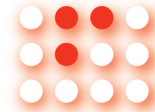
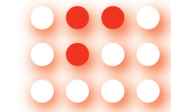


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UK facing recession

Fears that Britain may slide into recession have been fuelled by figures from the Office for National Statistics. The economy, as measured by gross domestic product (GDP), grew by just 0.2% in the second quarter of 2008 on the previous quarter. GDP was down from the already poor 0.3% growth recorded in the first quarter of the year – the weakest rate of growth in three years.

Industry, comprising manufacturing and oil and mining activities – accounting for about a fifth of the economy – is technically already in recession, having contracted for two successive quarters: down by 0.5% in the second quarter and 0.2% in the first. Although it was only in the second quarter that manufacturing output contracted – by 0.4% – against 0.4% growth in the first quarter.

However, the largest single contributor to the decline in overall output was in the construction sector, with a near collapse in private housebuilding. Overall, building industry activity fell by 0.7% during the quarter.

The financial services sector, accounting for about 28% of the national income, grew hardly at all – up by 0.1% – having been a significant driver of growth during the boom, but now reflecting effects of the credit crunch.

The annual rate of growth for GDP was down to 1.6% in the second quarter from 2.3% in the first. The direction of the figures strongly suggest that the government's forecast, made in the March Budget, of between 1.75% and 2.25% growth this year, will be not met.

www.statistics.gov.uk/pdfdir/gdp0708.pdf

Government U-turn on pensionable pay

Employers have won their battle to keep their current methods of calculating employees' qualifying pay for pension contributions to existing schemes when the government's planned system of personal accounts comes into effect in 2012.

After being lobbied by a number of industry bodies, such as the National Association for Pension Funds (NAPF) and the CBI employers' body the government has performed a U-turn. It has gone back on its original plans to count all an employee's earnings, including overtime, commission and bonus payments, when calculating the 7% of total earnings that must be contributed in order for a scheme to be exempt from placing staff into personal accounts.

Mike O'Brien, minister for pensions reform, has now stated that employers will be able to use their

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existing arrangements, which only take an employee's base pay into account when calculating pensionable pay, where this will produce at least as good, or better, outcome than employees would gain under personal account's minimum standard when assessed over the period of up to a year.

Industry bodies, such as NAPF, called for a change to the government's initial proposal because it believed that most employers contributed more than 3% of salary into their pension scheme from employees' basic pay and to take into account their fluctuating pay would involve additional calculations at a cost to employers.

As a result, there was a concern that employers might close good existing schemes and move staff over to personal accounts with the minimum pension contribution.

O'Brien said: "Employers will be able to use their existing contribution calculations where these provide equivalent or better contributions than the minimum set out in reforms, when assessed over a period of up to a year."

The government said it will bring forward amendments for the Lord's Report stage of the *Pensions Bill*, should these be necessary, to make this position clear and to facilitate an annual test.

www.employeebenefits.co.uk/item/7429/23/5/3

Union finances

Thirteen of the 15 biggest trade unions, ranked by membership, recorded a surplus, according to their annual returns to the union watchdog the Certification Officer and listed in his latest annual report. The only one to record a deficit was the ATL teachers' and lecturers' union. The non-TUC Royal College of Nursing as usual broke even.

The table below shows summaries for the top 13 TUC unions and covers the period before the Amicus/TGWU merger.

The total income of all unions in 2006-07 rose by 2.2% or £22.7 million to £1.08 billion in 2006-07. But expenditure fell by 11.6% or £114.5 million to £872.3 million. That left an overall surplus of £203.2.0 million compared to £66.0 million the year before.

Unions held a total of £1.34 billion in assets in 2006-07 – a 6.4% or £81.4 million rise on the previous year.

Finances of top 13 TUC unions ranked by membership

	Total income (£000)	Surplus/(deficit) (£000)
UNISON	168,149	45,560
Amicus	90,176	4,484
TGWU	82,921	22,869
GMB	61,849	12,425
NUT	33,188	3,237
Usdaw	39,665	9,383
PCS	51,665	18,898
NASUWT	25,141	11
CWU	29,187	8,587
ATL	13,181	(623)
UCATT	7,062	2,370
UCU	21,594	4,267
Prospect	13,907	5,850

Political funds The 28 unions with political funds spent £16.74 million in 2006-07 – a 20.5% fall on the previous year. In 2005-06, 29 unions with political funds spent £21.06 million.

Six unions spent over £1 million in 2006-07. Once again, UNISON topped the spenders with £4.8 million, followed by the professional and manufacturing union Amicus with £3.2 million; the GMB general union £2.6 million; the T&G general union £1.8 million; shop and distribution workers' union Usdaw with £1.4 million; and the CWU communication workers' union spent just over £1 million.

Total income for the 28 political funds rose by 3.4% to £19.48 million against £18.85 million the year before for 29 unions.

www.certoffice.org/annualReport/pdf/2007-2008A.pdf

Fat cats not so much in demand

"What next for top bosses?" asks Lex, the top columnist of the *Financial Times* newspaper. It is a question that will face many bosses of the top FTSE 100 companies in the coming months.

Their survival chances take a nosedive during a downturn. Back in the dark days of 2002, chief executive life expectancy dipped to 3.7 years, before recovering to about five years in the 12 months to June 2007, according to Manchester Square Partners, a mentoring consultancy. Those days are gone, with the UK flirting with recession, and 2002 levels of chief executive wastage may soon return.

If so, more than a quarter of today's top dogs will be seeing more of their families within 12 months. They will find that the market for chief executives

is not half as lively as ever-accommodating pay consultants make out. Of the FTSE 100 chiefs who left office during the five years to June 2007, just 8% found another chief executive role within a year. That was not for want of trying, even if some pretend that one stint running a big listed company is enough.

Boards prefer to take a risk on an executive untested as a chief executive than to hire a proven underperformer or one who has lost out to a rival during a merger battle. Almost two-thirds of chief executives appointed in 2007 were internal candidates, usually division heads, climbing up the greasy but financially rewarding ladder.

While many chief executives talk the talk about the wealth they could amass in private equity, particularly when justifying their own compensation packages, few walk the walk and make the grade. In the five years to June 2007, only three chief executives from the FTSE 250 became partners in private equity firms within a year of stepping down, and two from the FTSE 100.

Lex concludes that "Private equity firms looking for seasoned executives to run portfolio companies tend to be more discerning than board nomination committees when it comes to picking up corporate cast-offs".

www.ft.com

Success over tip campaign

Plans to amend regulations so that tips can no longer count towards payment of the National Minimum Wage have been announced by the government.

It represents a success for the Unite general union which through its Fair Tips campaign has highlighted some dubious practices used by employers in the hospitality industry not to pass tips on to staff (see *Labour Research*, August 2008).

The changes will end the practice of employers using gratuities and service charges processed through the payroll to "top up" staff wages to meet the £5.52 an hour minimum wage, which rises to £5.73 on 1 October.

Business secretary John Hutton also revealed proposals for making tipping practices fairer and emphasised the importance of improving transparency in dealing with tips left for staff.

"Hundreds of thousands of people in the UK have jobs in sectors where tipping is commonplace," he said. "When people leave a tip, in a restaurant or elsewhere, they expect it to go to service staff and as consumers, we've got a right to know if that actually happens."

A consultation on implementing the government's recommendations will be launched in the autumn.

Derek Simpson, joint general secretary of Unite, said it was "great news that unscrupulous employers will no longer be able to use the tips left for staff to subsidise low wages".

"Workers in restaurants, hotels and bars across the country have waited a long time for their just desserts," he said.

Nevertheless, the Unite campaign is to continue in order to bring transparency to the tipping system in bars, restaurants and hotels. The Fair Tips logo will be on display in establishments across the country as a symbol that they pay their staff at least the minimum wage with 100% of tips on top.

TUC general secretary Brendan Barber, welcoming the initiative, said it was "a welcome example of the government responding to the concerns of hard-pressed vulnerable workers".

<http://nds.coi.gov.uk/Content/Detail.asp?ReleaseID=375594&NewsAreaID=2>
www.amicustheunion.org/Default.aspx?page=8880
www.amicustheunion.org/default.aspx?page=8431
www.tuc.org.uk/newsroom/tuc-15146-f0.cfm

Hara kiri is not for UK bank chiefs

Legal & General Investment Management, the UK's biggest institutional investment group, has questioned why more bank executives have not fallen on their swords over the huge losses suffered by their shareholders.

Mark Burgess, head of equities at the group, which owns about 4.5% of the UK stock market, suggested bank directors needed to be more accountable for the sector's spate of rescue share rights issues and write-downs.

He drew a stark contrast with the US and the rest of Europe. In the US, swathes of top executives have been made accountable for the flawed strategies and portfolios of toxic debt that have brought US banks low in the past six months.

"We have seen the top 11 executives leave UBS [in the USA], the heads of Citigroup and Wachovia step down and the chief executive at Merrill Lynch go," he said.

And in Europe the heads of UBS, the Swiss-based finance house, and France's Société Générale have stepped down; along with the chief executive of Belgian/Dutch group Fortis, which was in the consortium led by the UK's Royal Bank of Scotland (RBS) in the bid for the Dutch group ABN Amro, was forced to resign this month.

The boards of both RBS, which launched the UK's biggest ever rights issue in April, and HBOS, whose £4 billion rights issue of shares was only taken up by 8% of shareholders, so far remain in situ.

Burgess said Sir Fred Goodwin, RBS chief executive, and Sir Tom McKillop, chairman, who continue to resist calls for their resignation, were equally to blame for the bank's deteriorating performance following its £12 billion rights issue and its £56 billion acquisition of ABN Amro.

"I think they both have a lot to answer for," he said.

Only one UK director has had to leave a UK bank and that was only because of ill health. "You have to say that is curious," Burgess added.

The person to leave was Steven Crawshaw, chief executive of Bradford & Bingley, which only succeeded in raising rescue funding after three attempts, who resigned suffering from angina.

www.ft.com

Recognition claims

Statutory claims for trade union recognition levelled out last year. In the year ending 31 March 2008, the Central Arbitration Committee (CAC) received 64 applications for trade union recognition – the same number as in 2006-07, according to its latest annual report. The manufacturing, transport and communication sectors accounted for three-quarters of the caseload.

The proportion of applications involving employers of less than 200 workers fell marginally from 56% to 53%. The average size of a bargaining unit was 119 workers, again little changed from previous years.

In previous annual reports the CAC had noted an

increase in the proportion of applications failing to meet the criteria at the acceptance stage in the process. However, in 2007-08 there was a significant fall in this figure.

Of the 44 applications which were subject to a formal acceptance decision, only three were not accepted – about 7% and this compares with over 20% for the previous three years. One reason for the fall appears to be that trade unions are taking care, before submitting the application to the CAC, that the application is likely to meet the acceptance criteria.

An analysis of references given in the annual report shows 32 cases were brought forward from the year ending March 2007, added to which there were the 64 applications received during the year. References completed or withdrawn came to 54, leaving 42 outstanding cases at 31 March this year.

www.cac.gov.uk/cac_2_annual_report/Final%20CAC%20Annual%20Report%2007-08.pdf

Thames Water board taps big bonuses

Four executive directors of Thames Water Utilities, Britain's biggest water company, shared over £1.4 million in bonuses last year, according to the accounts for the year ending March 2008 filed at Companies House.

Chief executive David Owens had the biggest total salary of £822,800 that included a bonus of £661,900 – almost four and a half times his £150,100 basic salary – for the year to March 2008. The bonus included what the company's remuneration report calls an "additional bonus" of £212,900.

Chief operating officer Stephen Shine got a £192,600 bonus on top of his basic pay of £192,300 and his total pay package last year came to £400,500.

Mark Braithwaite, chief financial officer, received a £130,700 bonus – including a signing on fee bonus of £21,600 – on top of his basic salary of £117,100. His total pay package came to £260,900.

Simon Batey, the former finance director who left the firm at the end of August 2007, was paid an "additional bonus" of £416,800 as well as a salary of £108,600 for just five months' work and his total package was £573,300.