

NJC PAY 14 bulletin

Campaigning for a fair deal for local government workers

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Issue No 7

WHY THE LOCAL GOVERNMENT PAY CLAIM IS AFFORDABLE...

Our claim for 'a minimum of £1 an hour' for all local government workers is affordable. Local government employers would only have to meet 45% of the cost if savings by the Treasury from our claim were recycled to local government. That's without using any reserves, cutting spending on expensive consultants and agency workers - and without taking healthier school budgets into account. Added together, these sources of funding make our claim reasonable and the way to go!

Make sure you share this with your councillors and MPs.

Our claim

To reach the Living Wage of £7.65 pence an hour for the lowest paid, we would now need an increase of £1.20 an hour. We want this for all local government workers - to start to restore the 18% of the pay they have lost since the Coalition took office.

Much of our claim could pay for itself

Our claim would largely fund' itself through:

- Increased income for the government from increased tax and National Insurance payments – which could be 'diverted' to local government
- Less government money spent on in-work benefits and tax credits
- Increased income for the government through more spending on goods and services and therefore higher VAT 'take'
- Increased economic activity – more jobs and economic growth
- Use of relatively healthy school budgets to fund the increase for school staff
- Less spent on consultants and agency workers by councils

- Use of some of the additional £2.3 billion placed in council reserves in the last two years

How much would our claim add to the total pay bill for NJC workers?

The New Policy Institute (NPI) has undertaken some new research for UNISON which shows that:

- The cost of increasing pay by £1 an hour for local government workers employed in NJC councils would be £1.26bn
- With additional Employer National Insurance (ENI), this would be £1.42bn
- The cost of increasing pay by £1.20 an hour would be £1.51bn
- With additional employers' NI, this would be £1.7bn

Higher tax and National Insurance 'take' and reduction in benefit costs

The NPI research shows that:

- If NJC workers were paid an extra £1 an hour, the extra income from National Insurance paid by employees would be £160m
- The increased tax 'take' by the Treasury would be £340m
- Reductions in tax credit and benefit costs would be £130m
- **That's a total government saving of £630m**
- If NJC workers were paid an extra £1.20 an hour, the extra income from National Insurance paid by employees would be £190m
- The increased tax 'take' by the Treasury would be £410m
- Reductions in tax credit and benefits costs would be £160m
- **That's a total government saving of £760m**

Income from VAT and indirect taxes

Higher earnings would mean more spending, so the Treasury would also gain through indirect taxes like VAT

- If pay was increased by £1 an hour, the Treasury would gain an extra £154m in VAT and indirect taxes
- If pay was increased by £1.20 an hour, the Treasury would gain £175m

So how much would local government and schools have to pay?

The table below summarises all the savings to the Treasury and the total cost to local government and schools of £1 and £1.20 pence an hour increases. The Treasury would gain 55% of the pay increase. If recycled to councils, **local government would only have to fund 45% of the pay increase.**

Cost	£1 increase	£1.20 increase
Wage cost	1,260m	1,510m
+ Employer National Insurance	160m	190m
= Total local government cost	1,420m	1,700m
Employer National Insurance (above)	160m	190m
+ Increased tax take	340m	410m
+ Reduced benefit expenditure	130m	160m*
= Total central government saving	630m	750m
Net public sector cost	790m	950m
Less indirect taxes	145m	175m
Net public sector cost after indirect taxes	645m	775m

*Does not sum due to rounding

Schools have healthier budgets!

Around 25% of NJC workers are school staff. School budgets have been frozen and schools are feeling the effects of inflation – but they are not facing massive cuts like councils. This means that our claim is even more affordable for school staff. A proportion of the savings from meeting our claim could be recycled to schools to help meet the cost of our claim.

Reduced spending on agency workers and consultants

- In 2011/12 councils spent an estimated £1bn on external consultants. That equates to almost the total cost of paying an extra £1 an hour to NJC workers after Treasury savings
- In 2011, councils spent £1.8bn on agency workers
- The use of agency workers has risen as many councils adopt ‘short term’ staffing strategies. Cutting just half of this spending would allow councils to meet a large part of the cost of our claim

Council reserves grow fast!

Rather than pay local government workers a decent wage, many councils have chosen to put cash into reserves year after year. Reserves have increased by 20% since 2010/11 alone, while NJC pay has fallen by 18%!! In just the last year, reserves grew by £2.6bn – enough to pay everyone an extra £1.20 twice over!! **Many councils could afford to meet our claim from their reserves and still have lots of cash to spare for the rainy days ahead when they will need our members to keep services going.**