FACT SERVICE

Annual Subscription £77.50 (£65.75 for LRD affiliates)

Volume 74, Issue 12, 22 March 2012

Budget 2012

The UK economy will perform a little better than previously thought, the chancellor George Osborne said in his third Budget.

Figures supplied to the Treasury by the independent Office for Budget Responsibility (OBR) forecast 0.8% growth in 2012, against the previous forecast of 0.7% at the time of the Autumn Statement in December. Growth next year is expected to be 2.0%, 2.7% in 2014 and then 3.0% for the two years after that, the chancellor said.

Consumer prices inflation will fall to 2.8% this year and 1.9% in 2013, according to OBR forecasts supplied to the Treasury.

Osborne also revealed that government borrowing at £126 billion this year (2011-12) would be £1 billion less than forecast in the Autumn Statement. The OBR expects public sector net borrowing to be £120 billion for the next financial year starting April, and £98 billion in 2013-14.

Business Osborne announced that corporation tax would be cut to 24% from this April, and the rate will fall to 22% by 2014.

Taxation and duties The chancellor has cut the 50% top rate of income tax to 45% from April 2013.

In a sop to his coalition partners, the chancellor is raising the personal income tax allowance to £9,205 from April 2013 — a move the government says will make 24 million people £220 a year better off.

However, 300,000 more people will be drawn into the higher-rate 40% tax band from next year as the threshold when the rate becomes payable is cut from £42,475 to £41,450.

Smokers and drinkers are hit hard as usual by rises in duties, Cigarettes rise by 37p for a packet of 20. Beer will go up by 10p a pint, a bottle of wine by 1p and a bottle of spirits by 41p.

There was no change on fuel duty so petrol will rise by 3p a litre in August.

Pensioners The chancellor had to make up for giving his rich friends a tax cut, so he picked on pensioners, hitting them with a “stealth tax” or “granny tax” depending on what paper you read.

The chancellor is phasing out the age-related allowance for pensioners, which was slightly higher than the personal tax allowance for other tax payers.

At present, the over 65s can earn £10,500 before tax, while those over 75 can earn £10,650, but these allowances will be removed for new pensioners from April 2013. The allowances for those already of pension age will be frozen until the personal allowance for the rest of the population catches up.

This move would not leave pensioners "poorer in cash terms", according to Osborne. Unfortunately, HM Revenue and Customs take a different view and they say that as a result of the change, in 2013-14, some 4.41 million people will be worse off in real terms with an average loss of £83 and of that total 360,000 will lose an average of £285.

The chancellor also announced plans for the introduction of a new single universal pension of £140 to be paid from 2016.

Pension campaigners are unimpressed. Dot Gibson, general secretary of the National Pensioners' Convention, said: the proposal was "a classic case of smoke and mirrors".

"In reality there will be no extra money to raise Britain's scandalously low state pension – just a different way of packaging the payment. Not only that but it will also create a two-tier pension system with existing pensioners still having to struggle with a complicated means-tested system that leaves one in four older people in poverty," she said.

Young workers will no doubt have to go on working longer as the chancellor announced that there will be an automatic review of state pension age to ensure it keeps pace with increasing life spans.

Benefits Child benefit is not to be scrapped for those earning over £50,000. Instead it will be reduced incrementally when someone in a household has an income of more than £50,000. It will fall by 1% for every £100 earned over £50,000 up to £60,000 when the benefit is completely lost. Nevertheless, it is still the case that a two-income family with both earning £49,000 – or £98,000 in total – will keep the full benefit.

The chancellor also made it clear that an additional £10 billion of welfare cuts will be made over the next four years.

www.hm-treasury.gov.uk/budget2012.htm
http://npcuk.org/775

Indexation ruling will hurt pensioners

The Court of Appeal has upheld an earlier High Court ruling allowing the government to switch the uprating index for pensions.

Four unions and a retired members' organisation, with a combined membership of 1.1 million, took out the joint appeal at the Royal Courts of Justice against the chancellor's decision to use the Consumer Prices Index (CPI) instead of the Retail Prices Index (RPI) to uprate social security, state and public sector pension benefits.

The case was conjoined with a similar appeal taken by seven other unions whose case was also lost at the High Court in December.

Dai Hudd, deputy general secretary of the professionals' union Prospect, said after the ruling: "The implications of this decision go beyond our members in the civil service and public sector, reaching out to members in the private sector in areas like BT and British Aerospace.

"Our campaign to see a review of the Consumer Prices Index is shared by other bodies such as the Royal Statistical Society and will be given further impetus by this decision."

The CPI switch was announced, without consultation, by chancellor George Osborne in his June 2010 Budget and took effect from April 2011. Over time CPI is 1.4% lower than RPI, according to the Office for Budget Responsibility. Compounded over years of retirement, that will result in average losses of 15% to 25% in the value of members' pensions.

The government also gave private sector schemes the green light to make the same change except where the rules of a scheme specifically state a link to RPI. The Department for Work and Pensions has calculated this will reduce the value of pensions accrued in the private sector by over £70 billion.

www.prospect.org.uk/news/id/2012/00438

Inflation dips

Inflation fell slightly, according to the Office for National Statistics. Under the Retail Prices Index (RPI), the annual rate of inflation was down to 3.7% in February from 3.9% the previous month.

Under the measure used by the government – the Consumer Prices Index (CPI) – inflation fell to 3.4% last month from 3.6% in January.

TUC general secretary Brendan Barber said the drop in inflation "offers some good news" for hard-pressed families. However, with real wages still falling, there is still a big gap between what people are taking home and prices on the high street.

Price inflation

		% increase on a year earlier		
	RPI	RPI	RPIX[1]	CPI
Jan 1987=100				
2010				
November	226.8	4.7	4.7	3.3
December	228.4	4.8	4.7	3.7
2011				
January	229.0	5.1	5.1	4.0
February	231.3	5.5	5.5	4.4
March	232.5	5.3	5.4	4.0
April	234.4	5.2	5.3	4.5
May	235.2	5.2	5.3	4.5
June	235.2	5.0	5.0	4.2
July	234.7	5.0	5.0	4.4
August	236.1	5.2	5.3	4.5
September	237.9	5.6	5.7	5.2
October	238.0	5.4	5.6	5.0
November	238.5	5.2	5.3	4.8
December	239.4	4.8	5.0	4.2
2012				
January	238.0	3.9	4.0	3.6
February	239.9	3.7	3.8	3.4

[1] RPI except mortgage interest payments

Seven of the 14 groups that make up the RPI table below posted an increase of 3.7% or more.

The fuel and light group posted the biggest rise —13.2% — on the back of a 17.5% rise in gas prices, a 10.2% rise in domestic oil and a 10.1% rise for electricity.

The clothing and footwear group's 9.3% rise included rises of 12.4% and 12.1% in men's and women's outerwear respectively.

Tobacco posted the third highest group rise — 8.9% — and that was without the March Budget's above inflation increase in duty.

The overall 4.0% rise in the food group masks rises for some goods which were in double digit percentage terms. There was a 13.2% rise in the cost of lamb, while beef was up by 11.6%. Oil and fats posted a 13.7% rise and coffee and other hot drinks, except tea, were up 13.7%.

More than 3.7%	%	Less than 3.7%	%
Fuel & light	13.2	Personal goods & services	3.8
Clothing & footwear	9.3	Motoring expenditure	3.3
Tobacco	8.9	Catering	3.2
Fares etc	5.3	Household services	2.8
Household goods	5.0	Leisure services	2.5
Alcoholic drink	4.8	Housing	1.3
Food	4.0	Leisure goods	-2.3

www.ons.gov.uk/ons/rel/cpi/consumer-price-indices/february-2012/index.html
www.tuc.org.uk/economy/tuc-20810-f0.cfm

Change of pace needed in boardroom diversity

There has been an increase in the number of women appointed to board-level positions in the past year, according to the Department for Business, Innovation and Skills (BIS). However, the rate of improvement is slower than that laid out by Lord Davies in his report on boardroom diversity a year ago.

A year on from the publication of his report, "I believe that we are finally seeing a culture change taking place right at the very heart of British business in relation to how women are seen within the workforce.

"However, I must also emphasise that efforts need to be ramped up and the speed of change accelerated if we're to avoid government interference."

The Davies report originally set a target of 25% of board-level positions at FTSE 100 companies to be held by women by 2015. That figure currently sits at 15.6%, an increase from 12.5%.

However, despite what BIS referred to as the "largest ever annual increase in the percentage of women on boards", fewer than one directorship in 10 (9.6%) within the FTSE 250 is currently held by a woman.

Women on boards: one year on looks at the progress made in the 12 months against each of Lord Davies' 10 original recommendations.

According to the report, 17 companies in the FTSE 100 have already reached the 25% target and a further 17 are between 20% and 25%. In addition, 21 FTSE 250 companies have reached the 25% target and a further 28 are between 20% and 25%.

Yet, 11 FTSE 100 companies are dragging their feet and don't have a woman in their boardroom. One of the most notable failures in boardroom diversity is the Daily Mail and General Trust, owners of the *Daily Mail* and *Mail on Sunday*. None of the 15 executive or non-executive directors is a woman.

BIS added that, over the next year, Lord Davies and his panel will prioritise work towards reaching the 25% target in FTSE 350 companies, and on building a sustainable, credible supply of board-ready women through training and development initiatives.

Meanwhile EU justice commissioner Viviane Reding has announced the launch of a consultation on the introduction of compulsory quotas on the numbers of women appointed to board-level positions, which she said would be necessary if companies did not voluntarily increase levels of boardroom diversity.

www.bis.gov.uk/news/topstories/2012/Mar/women-on-boards-one-year-on

http://ec.europa.eu/commission_2010-2014/reding/multimedia/news/2012/03/20120305_en.htm

Adult minimum wage rises by 11p

The adult National Minimum Wage is to rise in October, but young workers will see their rate frozen.

The government has accepted the Low Pay Commission's recommendation that the adult minimum wage should rise by 11p an hour to £6.19 from 1 October 2012. The increase in percentage terms – 1.8% – is well below the present inflation rate.

With the youth development rate for 18 to 20-year-olds frozen at £4.98 an hour and the 16-17-year-old rate frozen at £3.68 an hour from October, workers on the minimum wage will see their living standards cut.

The apprentice rate applies to those apprentices under the age of 19 and those aged 19 and over in the first 12 months of an apprenticeship. This rate will increase by 5p or 1.9% to £2.65 an hour from October.

The accommodation offset that employers can charge rises by 9p to £4.82 a day.

David Norgrove, chair of the Low Pay Commission, said: "We believe we have struck the right balance between the needs of these workers and the challenges faced by employers."

However, TUC general secretary Brendan Barber said it was wrong to deny young people an increase this year, as there was no evidence that the minimum wage has had an adverse impact on jobs.

"The reason why firms have not been hiring enough new workers is because they lack confidence in this government's ability to set the UK on course for a sound economic recovery. There is now a real danger that young people will view minimum wage work as exploitative," said Barber.

www.lowpay.gov.uk/lowpay/report/pdf/2012_Report.pdf

www.tuc.org.uk/economy/tuc-20796-f0.cfm

Unions slam Budget

The general consensus of top union leaders is that we got a Budget for the rich produced by the rich.

TUC general secretary Brendan Barber said: "One minute the chancellor said he found tax avoidance morally repugnant, the next he rewarded it by cutting income tax for the richest one per cent – with precious little relief for hard-pressed families on ordinary incomes. Treasury figures show that those on low and middle incomes will do worse than those higher up the income scale."

Len McCluskey, general secretary of the Unite general union, said: "This is another wasted year in what is becoming a lost decade for jobs and growth. But worse, this is a year where the poorest will be paying for the gifts lavished on the wealthy. Did Osborne learn nothing from the Thatcher years – trickle down economics do not work.

"For the almost three million unemployed, there was not an iota of hope in this Budget. They are not just forgotten, they are being condemned to joblessness."

Dave Prentis, general secretary of public services union UNISON, said "Far from encouraging economic growth, the chancellors' policies are sucking demand out of the economy.

"Public sector workers are being hit with a pay freeze again this year and now the government are proposing local pay which means £1.7 billion would be lost from the economy. Taking money out of the pockets of hard working people will starve local shops, cafes and businesses out of much needed revenue sending the economy further downwards."

"In this Budget the different treatment of people at either end of the income scale is stark," said Paul Kenny, general secretary of the GMB general union. "Ordinary families are losing their tax credits and child allowances and suffering pay freezes while people on top salaries of £150,000 to £1 million a year are getting cash hand outs from the government. So much for the perception of shared sacrifice."

www.tuc.org.uk/economy/tuc-20811-f0.cfm

www.unitetheunion.org/news__events/latest_news/_rich_man_s__budget_fails_to_o.aspx

www.unison.org.uk/asppresspack/pressrelease_view.asp?id=2642

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

Designed and printed by RAP Spiderweb Limited, Clowes Street, Hollinwood, Oldham OL9 7LY Telephone 0161 947 3700