GMB UNION

Congress 2021

CEC Statement on Pay and the Cost of Living

GMB Union
On your side

GMB UNION

CEC Statement on Pay and the Cost of Living

Principles

GMB believes that it is essential that our pay claims remain relevant to changes in the cost of living as it is experienced by our members.

Congress does not seek to 'bind the hands' of our negotiators by dictating the detail of negotiations. At the same time, Congress as the supreme policymaking body of the union does establish important principles that reps and officers should have regard to in negotiations.

Much has changed since Congress adopted a Real Living Wage demand of £10 an hour in 2014. This Statement establishes the principle that our headline Real Living Wage claim must always keep pace with the cost of living. It must also remain a clear demand that is straightforward to communicate to members and non-members.

Our ability to bargain for our members depends on access to good quality information. The RPI inflation index is the closest measure to the true cost of living, and it is under attack. The Government plans to scrap the measure in 2030. This could cost our working and pensioner members thousands of pounds over time. It is vital that the whole labour movement campaigns to protect the rate.

We further believe that the GMB@Work principle carried by Congress 2006 of always having 'a claim on the table' as a precursor to organising has stood the test of time. This Statement is intended to help keep our national campaigning claims – through the Low Pay Commission and other bodies – fit for the early 2020s.

Background

Wages should be something more than a minimum payment that enables us to live. Working people should be rewarded with their full share of the fruits of their labour. Each worker should be guaranteed a minimum standard of living that allows them to pursue their own interests, enjoy recreational activities, provide for their families and take full part in the social life of their community.

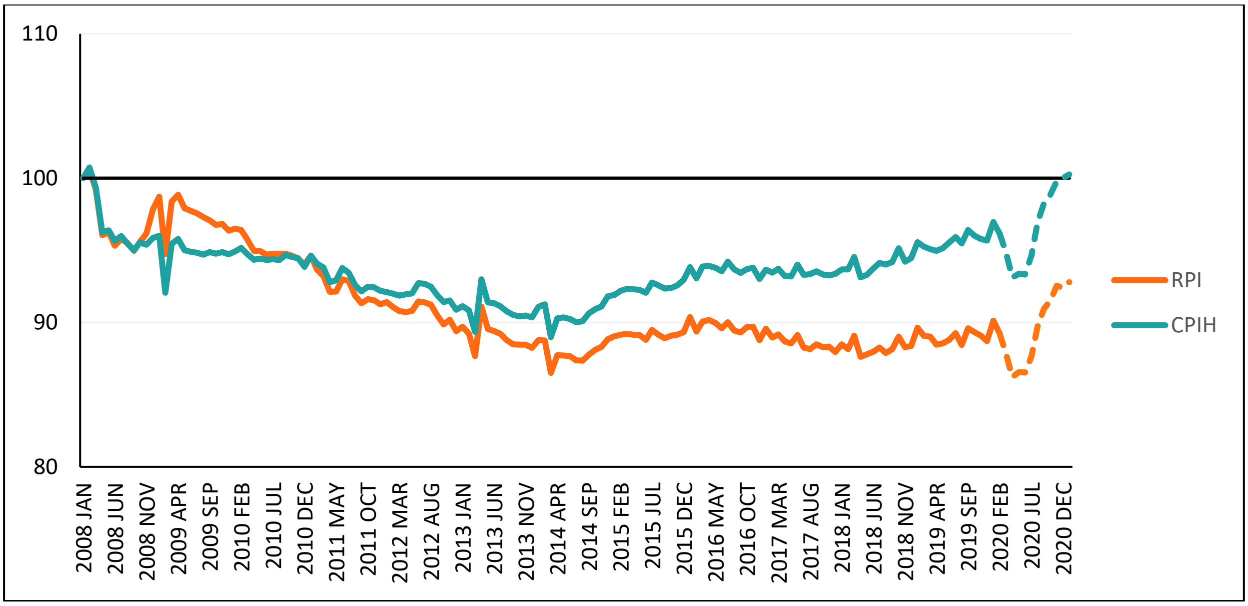
However, we have to be realistic about the challenges that face us. Across the UK, union membership, bargaining coverage and the union 'wage premium' have fallen. The wage differential fell from 15 per cent to 10 per cent between 2009 and 2019 (and in the private sector, the difference has fallen to 3.6 per cent).

While GMB supported the creation of a National Minimum Wage, we have argued over many years that the initial rate was set too low, and it has not caught up with the real minimum cost of living.

GMB's policy since Congress 2014 has been to campaign for the National Minimum Wage to be replaced with a Real Living Wage of £10 an hour (Motion 79 – Minimum Wage). This rate was itself uprated from the previous policy of £8 an hour (Congress 2012 – Composite 7). We campaign for the abolition of discriminatory lower age-based NMW rates.

While profits have boomed in many industries, wages have stagnated. Average real wages had still not recovered from the financial crash at the point that the pandemic hit. Real wages were still 10 per cent below January 2008 levels when measured against the RPI.

Real Average Weekly Earnings 2008 to 2021, where January 2008 = 100



GMB calculations based on ONS data. Average wages since March 2020 are skewed upwards due to low paid workers disproportionately losing their jobs.

Against this backdrop, it is more important than ever that our core Real Living Wage demand remains relevant to the world of work.

Living Wage Rates

The £10 an hour demand is clear and simple to communicate, but it must keep pace with the times. We believe the time is right to uprate the demand made in 2014. If we do not do this then we risk being overtaken by events.

The Foundation Living Wage rate is already £9.50 (and £10.85 in London). The Government said in March 2020 that the full National Minimum Wage rate should read £10.50 by 2024.

Adjusted for RPI inflation, the 2014 £10 an hour demand was worth £11.50 at the start of 2021. Our headline claim must at least keep pace with the cost of living.

We note that the Government's so-called 'National Living Wage' is simply a rebranding of the National Minimum Wage for people aged 25 and over, and that even the current full 'National Living Wage' rate falls below the minimum living standard as calculated by the independent Living Wage Foundation.

We further note that the Living Wage Foundation aims to set a rate that 'meets everyday needs' and establish a Minimum Income Standard. It is an average rate that is not high enough to meet the basic living costs of all workers (as set out in the Appendix to this statement). The Living Wage Foundation rate serves an important purpose, but it is not an aspirational rate for a decent living standard, nor is it high enough to compensate for the sacrifices made during the more than a decade of real terms wage cuts.

Finally, we note the motion carried by TUC Congress 2020, which said that the National Minimum Wage should be raised to £10 an hour, and further called 'for £15 per hour for all workers' (Composite 09 – in context, £15 an hour is the median average for full-time workers). However, our minimum Real Living Wage demand has already been £10 an hour for some years.

Therefore, we commit to:

1. **Immediately increase our core campaign demand for the National Minimum Wage Living Wage rate to be replaced with a Real Living**

Wage of £12 an hour in recognition of the changes to the cost of living and low-paid workers' sacrifices during the pandemic **and for all workers to be eligible for this rate - wages not based on ages.**

2. **Keep our headline Real Living Wage demand simple and in line with changes to the cost of living** - Congress therefore instructs the GMB to continually review inflation rates and all the evidence on the true minimum income required to maintain a decent standard of living, and from time to time to bring further proposals for uprating our headline demands for debate at future Congresses.

3. **Recognise the 2020 TUC Congress call for a £15 an hour** claim and seek opportunities to integrate this higher demand into our own campaigning, within our democratic industrial structures.

We recognise, and welcome, the fact that GMB has led ground-breaking campaigns for higher rates (including for £15 an hour) in particularly high cost areas, and in particular industries and occupations. The adoption of uprated minimum demands in no way limits these campaigns.

Measuring the cost of living – save the rate

Our ability to bargain depends on our industrial strength and our access to relevant, high quality information.

We need a reliable measure of how our members' costs are changing. The establishment and defence of such an index has been a longstanding objective of the labour movement.

For many years, trade unions have seen the Retail Prices Index (RPI) as the best measure of inflation. But the RPI is under attack and its future is in doubt.

There are stark differences between the RPI and the alternative Consumer Prices Index (CPI), and its derivative the CPIH, which includes some housing costs. The difference between the two RPI and the CPI averages between 0.5 per cent and 1 per cent a year.

The RPI was developed in the UK to be a workers' cost of living index. The CPI was developed by the European Union to measure member states' economic convergence. RPI excludes the richest households; the CPI includes prices should as stockbrokers' charges.

The RPI measures owner-occupier housing costs; the CPI does not measure housing costs at all, and the CPIH uses rent costs to estimate owner-occupier costs. GMB has said that this is like using the price of apples to estimate the price of oranges.

We note that the Royal Statistical Society has said that *'CPIH and … CPI … are an unsatisfactory measure of inflation as it affects British households.'*

RPI remains the most referenced index in pay bargaining and private sector pension schemes. But since 2010, a powerful coalition of interests has sought to scrap the RPI, and replace it with the lower CPI and CPIH rates. While the union movement including GMB helped to secure a six year delay in the plan, the Government still intends to effectively scrap the RPI in 2030.

Despite the Government's intention to scrap RPI, many of our members' costs continue to rise with the higher rate, including: private rents (where index linked), mobile phone contracts, interest on student loan repayments, and commuters' rail fares.

Employers can use the lower CPI and CPIH rates to create a misleading impression of wage changes. For example, in adult social care in England, it has been claimed that average wages have increased by 90p (or 12 per cent) an hour since 2012. But measured against the RPI, real average wages have changed by just 41p (or 5 per cent), despite the huge rise in demand during that time.

Ministers dress up the plan to scrap the RPI in 2030 as a complex, technical change – but its effects will be simple: another devastating attack on the living standards of many of our members. We note that the trustees of some of the country's biggest pension schemes (BT,

> Inflation – the cost of different rates
>
> If the uprating of wages for someone paid £18,000 a year was switched from RPI to CPIH, the change would make a dramatic difference over time.
>
> After ten years, they would be paid £21,744 – this would be £1,895 less than the £23,639 they would have been paid under RPI. They would have lost out on £10,022 on a cumulative basis over the decade.

Ford and Marks and Spencer) are currently seeking a Judicial Review of the decision.

The Royal Statistical Society and the House of Lords Economic Affairs Committees have called for the RPI to be reformed (in line with past practice), but Ministers have rejected this sensible approach.

GMB calls for:

- **A national campaign to save the RPI rate** and for the Labour Party and the wider labour movement to take an active stance in defence of the rate.
- Where possible, **the use of the RPI to be defended and extended**.
- The implications of the planned change to be communicated to our members as 2030 approaches, and for alternative measures suited to measuring working people's cost of living to be sought if the change is pushed through.

RPI and CPI/CPIH – some of the main differences

RPI	**CPI and CPIH**
Measures housing costs including owner-occupier costs	CPI does not measure housing costs. CPIH only directly measures rent costs.

Excludes richest 4% households and state pensioners	Measures all households' expenditure
Developed in the UK to measure living costs	EU measure of economic performance (the 'real' name of CPI is the Harmonised Index of Consumer Prices)
Includes holiday spending	Includes university accommodation, foreign students' tuition fees, and stockbrokers' charges
Uses the simple 'arithmetic' mean to calculate averages of change – some claim this has an upwards bias	Uses the more complex 'geometric' mean to calculate averages of change – some claim this has an downward bias

Appendix

Estimated hourly rates required to maintain a Minimum Income Standard in 2020 (unadjusted for inflation in 2021)

	Single, working age		Couple, two children aged 4 and 7		Lone parent, two children aged 4 and 7	
	Tax credits	Universal Credit	Tax credits	Universal Credit	Tax credits	Universal Credit
Hourly earnings requirement	£9.82	£9.82	£9.56	£7.57	£16.31	£11.97

Source: Joseph Rowntree Foundation, A Minimum Income Standard for the United Kingdom in 2020