongly as can be sustained. The TUC's medium-term goal is that all UK wage rates should reach at least £10 per hour.
- Develop fair and sustainable pay structures that are easy to explain, understand and operate, with shorter pay bands and that guarantee progression based on transparent and objective appraisal systems, agreed in partnership between employers and unions.

Section two

Background: Public sector pay policy since 2010

Pay policy within the public sector has been an integral part of the government's wider public sector reform since 2010.

Given that the public sector pay bill constitutes around half of current public spending, pay restraint has been a major part of the government's attempted approach to deficit reduction based primarily on cuts to public expenditure.

In 2011/12, the government imposed a two year pay freeze from which was followed by a 1 per cent pay cap on the public sector pay bill until 2015/16. All public sector employers have been required to adhere to this, either through conditions placed on negotiations between employers and unions, such as in the civil service, or through conditions placed on independent Pay Review Bodies that determine pay awards in areas such as health, education and the prison service.

In the Summer Budget 2015, the government announced that it will "fund public sector workforces for a pay award of 1 per cent for 4 years from 2016/17". While CPI inflation is currently 0.9 per cent and RPI at 2 per cent, OBR forecasts inflation growth back to between 2 to 3 per cent by 2017, suggesting further real terms pay cuts within the next five years.

In a letter of August 2015 to Pay Review Bodies, then Treasury Minister Greg Hands MP stated that "the government expects pay awards to be applied in a targeted manner to support the delivery of public services, and to address recruitment and retention pressures. This may mean that some workers could receive more than 1 per cent while others could receive less; there should not be an expectation that every worker will receive a 1 per cent award"

At the same time, increases to the National Minimum Wage from 2016 will put pressure on public sector employers that are subject to the pay cap and who have large numbers of low paid staff. This is particularly the case in local government where over 80,000 employees in local government will be covered by the government's "National Living Wage" as we progress towards to the 60 per cent of median earnings target in 2020. Increasing numbers of NHS staff will also require significant uplift from next year.

With the existing cap on the total pay bill, there is the real potential for thousands of public sector staff caught in the middle to be facing zero wage growth through the lifetime of this parliament

Section three

Impact on public sector wages

Six years of pay restraint has left the average public sector worker earning between 3 to 7 per cent less per year in real terms compared to 2010, comparing public sector wage growth with inflation (see table 1).

Table 1: Average Weekly Earnings – Total Pay in Public Sector excluding Financial Services 2010 - 2016

			CPI			RPI
AWE in 2016 (projected)	Real AWE in 2010 (2016 prices)	Nominal annual change	% annual change	Real AWE in 2010 (2016 prices)	Nominal annual change	% annual change
£500	£516	-£811	-3.0%	£539	-£2,003	-7.2%

However, measuring the impact on public sector pay using Average Weekly Earnings is not necessarily the most effective way of illustrating the impact of government pay policy. The mean wage across the public sector is affected by a number of variables, including incremental progression, turn over and promotion.

Distributional impacts such as staff turnover do not capture the lived experience of the individual worker. Increased pay as a result of promotion would be regarded as a natural remuneration for increasing risk and responsibility. Incremental progression should be discounted given that it is the route some public sector workers take to achieve the top of the pay scale, seen as the ‘rate for the job’ based on assessment, competencies and experience. The ‘rate for the job’ is a more accurate illustration of the value placed on the remuneration given to that particular grade or occupation and, moreover, large numbers of staff are currently placed in that position – 47 per cent of NHS staff on Agenda for Change grades according to the NHS Pay Review Body.

A more useful methodology would be to measure the impact of pay policy on different public sector workers’ salaries, using the top of the pay scale, to isolate the real terms cuts in pay resulting from the pay cap alone – without other mitigating factors that might affect the average.

Using this methodology we can see even more significant cuts to pay across public sector occupations, as table 2 illustrates.

Table 2: Real terms pay cuts by public sector worker 2010 - 2016

Type of worker	Pay in 2016	2010 pay in 2016 prices (CPI)	Nominal real terms pay cut (CPI)	% terms pay cut (CPI)	2010 pay in 2016 prices (RPI)	Nominal real terms pay cut (RPI)	% terms pay cut (RPI)
Midwife (Band 6)	£35,225	£38,405	£3,150	8.2%	£40,112	£4,857	12.1%
Nurse (Band 5)	£28,462	£30,929	£2,467	8%	£32,304	£3,842	11.9%
School teacher (outside London)	£33,160	£35,443	£2,283	6.4%	£37,018	£3,858	10.4%
Fire fighter (competent)	£29,638	£31,676	£2,038	6.4%	£33,018	£3,446	10.4%
Ambulance Driver (Band 3)	£19,655	£20,868	£1,213	5.8%	£21,795	£2,140	9.8%

The pattern of real terms cuts in pay for public sector workers is set to intensify over the next four years under existing government pay policy, as public sector wage growth held at 1 per cent fails to keep track with inflation forecasted by the OBR to reach 2 – 3 per cent by 2017.

Table 3 shows the impact in terms of the real terms pay cut for a range of public sector workers, mapping their pay growth at 1 per cent from 2015/16 to 2020/21 against the OBR's inflation forecasts released at the time of the November 2016 Autumn Statement.

Impact on public sector wages

Table 3: Real terms cuts in wages by public sector occupation 2015/16 to 2020/21

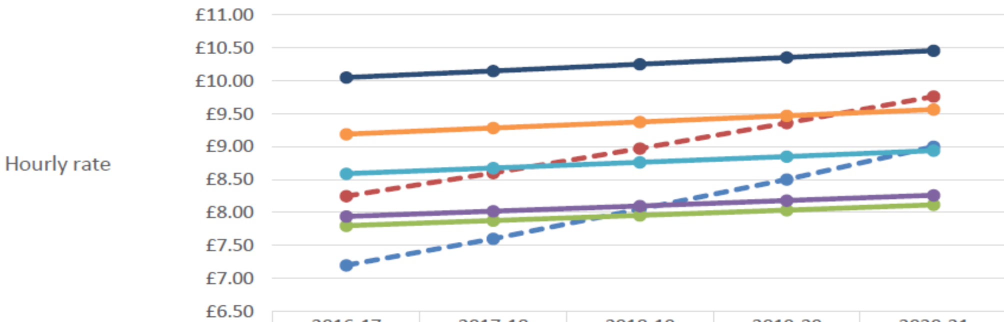
Occupation	Pay in 2015/16	Pay in 2020/21 at CPI in 2016 prices	Nominal real terms cut at CPI	Pay in 2020/21 at RPI in 2016 prices	Nominal real terms cut at RPI
Midwife	£35,255	£33,534	£1,691	£31,937	£3,288
Teacher	£32,831	£31,255	£1,576	£29,767	£3,064
Nurse	£28,462	£27,096	£1,366	£25,806	£2,656
Fire fighter	£29,638	£28,215	£1,423	£26,827	£2,766
Jobcentre Plus supervisor	£24,727	£23,540	£1,187	£22,419	£2,308
Social worker	£37,858	£36,041	£1,817	£34,325	£3,533
UK Border Force officer	£27,000	£25,704	£1,296	£24,480	£2,520
Ambulance driver	£19,655	£18,712	£943	£17,821	£1,834

Pay restraint has also meant that many low paying public sector jobs, particularly in local government and the NHS have failed to keep pace with the National Minimum Wage or the Living Wage.

Figure 1 below is taken from the joint staff side submission to the NHS Pay Review Body for 2017/18.

This shows that, based on assumptions that the National Minimum Wage uprating to 60 per cent of median earnings would yield £9 per hour by 2020, workers on the lowest bands within the NHS Agenda for Change pay scales will be overtaken by both the Living Wage and the National Minimum Wage in the lifetime of this parliament.

Figure 1: Agenda for Change pay bands 1 – 3 and NMW projected – Staff side submission to NHS Pay Review Body



	2016-17	2017-18	2018-19	2019-20	2020-21
Minimum wage	£7.20	£7.60	£8.05	£8.50	£9.00
Living Wage	£8.25	£8.60	£8.97	£9.36	£9.76
Band 1/2 entry rate	£7.80	£7.88	£7.96	£8.04	£8.12
Top of Band 1	£7.94	£8.02	£8.10	£8.18	£8.26
Top of Band 2	£8.59	£8.68	£8.76	£8.85	£8.94
Band 3 entry	£9.19	£9.28	£9.37	£9.47	£9.56
Top of Band 3	£10.05	£10.15	£10.25	£10.35	£10.46

Pay growth has been much slower than originally predicted so it looks like the National Minimum Wage target might actually now yield about £8.61 by 2020 – meaning that it is likely to impact on a smaller proportion of workers than those identified in Figure 1 above, covering all those in Band 1 and around half of those in Band 2.

Analysis by the Local Government Association shows that assuming a 1 per cent annual increase in the years 2017 - 2020, the bottom 6 points on the NJC pay scale would be below the National Minimum Wage of £8.61 in 2020. 46,000 FTE staff are currently employed on those pay points in local government.

Not only is it ethically questionable that key public sector workers should be earning the bare minimum but it is also making those roles uncompetitive in relation to other low paying sectors, increasing recruitment and retention problems. Furthermore, it is making it increasingly difficult to maintain existing pay structures such as Agenda for Change as well as creating huge pressures on employers looking to fund increases in NMW at a time of a 1 per cent cap on the pay bill.

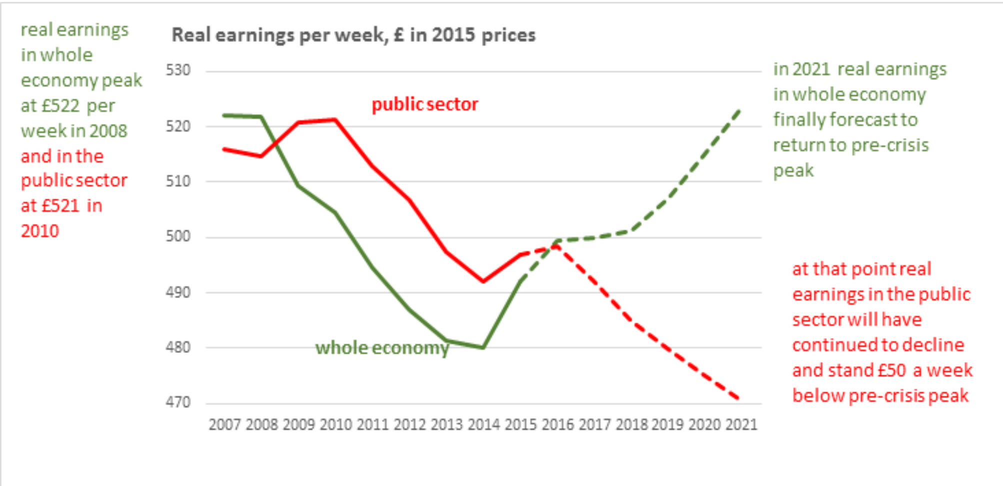
Section four

Public and private sector wages

Analysis by the TUC shows that real terms pay growth in the public sector is set to decline significantly against real wage growth in the wider economy, according to OBR forecasts at the time of the Autumn Statement.

Figure 2 below shows that public sector pay will have declined by 15 per cent from its pre-crisis peak, lagging behind growth in the wider economy from 2016 onwards.

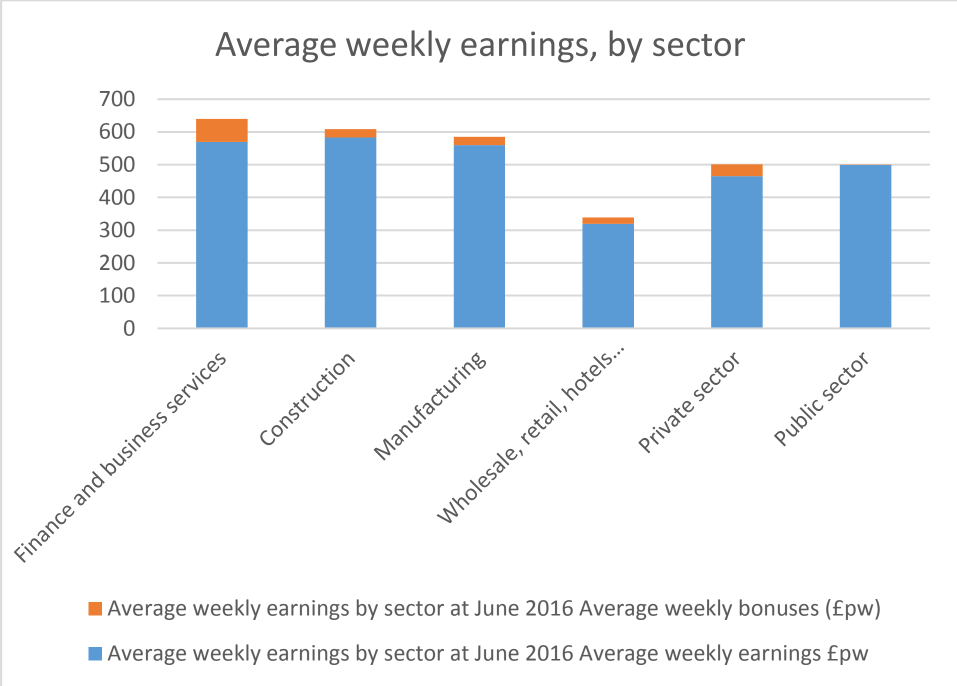
Figure 2: Public sector v whole economy real earnings growth 2007 - 2021



This is borne out by a number of other studies.

Analysis by Incomes Data Research and the OME (see Figure 3) shows that in September 2016 public and private sector average weekly earnings had achieved parity. Furthermore, this was largely due to the impact of very low paying parts of the private sector pulling down the private sector average. Average public sector earnings are less than those in finance and business services, construction and manufacturing.

Figure 3: Average weekly earnings by sector, September 2016, IDR and OME



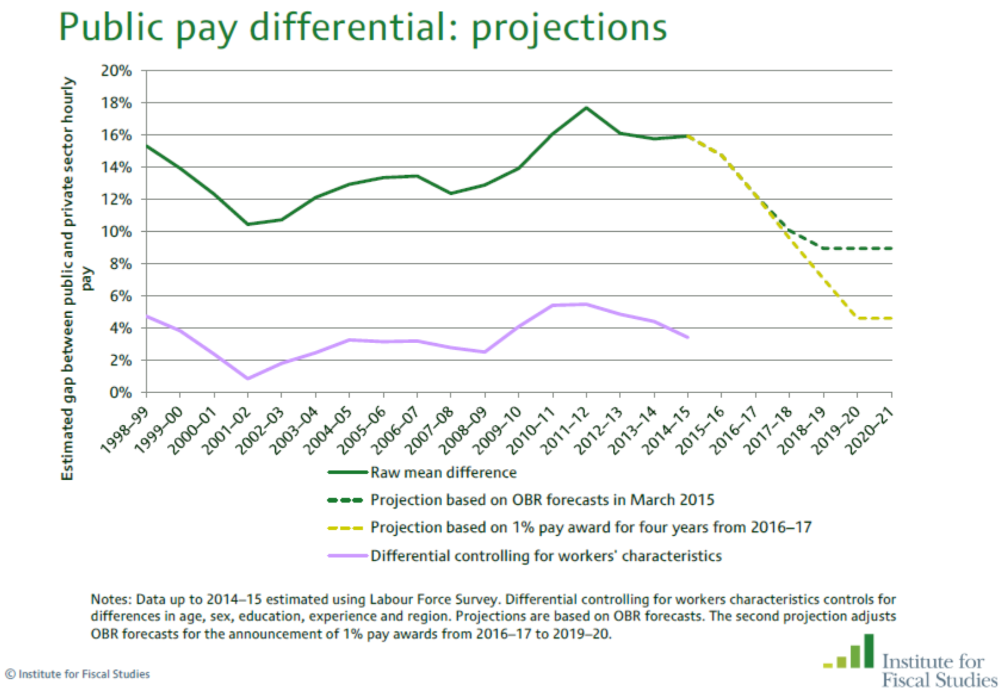
This is echoed by the Institute of Fiscal Studies. Figure 4 below shows an increasing convergence of public and private sector pay when controlling for workers' characteristics.

Furthermore, using projections based on 1 per cent growth in public sector pay bill, the IFS estimates a very significant decline in the uncontrolled public sector pay differential, indicating that the controlled differential will likely fall below that of the private sector for the next four years.

In their Green Budget of February 2016, the IFS state that:

The government's announced 1% limit on annual pay increases for a further four years from 2016–17 is therefore expected to reduce wages in the public sector to their lowest level relative to private sector wages since at least the 1990s. This could result in difficulties for public sector employers trying to recruit, retain and motivate high quality workers, and raises the possibility of (further) industrial relations issues.

Figure 4: Public pay differential: projections, IFS and OME



The Resolution Foundation made a similar point in their quarterly Earnings Outlook report in October 2015, stating that:

The divergent path of average wages in the public and private sectors is seen clearly in the changing pay rise experience of employees remaining in work in each year. Post-crisis, wage rises in the public sector were initially protected. But the advent of wage restraint means that since 2012 pay rises in the public sector have tracked around one percentage point below those elsewhere in the economy. The persistence of public wage restraint and signs of diminishing slack that may create further wage pressure in the private sector mean that we might expect this gap to widen in coming years, raising potential questions over recruitment and retention in the public sector.

Section five

Impact on public sector workers

Pay restraint is contributing to growing problems of morale, recruitment and retention across the public sector.

A significant majority of respondents to union member surveys are feeling the pinch. In the NHS, 63 per cent of UNISON members responding and 79 per cent of Unite members saying they felt worse off than they did 12 months ago.

Many of the 21,000 health service members responding to the UNISON pay survey of October 2016 stated that increased food, transport, utility and housing costs were having a serious impact on their cost of living.

Alarmingly, two thirds of staff had used financial products or made a major change to their standards of living over the last year. Of that group:

- 73% asked for financial support from family or friends
- 20% used a debt advice service
- 17% had pawned possessions
- 16% used a payday loan company
- 23% moved to a less expensive home or re-mortgaged their house
- Just over 200 respondents said that they had used a food bank in the last year.

In the same survey, over half of members stated that morale was low or very low in their workplace and 65 per cent claimed that it had worsened in the last 12 months. Over half had seriously considered leaving the NHS over the last year. The top factors were for staff considering leaving were:

- Increased workload – 67%
- Stress at work – 67%
- Feeling undervalued by management – 59%
- Feeling undervalued due to low levels of pay – 58%

The largely low paid and female workforce in local government has been particularly badly affected by pay restraint.

This is apparent in Incomes Data Research’s survey for UNISON of over 2,000 local government members. In the survey, some 70% of respondents report that living costs have increased over the last 12 months, while just 26% report an increase in their personal income. 42% of respondents have personal debt and a worrying proportion of those (24%) owe £10,000 or more.

Respondents were asked how difficult it was to meet a range of living costs. A majority of respondents found it "more difficult" or "much more difficult" to cover food, general living costs, utility bills and travel costs. Between two-fifths and half of respondents found costs relating to housing, healthcare and credit cards or loans hard to pay.

Section six

Recruitment and retention

There is a growing consensus that the government's public sector pay policy is unsustainable, particularly given the twin aim of restraining pay while seeking workforce engagement in transforming services and developing new delivery models.

This is reflected in the findings and recommendations of Pay Review Bodies, informed comment from key public service think tanks and commentators and from representatives of public service employers.

Commenting on the increasing teacher recruitment and retention problems, the School Teachers Pay Review Body 2016 made a clear connection with the deterioration of the relative position of teacher pay:

Recruitment and retention pressures have become more acute, creating a challenging climate for schools. We have noted significant shortfalls in recruitment to ITT (initial teacher training) for the secondary sector and an increase in vacancy numbers, including in all the core subjects. Figures show a significant increase in the number of teachers resigning from the profession (including higher wastage in early years) at a time when pupil numbers are increasing, adding to the demand for teachers. Our analysis of earnings data showed that the relative position of teachers' earnings has deteriorated further this year and they continue to trail those of other professional occupations in most regions. We are concerned about this further deterioration in the recruitment and retention position when set against strong demand in the graduate labour market and continuing concerns in the profession about workload … Based on our assessment of recruitment and retention considerations alone, there is a case for an uplift higher than 1% to the national pay framework, to strengthen the competitive position of the teaching profession at a time of growing demand for graduates.

The growing problem of teacher retention was highlighted by the results of the school workforce census of November 2015.

This showed that nearly one in ten teachers left the profession last year – the highest proportion for a decade – and almost a quarter of teachers now leave within three years. The figures show that after three years, teachers are leaving faster than they were before: 75 per cent of teachers who started in 2012 were still in post three years later, which is the lowest since records began in 1996

Responding to these figures, the National Association of Head Teachers (NAHT) stated:

Figures show a further deterioration in retention after three years, which is a source of great concern for school leaders. We lose a quarter of those who enter service by this point. This has been steadily worsening over the past four years, and the government needs to look at the drivers – workload, stagnant pay and an over-bearing accountability system – behind this worrying trend.

The NAHT point to the impact that this is potentially having on quality:

Official statistics mask the reality that school leaders are still sometimes forced to appoint staff who are less experienced or able than they would like because of a lack of applications for a post; it is about quality, not just the numbers in post.

The NHS Pay Review Body 2016 flagged up the implications for recruitment and retention that may arise due to NHS staff feeling undervalued due to pay restraint at a time of increasing workloads:

NHS staff are highly motivated and committed to delivering high quality patient care; for the majority this is what attracts them to work in the health sector. However, the pressures within the system are high and increasing and appears to be having an effect. Coupled with low pay awards this all serves to make many staff feel undervalued … considering the implications of the type of pay restraint envisaged by the UK government over the next four years much will clearly depend on the overall economic picture. There are shortages and recruitment and retention problems already emerging for particular groups in the NHS. Resolving these, so that the NHS continues to offer a good service to patients, will hinge in large part on the quality of the employment proposition, of which pay is one of many factors alongside others such as career progression, development, workload, wellbeing and pension.

NHS Employers had made this point in their own submission to the Pay Review Body in the previous year:

Over the longer term it will be important to balance affordability considerations with the risk that the value of the NHS employment proposition will erode. This may eventually have some impact on staff engagement as well as employers' ability to recruit and retain skilled staff from wider labour markets.

This point was strongly reinforced by Chris Hopson, Chief Executive of NHS Providers who claimed in an interview with the Health Service Journal in November 2016 that one NHS Trust found lower paid staff quitting the NHS to work in supermarkets because pay in the health service was becoming uncompetitive. He commented that:

If we try and maintain that 1 per cent to the end of the parliament, we are seriously worried that we will not be able to maintain the staff we need or recruit new ones.

In their report 'Staffing Matters, Funding Counts' of July 2016, the Health Foundation pointed to the counter-productive nature of pay restraint when the NHS was seeking to maximise staff engagement in the process of change required through the Five Year Forward View:

Pay determination should be a lever to improve performance and service delivery. It should also recognise the contribution of staff, and motivate them to continue to contribute. The longer the centralised 'freeze' goes on, the less pay and associated reward can be a policy lever to achieve these objectives, locally or nationally. NHS England's plan to deliver the Forward View rests in part on implementing the government's 1% cap on public sector pay by 2019/20. However, there is a risk that continuing to constrain pay through national public sector pay restraint will backfire as it will undermine the ability to use pay to recognise, reward and motivate NHS staff and encourage them to work productively.

The Nuffield Trust made similar points in their June 2015 report "Health and social Care Priorities for the Government", stressing the need to empower, value and reward staff in order to engage staff in the challenges of transforming health services:

The effect of five years of pay restraint, growing demand for health care services and increasing complexity of patient need has left the NHS workforce feeling undervalued. Many NHS organisations are struggling to recruit and retain clinical staff and staffing costs are being inflated by the use of agency and locum staff. An engaged and empowered NHS workforce will be crucial for meeting the multiple challenges ahead for the health service, including the efficiency challenge and the move to seven-day services. However, staff burnout is becoming a significant risk in many settings. Politicians must think carefully about how to reconcile the need to develop and encourage the workforce with the inevitable political desire to maintain 'grip' on the NHS when the financial situation continues to deteriorate. We recommend that the Government prioritises reconnecting with the NHS workforce and ensuring staff feel valued in their work.

Recruitment and retention problems are growing in other areas of public service too.

For the first year in recent times more than half of the respondents to the Senior Civil Service Pay Survey 2015 said they are aware of recruitment difficulties in their organization with a number pointing to the need to re advertise some jobs due to a lack of qualified applicants. For retention the situation is even worse with nearly 60% of people reporting retention difficulties in their organization compared with 46% last year, as Table 4 illustrates below.

Recruitment and retention

Table 4: Civil service recruitment and retention: SCS Pay Survey 2015

Question	Answer	All respondents (%)
Are you aware of recruitment difficulties in your organization?	Yes	52.3
	No	47.7
Are you aware of retention difficulties in your organization?	Yes	57.1
	No	42.9

Section seven

Public sector pay and agency staff

In her evidence to the Health Select Committee in 2014, Anita Charlesworth of the Health Foundation pointed to a false economy where the undervaluing of full time staff was leading to NHS employers increasingly relying on agency staff:

Trying to recruit additional staff while holding down pay against the background of shortage of key skilled groups such as nurses, has led to a significant increase in temporary staff. Last year the NHS's temporary staff bill went from an already large £3.5bn to a whopping £4.5bn. This is unsustainable. With morale falling and work-related stress increasing across the NHS, it's difficult to see how the service can turn this around, and quickly.

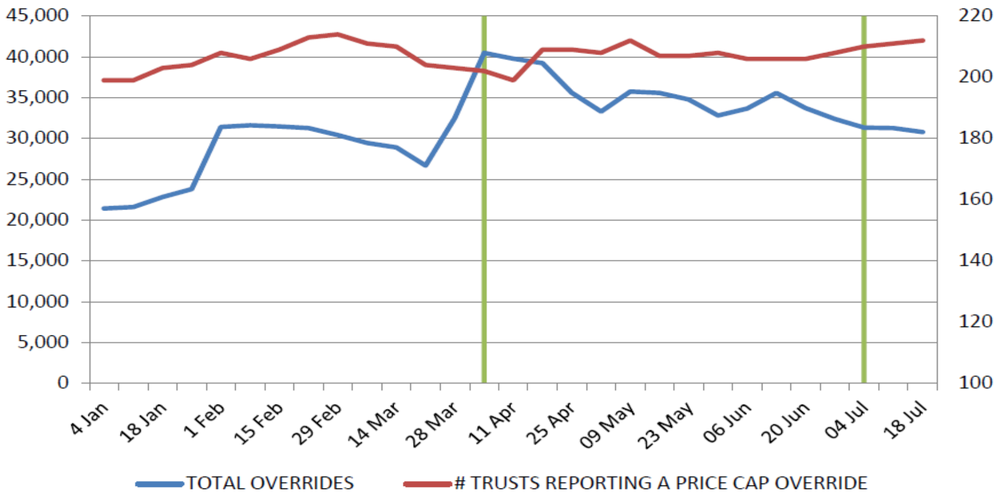
In their research into the use of agency workers in the public sector, the National Institute of Economic and Social Research point to a 50 per cent increase in agency spend by NHS Trusts between 2009/10 and 2014/15.

There has been considerable analysis of the reasons for the increase in agency staffing in NHS Trusts and much of it can be attributed to the increased requirement for ward staffing resulting from the Francis Review and the cuts to nurse training in 2010/11 and 2011/12 feeding through the system. However, the NIESR research attributes other factors, including the deteriorating employment offer as a result of pay restraint.

It is worth noting that the research also points to a 15 per cent increase in the use of supply teachers in maintained schools, indicating that the use of agencies to fill staff shortages in the public sector is not exclusive to the specific circumstances of the post-Francis NHS.

The full impact of government attempts to reduce agency costs through the use of price caps has yet to emerge but evidence received by health unions suggests that the number of NHS Trusts breaching price caps has actually increased over the first half of 2016, despite the introduction of additional price cap measures (indicated by the green stripes in Figure 5 below). This suggests that agency price capping is merely addressing the symptom without changing the cause, which is the failure to recruit and retain sufficient staff, particularly in nursing.

Figure 5: NHS Improvement Agency price cap overrides 2016



As the King's Fund identifies:

The major risk we see is that the solution being pursued by the national bodies fails to address the underlying issue of shortage of supply; in recent years providers have increasingly been force to rely upon more expensive temporary staff to fill vacancies because they simply cannot recruit sufficient permanent staff.

It is also interesting to note that the spike in the use of agency staff within the NHS has not been mirrored by a rise in the use of overtime and bank staff, suggesting that overtime and bank pay for full time NHS staff is insufficient to attract the extra hours needed to fill rota gaps – exacerbating the "costly and inefficient" process for filling staff shortages suggested by the National Audit Office.

While it is recognised that there may be a number of reasons why staff may prefer agency work, the NIESR research suggested that pay was one of the top priorities, with evidence from agency worker focus groups suggesting that topping up existing salary was a key motivation as well as the need to find additional pay for workers at the top of their existing pay grade (which stands at 50 per cent of the NHS nursing workforce, for example).

Not only is the reliance of agency staff "costly and inefficient" but the NIESR report also listed a number of concerns about service quality that NHS and school employers had identified, including:

- Lack of training and CPD
- Lack of familiarity with procedures, policies, patients/pupils, teams
- Lack of continuity and commitment
- Impact on morale and performance of permanent staff
- Inadequate agency checks, requirements and accreditation.

Section eight

The regional impact of public sector pay restraint

As well as the impact on public sector workers' living standards and its contribution to growing morale, recruitment and retention problems, public sector pay restraint also has a significant macro-economic impact.

As the government attempts to stimulate economic growth in different parts of the country, it is worth noting the impact that public sector wage restraint has had by taking disposable income out of local economies.

Table 5 below provides an indication of this.

Looking at different regions of England, we mapped the average real terms loss of earnings of public sector workers over the last six years (using CPI inflation) against the number of FTE public sector jobs in 2016 to estimate the total loss of disposable income from those local economies.

Table 5: Total loss of disposable income in regional economies 2010 – 2016 through public sector pay restraint

Region	Real terms pay gap in 2016 per worker (£)	Cumulative loss of real terms earnings 2010 – 2016 per worker (£)	Total public sector FTE jobs in 2016 (000s)	Total loss of disposable income 2010 – 2016 (£bn)
North East	689	7,666	243	1.8
North West	584	5,740	643	3.7
Yorkshire and Humber	819	6,101	489	3.0
East Midlands	1,805	9,974	303	3.0
West Midlands	828	6,825	441	3.0
East	1,140	4,533	461	2.1
London	2,202	11,997	756	9.1
South East	680	5,109	617	3.1
South West	1,220	7,464	420	3.1

This loss of purchasing power was raised in the Staff Side submission to the NHS Pay Review Body which stated that:

By combining pay lost per point with the number of full-time equivalent staff in post the scale of cuts becomes apparent. In total, over £4.3 billion has been cut from NHS staff salaries in England alone between 2010 and 2016. This also represents lost purchasing power to the UK economy at a time of slowing economic growth as the disposable income of NHS staff has reduced.

This loss of purchasing power through pay restraint has been exacerbated by a substantial fall in public sector employment within each region. This will have a particularly hard impact in those regions with a greater reliance on public sector employment, higher unemployment and weaker labour markets in the north, midlands and south west as Table 5 illustrates.

Table 5: Public sector employment change by region 2010 - 2016

Region	Public sector jobs 2010 (000s)	Public sector jobs 2016 (000s)	Loss of jobs 2010 - 2016 (000s)	Negative growth (%)
North East	316	243	73	23
North West	757	643	114	15
Yorks and Humber	595	489	106	18
East Midlands	362	303	59	16
West Midlands	562	441	121	22
East	464	461	3	1
London	848	756	92	11
South East	705	617	88	12
South West	508	420	88	17

Section nine

Conclusion and recommendations

The TUC welcomes the Prime Ministers statement of intention for an economy that works for all and her recognition, made in her party conference speech this year, of the alienation felt by those workers faced with several years of pay stagnation.

Pay stagnation has been acutely felt by public sector workers – manifested in a growing crisis of morale, recruitment and retention in many parts of our public services. In recent years these issues have led to industrial action, with some unions such as the Royal College of Midwives taking strike action for the first time in their history.

Pay stagnation has also come at a time of rising demand, major restructuring and reform of public services and a number of other reforms that have affected the total reward package of public servants, including changes to pensions and exit payments.

Given the growing pressures on recruitment and retention and the knock-on effects on service quality and the need to stimulate economic growth, particularly in the north and midlands, the TUC believes that the government should signal a change of direction on public sector pay.

The TUC believes that the government's public sector pay policy has become unsustainable and that employers and unions should be able to negotiate wages that reflect the needs of our public services, through collective bargaining or genuinely independent Pay Review Bodies as appropriate.

In our submission to the Autumn Statement, the TUC called on the government to work with public service employers and unions to:

- Lift the public sector pay cap and allow public service wages to be determined according to the needs of each sector through collective bargaining between employers and unions or through genuinely autonomous and independent Pay Review Bodies where appropriate.
- Reform Pay Review Bodies to ensure that relevant trade union and employer voices are included within board membership and that PRBs are able to look at a wider range of issues than affordability – focussing on recruitment, retention, market comparisons, staff morale and the impact on services.
- Place more value on all employees delivering public services by adopting the widely supported voluntary Living Wage, which is currently £9.40 per hour in London and £8.25 in the rest of the UK.

- Increase the National Minimum Wage as quickly and strongly as can be sustained. The TUC's medium-term goal is that all UK wage rates should reach at least £10 per hour.
- Develop fair and sustainable pay structures that are easy to explain, understand and operate, with shorter pay bands and that guarantee progression based on transparent and objective appraisal systems, agreed in partnership between employers and unions.

Trades Union Congress
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