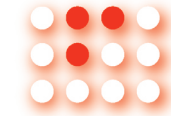


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Bad start to year for UK's trading position

Britain's trading with the rest of the world deteriorated at the start of 2010, according to early estimates from the Office for National Statistics. The current account recorded a deficit of £9.4 billion in the first quarter of 2010 – this compares with a surplus of £0.5 billion in the final quarter of 2009.

The deficit with EU countries widened, while with non-EU countries it moved from surplus back into deficit. There was an £8.8 billion deficit recorded with the EU in the first quarter of the year, compared with a deficit of £3.9 billion at the end of 2009. Meanwhile, there was a deficit of £0.9 billion with non-EU countries against a surplus of £4.4 billion in the final quarter of 2009.

The deficit on trade in goods in the first quarter of 2010 was £21.7 billion, compared with £21.1 billion in the previous quarter. Exports rose by £1.6 billion, and imports rose by £2.2 billion. The deficit for trade in semi-manufactured goods widened by £0.8 billion to £1.6 billion, and the deficit for finished manufactured goods widened by £0.2 billion to £13.5 billion.

The trade in services surplus was £12.5 billion in the first quarter of 2010, £0.6 billion lower than in

the previous quarter. Exports fell by £0.7 billion to £39.1 billion, mainly reflecting a decrease in financial services (£0.4 billion), royalties and license fees (£0.3 billion) and construction services (£0.2 billion). Meanwhile, imports fell by £0.2 billion to £26.6 billion.

www.statistics.gov.uk/pdfdir/bop0610.pdf

Coalition's work from home proposal

Employers will be encouraged to let staff work from home as part of a government campaign to cut traffic congestion, it has been announced. Incentives could be introduced to encourage flexible working hours and train companies will be encouraged to overhaul how season tickets are sold, so people who only spend part of the week at an office are not penalised.

Transport minister Norman Baker believes traditional travel patterns have to change if the coalition government is to create the low-carbon economy it promised.

Speaking to the *Daily Telegraph* newspaper, Baker said: "Part of my brief as a transport minister is to sometimes encourage you not to travel. I want to be the first virtual transport minister. This isn't just

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pie in the sky; it could really work with just a little bit of flexibility.”

Baker's initiative could ease pressure on Britain's transport network, which is bracing itself for sweeping spending cuts in the autumn.

“The kind of initiatives I'm working on will do away with the rush hour,” Baker continued. “Reducing demand will reduce congestion, pollution, and stress in our daily lives. Working just one day in 10 from home would have a huge impact. For example, home working could do wonders for that work-life balance we all strive for. So you drop the children off at school, work in the office 09.30hrs until 14.00hrs, go and pick them up, then work a couple more hours from home.

“Transport choices in the 21st century should also fit a 21st century world where we shouldn't just use smart cards to travel, we should be smarter about when we travel and when we use office technology for virtual travel instead. The results will be tangible – reduced congestion, reduced carbon emissions, improved quality of life.”

Baker, a Liberal Democrat MP, also wants rail companies to sell ticket carnets as well as season tickets. This would enable people to pay for their journeys in batches while enjoying the discount offered to season ticket holders.

www.traffictechnologytoday.com/news.php?NewsID=23152

Trade unions' political spend is down

The 28 unions with political funds spent £17.8 million in 2008-09 – a 5% fall on the previous year when they spent £18.76 million.

Five unions spent over £1 million in the period covered by the union watchdog's annual report. Unite topped the big spenders laying out £6.28 million on its political activities, including its affiliation fee to the Labour Party. UNISON took second spot with £4.47 million while the GMB general union spent £2.93 million. The shop and distribution workers' union Usdaw spent just under £2 million and the CWU communication workers' union had a £1.07 million spend.

Total income for the 28 political funds rose by 11.2% to £20.15 million against £18.11 million the year before.

The numbers of members contributing to the political funds of the 28 unions was down to 4.27 million from 4.4 million in 2007-08.

www.certoffice.org/annualReport/pdf/full%20report%20for%20website.pdf

Pension calculation to move to CPI measure

The coalition government has announced its intention to move to using the Consumer Prices Index (CPI) as the measure of price inflation for the purposes of regulating occupational pension schemes.

Pensions minister Steve Webb MP announced the proposed changes in a written ministerial statement to Parliament. The proposed changes will affect how many deferred pensions are revalued in future, and how pensions in payment are increased.

The changes apply to defined benefit rights in occupational pension schemes, and certain defined contribution rights in occupational pension schemes. The changes will affect the statutory minimum requirement for revaluation and indexation; occupational pension schemes will still have the freedom to pay more than the statutory minimum.

In broad terms, a revaluation order is made each year which sets out the minimum rate at which occupational pension schemes should generally revalue deferred pension rights and pay increases on pensions in payment.

For deferred pension rights, the order tabulates an overall revaluation percentage relating to each possible number of complete years between the end of someone's pensionable service and their normal pension age.

The order that is in use for any year will use data on price inflation up to September of the previous year. For example, the order in use for 2010 uses data on price inflation to the year ending 30 September 2009 based on the Retail Prices Index (RPI).

The order which will be in use in 2011 will use data on price inflation to the year ending 30 September 2010 based on CPI. The overall percentage that will apply to deferred pension rights which have been deferred for at least two complete years, where the relevant years straddle the change from RPI to CPI, will therefore be calculated as a combination of percentages based on RPI and then CPI.

The order in use for 2011 will also be used to calculate annual increases on pensions in payment for 2011, and these will be in line with CPI. The Government expects to publish the order in November or December 2010.

The government intends to bring forward legislation at the earliest opportunity to ensure that other references to price inflation in pension's law are consistent with using CPI as the measure of price inflation from 2011 or as soon thereafter as parliamentary time allows. For example, the *Guaranteed Minimum Pension Increase Order* that will come into effect in 2011 will be made on the basis of the CPI figures for the year to 30 September 2010.

The Department for Work and Pensions provided a series of generalised simplified examples for illustrative purposes only. The examples below illustrate how these changes could apply to future calculations of the revaluation and indexation applying to pension rights, if a pension scheme adopted the statutory minimum approach. They would not affect pension payments already received. They do not deal with issues arising from contracting out from the State Second Pension.

The detailed rules on revaluation and indexation vary between pension schemes and can be higher than the minimum. They also depend on when the pensionable service took place. Other factors may affect an individual's pension entitlement depending on that scheme's rules.

A is a pensioner member of a pension scheme. His pension has been in payment for three years, and he has been receiving increases related to RPI. From 2011 his future increases will be calculated in relation to CPI. This does not affect his previous increases.

B is a deferred member of a pension scheme. She left pensionable service five years ago. When she reaches normal pension age, her rights will be revalued in relation to RPI in respect of the first five years after she left pensionable service, and then in relation to CPI until normal pension age. Once her pension has been put into payment, she will receive annual increases calculated in relation to CPI.

C is an active member of a pension scheme. He is continuing to accrue new rights. If he continues in pensionable service until he reaches normal pension age in (for example) 2015, revaluation will not apply. Once his pension is in payment, he will receive annual increases calculated in relation to CPI.

D is an active member of a pension scheme. She will leave pensionable service in 2013, and will reach her normal pension age in 2020 and begin to receive her pension at that time. From 2013 to 2020 her rights will be revalued in relation to CPI. Once her pension is put into payment, she will receive annual increases calculated in relation to CPI.

The unions are not convinced by the move. TUC general secretary Brendan Barber said: "Over someone's whole retirement this will add up to a significant loss. CPI is less than RPI in most years because it excludes housing and council tax costs. But even if all other things are equal CPI is on average half a per cent less than RPI because it is calculated in a different way. If pensions in payment today had been linked to CPI instead of RPI for the last 20 years they would now be 14% lower.

"This is a stealth cut on the pensions of middle income Britain."

The proposal comes after chancellor George Osborne announced in his June Budget that public sector pensions would be linked to the CPI rather than the RPI.

www.dwp.gov.uk/newsroom/press-releases/2010/july-2010/dwp088-10-120710.shtml
www.tuc.org.uk/pensions/tuc-18192-f0.cfm

Interns should be paid training wage

Union calls for an end to the exploitation of graduate interns have been echoed by the release of a policy paper by the Chartered Institute of Personnel and Development calling for an end to unpaid internships for university students.

According to their report, *To pay or not to pay?*, over a third of internships are currently unpaid, and it argues that a new training wage would help reflect the contribution that an intern is likely to make to an organisation. It proposes £2.50 an hour which is the current minimum rate of pay for apprentices and which would cover all interns and apprentices regardless of their occupation or industry sector.

The TUC, however, is informing graduates that in many cases they are actually entitled to the National Minimum Wage (NMW) if not more (see *Labour Research*, June 2010 pages 17-18).

Entitlement to the minimum wage depends on the actual circumstances of the arrangement, not the title given to the job or role, making labels such as

“work experience”, “internship”, “voluntary work” or “volunteering” irrelevant.

The TUC has set up a website – www.rightsforinterns.org.uk – to help young people know their rights in the labour market.

www.cipd.co.uk/NR/rdonlyres/5A28F718-CC39-4B95-97BC-B0C93123BF8D/0/5258_Internships_report1.pdf

Recognition successes for two unions

Workers in the body building and paint spraying shops of Hants and Dorset Trim have voted in favour of recognition for the RMT transport union.

The move was supported by 53% of the 64 workers making up the bargaining unit in the company, which is part of the Go-Ahead transport group.

Unite has won recognition at outsourcing company Capita at the Craigforth site in Scotland. The ballot result of the 750 staff who service customers of the Prudential finance group was: 97% in favour of recognition on a 60% turnout.

www.cac.gov.uk/index.aspx?articleid=3027

www.unitetheunion.org/news_events/latest_news/unite_wins_recognition_at_capi.aspx

Earnings growth dips

Average earnings for the whole economy rose by 1.4% in May against just 0.8% the previous month, according to the Average Earnings Index figures from the Office for National Statistics.

Growth in manufacturing earnings at 3.0% was at its lowest level since October last year and was down on the 3.7% rise in April this year.

Other sectoral figures show that growth in services was up to 1.4% from 0.7% the previous month and the overall rise for the private sector was up to 1.7% from 0.7% in April.

Growth in public sector earnings all but disappeared with earnings up by 0.1% in May against 1.5% in April.

Headline average annual earnings growth (the three-month rolling average) for the whole economy was down to 2.9% in the three months ending May against 4.3% in the three-month period to April.

Manufacturing posted a 5.6% rise in the three months to May against 6.5% in the previous three month-period.

Service sector growth was down to 2.7% from 4.3%, while in the private sector as a whole, growth was down to 3.1% from 4.7%.

In the public sector, earnings growth was down to 1.9% in the period ending May from 2.6% in the three months to April.

Excluding bonuses from the earning index figures produces a more even trend. The headline average for the whole economy showed 1.6% growth in three months to May against 1.7% in the three months ending April, while for manufacturing it was down to 3.1% growth from 3.4%.

For services it dipped marginally from 1.6% to 1.5% in the three months ending May, while for the private sector, growth slipped to 1.4% from the previous 1.5% rise.

In the public sector, earnings growth was down to 2.3% in the period ending May from 2.4% in the previous three months to April.

	Average earnings indices ¹				
	Whole economy	Manufacturing	Services	Private sector	Public sector
2000=100					
2009					
April (r)	139.6	137.3	140.3	138.8	142.8
May (r)	138.4	136.3	139.4	137.3	143.3
June	138.5	136.3	139.4	137.3	143.5
July	138.3	135.7	139.1	137.0	143.2
August	138.8	137.5	139.5	137.6	143.7
September	139.0	138.0	139.8	137.8	144.2
October	139.4	138.5	140.1	138.3	144.3
November	139.5	139.8	139.0	137.3	144.8
December	139.4	141.0	138.9	137.4	144.2
2010					
January	139.0	142.6	138.7	137.3	145.3
February	140.1	142.4	140.4	140.3	145.5
March(r)	143.6	146.9	143.5	142.8	147.0
April (r)	140.8	142.3	141.3	139.7	145.0
May (p)	140.4	140.3	141.3	139.6	143.4
% annual change					
Single month	1.4	3.0	1.4	1.7	0.1
3-month average ²	2.9	5.6	2.7	3.1	1.9

¹ Average weekly earnings in Great Britain, seasonally adjusted, including bonuses. ² The average of the seasonally adjusted data for the latest three months compared with a year earlier. (p) provisional, (r) revised

www.statistics.gov.uk/downloads/theme_labour/aei-publication-data201005.xls