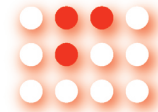


FACT

S E R V I C E



57 What the parties say on the minimum wage
Donations to political parties in 2009

58 Tories upset business over retirement age
Growth in UK economy will beat rivals

59 Take home pay on the road to recovery
Final salary schemes are back in surplus

60 Directors' pay soars

Annual Subscription £72.00 (£61.00 for LRD affiliates)

Volume 72, Issue 15, 15 April 2010

What the parties say on the minimum wage

"We will make work pay better with the goal of a minimum wage rising at least in line with average earnings and a guarantee that people will be better off in work than on benefit", the Labour manifesto for the 2010 general election has promised.

TUC general secretary Brendan Barber welcomed the commitment to give the independent Low Pay Commission (LPC) a broader remit in fighting poverty pay.

"While the commission must continue to make its recommendations on the evidence available, it is good to rule out letting the minimum wage fall behind the growth of average earnings.

"The minimum wage must never be allowed to 'wither on the vine' otherwise low-paying employers will be allowed to shirk their responsibilities and needlessly abandon low-paid workers to poverty pay.

"The LPC has been a successful example of social partners working together and we would be glad to see the commission given additional responsibilities to report on productivity and career progression in low-skilled, low-paid sectors."

Paul Kenny, general secretary of the GMB general union, said: "This manifesto gives voters many good reasons to vote Labour. A National Minimum Wage rising at least in line with average earnings offers more protection for the lowest paid."

The Tories merely say: "We need to make work pay, so we will keep the minimum wage."

The Liberal Democrats have a different take on the matter and would "set the minimum wage at the same level for all workers over 16 (except for those on apprenticeships)".

www.tuc.org.uk/newsroom/tuc-17825-f0.cfm

www.gmb.org.uk/newsroom/latest_news/labour_election_manifesto.aspx

<http://www2.labour.org.uk/uploads/TheLabourPartyManifesto2010.pdf>

http://media.conservatives.s3.amazonaws.com/manifesto/cpmanifesto2010_lowres.pdf

www.libdems.org.uk/our_manifesto.aspx

Donations to political parties in 2009

The Conservative Party had built up a big election war chest by the end of last year, judging by figures from the watchdog, the Electoral Commission.

A total of £32.5 million was received by the Conservative Party at national and local level last year – over double the sum that Labour received in 2009.

LABOUR RESEARCH DEPARTMENT

Published weekly by LRD Publications Ltd, 78 Blackfriars Road, London SE1 8HF. 020 7928 3649 www.lrd.org.uk

Labour in turn received more than two and a half times the sum received by the Liberal Democrats.

Over £18 million of the £27 million received in donations by the Tories came from rich individuals.

| Party | Donations | | Total ¹ | |
|--------------------|-----------|-------|--------------------|-------|
| | £000 | No | £000 | No |
| Conservatives | 27,086 | 1,604 | 32,514 | 1,617 |
| Labour | 15,213 | 1,183 | 16,221 | 1,189 |
| Liberal Democrats | 3,887 | 1,020 | 6,213 | 1,035 |
| UKIP | 1,404 | 184 | 1,404 | 184 |
| Co-operative Party | 925 | 59 | 925 | 59 |

¹ Includes public funds for the three main parties

www.electoralcommission.org.uk/party-finance/party-finance-analysis/party-funding

Tories upset business over retirement age

You just can't please some people. Big business are up in arms over Tory plans to abolish the default retirement age of 65.

The Conservative pledge to "abolish the default retirement age (DRA)" entirely – going one step further than Labour, which promised to remove only the DRA at 65 – has angered business groups.

In its 2010 manifesto, the Conservatives have promised to remove the DRA if they win the general election, because they claim older people who want to carry on working past 65 should be able to do so.

But John Cridland, deputy director-general at business group CBI, said: "Ending the default retirement age would be unhelpful. It helps employees think about when it is right to retire, and enables employers to plan more confidently for the future. This is particularly important for smaller companies."

Speaking after the launch of the Labour Party manifesto, Cridland said: "While accepting a review of the default retirement age, we would not want to see it end, as having it helps employees think about when it is right to retire, and enables employers to plan more confidently for the future. This is especially important for small businesses."

David Yeandle, head of employment policy at manufacturers' body the EEF, said of the Tories' plan: "Manufacturers will be concerned that the Conservatives have gone further than Labour in

pledging to abolish the default retirement age. Any changes to the retirement age of 65 must be implemented gradually so that employers and employees can plan for both their future needs with greater certainty."

www.cbi.org.uk
www.eef.org.uk/

Growth in UK economy will beat rivals

Britain's economic growth is set to pick up in coming months and outstrip that of the United States, Japan and Germany, according to forecasts from the Organisation for Economic Co-operation and Development (OECD). Such a view will come as a boost to the Labour Party's handling of the economy ahead of the general election.

The Paris-based think tank revised down its previous view on Britain's first quarter annualised growth to 2% from 2.4%, but that pace still beats its forecasts for Japan and Germany.

In the second quarter of this year, the OECD sees UK growth picking up to 3.1%, outpacing the United States, and all other countries in the G7 group of large economies apart from Canada.

The OECD is expecting growth across the G7 to pick up pace in the second quarter. It predicts combined GDP will rise 1.9% in the first quarter – a slightly faster pace than the 1.5% it had previously pencilled in but way below 3.7% in the fourth quarter. In the second quarter it is expecting 2.3% growth.

But the think tank was keen to stress a number of pressures on the global recovery, including the winding down of some fiscal stimulus measures and continued weakness in consumer demand as unemployment remains high.

"Despite some encouraging signs on activity, the fragility of the recovery, a frail labour market and possible headwinds coming from financial markets underscore the need for caution in the removal of policy support," said the OECD's chief economist, Pier Carlo Padoan.

Meanwhile, the respected think tank the National Institute of Economic and Social Research (NIESR) predicted that the UK economy will show growth of 0.4% in the first quarter of 2010, further allaying fears of a double-dip recession.

The NIESR also estimated that the economy had grown by 1.1% since its trough last September, clawing back some of the output destroyed by the worst downturn since the second world war.

The forecast is not official, but if accurate, then the UK economy would have expanded for two straight quarters.

However, the independent think tank also warned that Britain's output was still 5.4% lower than it was in early 2008, having fallen by more than 6% during the recession. "The growth rate is still lower than the trend rate of growth of potential output, so the output gap is still increasing," it said.

www.guardian.co.uk/business/2010/apr/07/service-sector-slow-growth-recovery
www.guardian.co.uk/business/2010/apr/08/uk-economy-forecast-growth-recession

Take home pay on road to recovery

There has been a recovery in take home pay from its all-time low in February, according to the index figures from pay processors VocaLink.

Its Take Home Pay Index showed a rise of 0.5 percentage points taking growth in take home pay to 1.5% in March.

The rise has been significantly aided by a strong rebound in manufacturing sector pay growth which increased by 0.9 percentage points in March.

However, even though the economic recovery is underway, there is still significant spare capacity in the economy. As a result, since March last year, the VocaLink Take Home Pay Index has stabilised between a 1.0%-2.0% range, which is significantly lower than the 4.0% pre-recession average.

Marion King, chief executive officer at VocaLink, said: "Arguably, UK employers are using wages, instead of employment, to control costs much more so than in the past.

"As a result, wage growth remains at a structurally lower level; this trend is set to continue throughout 2010 as employers put off making long-term decisions around raising employment and/or wages."

For manufacturing, the index rebounded sharply in March to 1.3% from its record low level of 0.4% in February. This index now stands at the average level experienced in 2009, though still significantly lower than the 3.2% average level of 2008.

Much of this recent improvement in the manufacturing sector is due to the turning inventory cycle, which is expected to provide a boost to overall economic growth in the first quarter of this year. However, it is unclear whether this rise in manufacturing output will be temporary or sustained.

Meanwhile, the services index edged up by 0.2 percentage points to 1.5% in March. Despite being above the manufacturing index, the services index remains a full two percentage points below its average level over the past five years of 3.5%.

The main reason for this relative underperformance is the excess capacity in the economy.

Douglas McWilliams, chief executive of economics consultancy cebr, said: "While the rise in March's VocaLink Take Home Pay Index is a large move relative to the level of the index, it acts to merely take the index to the midpoint of the 1.0%-2.0% range that it has been fluctuating in since March 2009.

"It is clear that wage growth will continue to remain at historically depressed levels until upward pressures emerge from significant rises in employment."

www.vocalink.com/en/AboutUs/Press%20room/Take%20home%20pay%20index/Pages/Takehomepayindex.aspx

Final salary schemes are back in surplus

Private sector final-salary pension schemes have moved back into surplus – just – for the first time since June 2008.

In March, the 7,342 pension schemes had a total surplus of £0.3 billion, compared with a deficit of £15.1 billion the previous month, the Pension Protection Fund (PPF) said.

A year ago the deficit was much higher, standing at £242 billion.

However, despite the improvement overall, 5,032 or two-thirds of schemes are still in deficit with only the remaining third (32%) – or 2,310 schemes – in surplus. The numbers are an improvement on a year ago when 6,637 schemes were in deficit and only 774 in surplus.

The PPF said rising share prices meant the funds' assets had risen by more than the cost of paying for pensions.

"Total scheme assets amounted to £915.4 billion in March 2010, representing an increase of 3.9% over the month and an increase of 22.3% over the year to March 2010," the PPF said.

Against that, scheme liabilities showed a monthly increase of 2.1% to £915 billion. Liabilities were 7.6% higher than a year ago.

www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/PPF_7800_April_10.pdf

Directors' pay soars

The company reporting season is in full swing with the thud of annual reports on investors' doormats and the thud of large pay cheques going in to top executives' bank accounts.

Forty-one top directors feature in the table below. They earned over £500,000 each with 24 picking up over £1 million last year. The total pay and benefits bill for the 41 came to £56.6 million or an average of £1.38 million for each executive. On a weekly basis, the average is £26,540.

The oil industry dominates with four of the top five executives in the table. They are headed by Dr Tony Hayward, chief executive of BP, on over £3 million and his counterpart at Royal Dutch Shell until his retirement last June Jeroen van der Veer just behind him. By delaying his retirement until June 2009 van der Veer picked up over £750,000 as a lump sum cash payment to offset a loss in pension benefits.

Year-on-year comparisons could be made for 27 top executives and 18 got a pay rise last year. Graham Chipchase, who took over as chief executive of packaging group Rexam earlier this year, heads the pay rise list with a 54.6% rise followed by his finance director David Robbie with a 43.7% rise. The increases were down to huge bonus rises of 154.8% and 140.8% respectively last year.

Peter Voser, who took over the mantle of Shell's chief executive last July, matches Robbie with a 43.7% rise. And Kash Pandya, a regional director of generation equipment rental firm Aggreko and Dr Byron Grote, chief financial officer of BP with rises of 32.6% and 30.6% respectively complete the top five rises.

Angus Coburn, finance director of Aggreko, comes in at number 41 in the table, but on £505,000 a year – or over £9,700 a week – he does not have trouble paying the weekly food bills.

| Director | Company (year end) | Pay (£000) | % rise |
|---------------------|---------------------------|------------|--------|
| Dr Tony Hayward | BP (12.09) | 3,158 | 25.9 |
| Jeroen van der Veer | Royal Dutch Shell (12.09) | 3,125 | n.a |
| Peter Voser | Royal Dutch Shell (12.09) | 2,814 | 43.7 |
| David Brennan | AstraZeneca (12.09) | 2,602 | 25.5 |
| Malcolm Brinded | Royal Dutch Shell (12.09) | 2,367 | 4.9 |
| Richard Cousins | Compass (12.09) | 2,361 | 1.2 |
| Andy Inglis | BP (12.09) | 2,217 | 7.9 |
| Dr Byron Grote | BP (12.09) | 2,209 | 30.6 |
| Paul Adams | BAT (12.09) | 2,190 | -3.9 |
| Iain Conn | BP (12.09) | 1,840 | 16.0 |
| Gary Green | Compass (12.09) | 1,824 | 28.3 |
| Samir Brikho | AMEC (12.09) | 1,719 | -12.4 |
| Erik Engstrom | Reed Elsevier (12.09) | 1,663 | 26.0 |
| Leslie Van de Walle | Rexam (12.09) | 1,622 | n.a |
| Andrew Martin | Compass (12.09) | 1,460 | -1.4 |
| Nicandro Durante | BAT (12.09) | 1,457 | n.a |
| Robert Dudley | BP (12.09) | 1,392 | n.a |
| Andrew Moss | Aviva (12.09) | 1,339 | 6.9 |
| Andrew Prozes | Reed Elsevier (12.09) | 1,261 | 6.1 |
| Stephen Hester | RBS (12.09) | 1,227 | n.a |
| Simon Lowth | AstraZeneca (12.09) | 1,151 | 7.7 |
| Mark Armour | Reed Elsevier (12.09) | 1,056 | -11.5 |
| Ben Stevens | BAT (12.09) | 1,037 | n.a |
| Andrea Moneta | Aviva (12.09) | 1,020 | n.a |
| Simon Henry | Royal Dutch Shell (12.09) | 952 | n.a |
| Graham Chipchase | Rexam (12.09) | 949 | 54.6 |
| Gordon Pell | RBS (12.09) | 933 | 2.6 |
| Rupert Soames | Aggreko (12.09) | 898 | -18.8 |
| David Robbie | Rexam (12.09) | 848 | 43.7 |
| Ian McHoul | AMEC (12.09) | 848 | n.a |
| Ian Tyler | Balfour Beatty (12.09) | 834 | -19.9 |
| Philip Scott | Aviva (12.09) | 825 | 4.6 |
| Mark Hodges | Aviva (12.09) | 752 | n.a |
| Bruce Van Saun | RBS (12.09) | 700 | n.a |
| Kash Pandya | Aggreko (12.09) | 680 | 32.6 |
| Anthony Rabin | Balfour Beatty (12.09) | 657 | -8.8 |
| Andrew McNaughton | Balfour Beatty (12.09) | 555 | n.a |
| Peter Zinkin | Balfour Beatty (12.09) | 554 | -11.5 |
| Neil Bruce | AMEC (12.09) | 537 | n.a |
| Duncan Magrath | Balfour Beatty (12.09) | 527 | n.a |
| Angus Cockburn | Aggreko (12.09) | 505 | -17.1 |

Source: Company remuneration reports

Get Fact Service by e-mail

Get *Fact Service* the day it is published – straight to your computer

An e-mail subscription to *Fact Service* means you get to see it the day it is printed – four days or more earlier than you normally would by post

It is sent out as a pdf file. Free Adobe Acrobat software can be downloaded from www.adobe.co.uk

You can then store, retrieve and use the information in *Fact Service* how you want and when you want

To see a sample please e-mail: snavaz@lrd.org.uk