

## **Pay Fair briefing on regional and local public sector pay**

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In the 2011 Autumn Statement the Chancellor announced that the Government wanted to move towards 'more local, market-facing pay' in the public sector. The TUC's Pay Fair campaign has highlighted a range of arguments as to why the government should not introduce regional or local pay:

### **1. Local pay and fairness**

We believe the government should promote fair employment. This cannot be done by paying nurses, teachers and Jobcentre staff less in the poorer parts of the UK. The jobs require the same level of skills and qualifications as they do in wealthier areas. It is fairest to pay people for what they do, not where they live.

### **2. Pay practice in the private sector**

Advocates of local public sector pay argue that private sector pay is set in line with local labour markets. Large multi-site private companies provide the most appropriate comparison with the public sector. Evidence shows that, rather than fragmented local bargaining, the most common system used by these companies is a national pay structure with London weighting, very similar to the public sector. Marks and Spencer, Greggs, BT, Waterstones and British Gas all use this approach.

### **3. Local bargaining is costly**

There are also concerns that the Government might move to localise the bargaining arrangements that determine public sector pay. This would be an inefficient, costly and disruptive move affecting thousands of employers. Each of these would have to gather labour market intelligence, benchmark and equality-proof their proposals, draw up a negotiating position, hold negotiating meetings and establish new payroll systems. Localising bargaining would also increase the number of potential pay disputes, further absorbing resources and damaging local industrial relations.

### **4. Local pay and equalities**

National pay schemes have been developed to minimise the risk of equal pay challenges. The Agenda for Change system in the NHS arose out of substantial legal challenges to previous pay practices, was designed with leading equal pay experts, and took several years of negotiation and implementation to put into place. Localising pay would risk reigniting expensive and lengthy legal battles.

There is a much bigger gender pay gap in the private sector than the public sector, and a much bigger gap between top and bottom pay. Is this what the Government really wants to emulate in the public sector? Women make up 65% of public sector workers and would stand to lose under regional pay.

### **5. Local pay could cost the economy almost £10 billion a year**

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Public sector wages play a vital role in local and regional economies, especially in less prosperous parts of the UK. Localising public sector pay would damage local economies by reducing people's spending power and would widen inequalities between different parts of the UK.

Concerned that the government has yet to undertake any serious research into the economic effect of these proposals, the TUC commissioned the New Economics Foundation (nef) to analyse the arguments used by ministers and the model the economic impact.

Nef concluded that reducing public sector wages in local economies could damage the entire economy and cost many private sector jobs. In the worst case scenario as many as 110,000 net jobs could be lost across England and Wales, and up to £9.7 billion lost each year. The impact would be a reduction of GDP of 0.43% - which is double what the IMF currently believes the UK economy will grow by throughout 2012.

## **6. Local pay isn't backed by the evidence**

The government has based their case for local pay on the argument that public sector pay 'crowds out' private sector growth. But analysis by the New Economics Foundation shows that this is not backed up by economic theory or practical experience, and a recent report by Incomes Data Services concluded that there was no significant evidence that public sector pay 'crowds out' the private sector. Common sense tells us that while unemployment is high, it isn't public sector pay holding back the economy: it's lack of demand.

### **Political opposition to regional and local public sector pay**

MPs from across the political spectrum have voiced their opposition to the prospect of regional or localised public sector pay. The Labour Party, Plaid Cymru, SNP, SDLP, DUP and the Green Party are officially opposed to its introduction along with the Welsh Conservatives and Welsh Liberal Democrats. In June more than 100 MPs signed Early Day Motion 55 tabled by Tony Lloyd MP opposing 'the localisation of public sector pay'.

A total of 26 Liberal Democrat MPs (including Liberal Democrat President Tim Farron) and a range of Conservative MPs representing constituencies set to be negatively affected have publicly spoken against the policy. In recent months councillors across England and Wales have been debating and passing motions opposing regional pay, from Northumberland to Cornwall. The Conservative Party's only directly elected Mayor in the North of England at North Tyneside has recently added her opposition to the plans.

### **Public opposition to regional and local public sector pay**

Opinion polling shows the public do not support regional or local public sector pay. In March following the budget, pollsters Survation found that only 28% of the public thought that freezing the pay of public sector workers outside of London and the south east was fair. Twice as many people said it was unfair. When asked if voters thought the policy would help or harm regional economies, as claimed by some government ministers, only 17% thought it would help. People are also worried about the effect on services, with almost two-thirds saying it would mean schools in low pay areas would struggle to attract and keep teachers.

## **Conclusion**

There is growing appreciation that regional or local public sector pay would be unfair, impractical, harmful for the economy, isn't backed up by the evidence and is unpopular with voters and politicians. The case for regional and local pay does not add up and the Pay Fair campaign urges the government to reject the idea.

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