FACT SERVICE

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Unpaid overtime

The two billion hours of unpaid overtime worked last year would be enough to create over a million extra full-time jobs, the TUC has said.

The total amount of unpaid overtime worked last year was 1,968 million hours — worth a record £29.2 billion to the UK economy — and roughly equivalent to a million extra full-time jobs.

If workers who regularly put in unpaid overtime worked all their hours from the start of the year, the first day they would get paid would be Friday 24 February. The TUC has named this *Work Your Proper Hours Day* (WYPHD) in their honour.

Now in its eighth year, WYPHD celebrates the unsung — and unpaid — extra hours that millions of workers put in to help their employers and which gives a huge boost to the UK economy.

The TUC analysis of official figures shows that 5.3 million workers put in an average of 7.2 hours of unpaid overtime a week last year, worth around £5,300 a year per person.

While reducing the amount of unpaid overtime would not translate precisely into extra jobs - particularly as a lot of these hours are a result of a British work culture of pointless presenteeism — the TUC is concerned that persistent and excessive hours of unpaid overtime are holding back job creation.

Some employers are forcing staff to work extremely long hours that damage their health, when taking on extra employees would be far more productive and provide much needed jobs, the TUC said.

Workers in London (27%) and the South East (25%) are still the most likely to work unpaid overtime. Meanwhile, workers in the West Midlands (+3%) and the North East (+2%) have experienced the sharpest rise in the likelihood of working unpaid overtime over the last year, according to the TUC analysis.

The number of workers doing unpaid overtime has increased by more than a million since records began in 1992, when 4.2 million people regularly did unpaid overtime, to 5.3 million people in 2011. The proportion of workers doing unpaid overtime has also increased slightly, from 19.7% in 1992 to 21.1% in 2011.

TUC general secretary Brendan Barber said: “While many of the extra unpaid hours worked could easily be reduced by changing work practices and ending the UK’s culture of pointless presenteeism, a small number of employers are exploiting staff by regularly forcing them to do excessive amounts of extra work for no extra pay.

“This attitude is not only bad for workers’ health, it’s bad for the economy too as it reduces productivity and holds back job creation. A more sensible attitude to working time could cut out needless unpaid hours and help more people into work."

Research on paid overtime, published by the TUC at the end of last year, showed that the total amount of paid overtime has declined by a quarter since its pre-recession peak in 2007. The total number of paid overtime hours has declined from 54 million in 2007 to 41 million in 2011 – a fall of 25% over four years.

The fall in paid overtime since 2007 is due to both a fall in the number of workers doing paid overtime – 825,000 fewer employees regularly worked paid overtime in 2011 – and a fall in the average amount of paid overtime, down from 11.2 hours per week to 10.6 hours this year.

Workers in transport, mining and manufacturing are most likely to regularly work paid overtime, with around a quarter of employees in these sectors doing between 10 and 23 hours of overtime a week.

The availability of paid overtime has a major impact on the take-home pay of millions of UK staff, so big falls in paid extra hours will substantially reduce the income of many workers and their families.

www.tuc.org.uk/workplace/tuc-20446-f0.cfm
www.tuc.org.uk/workplace/tuc-20431-f0.cfm

Action pledged by PM on boardroom pay?

Prime minister David Cameron has pledged to put shareholders at the forefront of the battle on executive pay. But it may not be enough to end soaring bonuses as it emerged that just 18 of the company remuneration policies put to a vote since Labour first gave investors a say on pay nearly 10 years ago have been defeated.

Data compiled by a leading advisory body, Pensions Investment Research Consultants (PIRC), showed how few remuneration votes had more than 50% of votes cast against them since investors were granted an advisory vote in 2003.

"We would be in favour of exploring a binding vote on pay, but the problem at the moment is that too few shareholders are willing to use the rights they have, as demonstrated by the low number of remuneration reports that have been voted down," a PIRC spokesperson said.

Increasing numbers of shares in companies listed on the stock market are no longer owned by traditional institutional investors – such as pension funds – but by hedge funds and other overseas investors, which makes it more difficult to galvanise rebellions against pay deals.

Sarah Wilson, chief executive of the proxy voting agency Manifest, pointed out that in addition to outright defeats for pay deals there were large dissenting votes of more than 30% at companies such as media group WPP, Aberdeen Asset Management, pubs and restaurants group Mitchells & Butlers, retailers WH Smith and tobacco giant BAT. Such levels of rebellion are high as traditionally votes at annual meetings were usually in the region of 99% in favour of all resolutions.

Deborah Hargreaves, chair of the High Pay Commission – set up by the left of centre pressure group Compass and backed by money from the Joseph Rowntree Charitable Trust – said it could not all be left to shareholders. "We welcome the prime minister's words but you can't rely on shareholders to solve it," she said.

www.guardian.co.uk/business/2012/jan/08/david-cameron-executive-pay-bonuses

Balance of payments

The UK's current account deficit widened to a record high. In the third quarter of 2011 it was £15.2 billion against a revised figure of £7.4 billion for the previous quarter.

The trade deficit widened to £9.9 billion in the third quarter of 2011, up from £7.2 billion the previous quarter.

The trade in goods deficit increased to £27.6 billion in the third quarter of 2011, the highest on record. Exports increased by £0.1 billion to £74.2 billion and imports rose by £2.7 billion to £101.8 billion. Both exports and imports are the highest on record.

The overall widening of the trade in goods deficit was partially offset as the deficit in finished manufactured goods narrowed by £0.3 billion to £12.8 billion – this was driven by higher exports of electrical and mechanical machinery.

The trade in services surplus was £17.7 billion in the third quarter of 2011, largely unchanged from the previous quarter. Exports and imports both fell by £0.1 billion, to a level of £47.2 billion and £29.5 billion respectively.

A deficit of £13.8 billion was recorded with the EU in the third quarter of 2011, compared with a deficit of £7.2 billion in the previous quarter. This increase in the deficit was mainly due to a switch in the income balance from surplus to deficit, together with an increase in the trade in goods deficit.

The current account with non-EU countries showed a deficit of £1.4 billion in the latest quarter, compared with a deficit of £0.2 billion in the second quarter of 2011. This increase was driven by a fall in the income surplus and an increase in the deficit on current transfers.

www.ons.gov.uk/ons/dcp171778_250007.pdf

End of era with Shell pension closure

Oil giant Royal Dutch Shell is facing union anger as it has become the last of the top FTSE 100 companies to close its final salary pension scheme to new members. The closure comes despite the scheme being £1.1 billion in surplus when this was last measured in December 2010.

From 2013, the firm will offer new employees a defined contribution plan instead, in a move that it said "reflects market trends in the UK". It has yet to announce details of this replacement scheme.

The move is significant because Shell is the last constituent of the FTSE 100 to offer an open final salary scheme — once the most common form of retirement benefit but one that has rapidly died out among private sector firms.

While a handful of FTSE firms still offer pensions based on a defined benefit principle — Tesco, drinks group Diageo and BP offer schemes based on career average — the vast majority now only offer defined contribution schemes.

"The company announced that it is proposing to develop a UK defined contribution pension plan for new hires to Shell to reflect market trends in the UK," said Shell in a statement. "The plan will be designed to ensure that the reward package in the UK for new hires remains strongly competitive."

The general union Unite has condemned Shell for its decision. General secretary Len McCluskey said: "This is a disgraceful act, nothing less than greed on the part of one of the world's richest and most powerful corporations. Shell has no need whatsoever to close this scheme and in the process deny its employees the safe retirement they were promised they could save for."

Only 19% of private sector defined benefit schemes are now open to new joiners — compared with 88% a decade ago — while 23% of them are also closed for further accrual by existing members, recent research from the National Association of Pension Funds showed.

http://www.peoplemanagement.co.uk/pm/articles/2012/01/shell-closes-pension-scheme-to-new-members.htm

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

PFI — more to do over cost concerns

The government has not done enough to address concerns that the Private Finance Initiative (PFI) is being used to keep the cost of major infrastructure projects off its balance sheet, the House of Commons' Treasury select committee has said.

The committee was commenting on the government's response to the MPs' August 2011 report, *Private finance initiative*. That found no convincing evidence that savings and efficiencies made during the lifetime of PFI projects could offset the higher cost of using private capital rather than government borrowing.

Committee chair Andrew Tyrie said that "anomalies" in the national accounting system continued to provide an incentive for departments to opt for this financing option, as PFI liabilities do not currently count towards the national debt. Departments can also keep PFI spending off their own individual budgets.

However, the committee recognises that ministers have begun to review the transparency of the financing system and the methods used to determine whether it provides value for money.

To increase transparency, PFI liabilities were included in the first unaudited *Whole of government accounts*, published in July, the government said. The coalition also explained that it was making improvements to ensure a "more robust" process would be used to determine whether the PFI was the best choice for a project. As part of this, the Treasury plans to publish revised value for money guidance later this year.

www.publicfinance.co.uk/news/2012/01/pfi-still-being-used-to-keep-costs-off-balance-sheet/

Skills shortages only part of problem

In the wake of the chancellor's plans to make the skills system more responsive to employers, a report published by The Work Foundation argues that skills shortages are only part of the problem. The report shows how a failure to address the under-utilisation of skills, especially at the lower end of the labour market, constitutes a barrier to both social mobility and the competitiveness of the UK economy.

The skills dilemma: skills under-utilisation and low-wage work warns that the underuse of skills in the UK is resulting in lost productivity both for businesses and the economy as a whole. It argues that this trend could partly explain why the UK is lagging behind comparable countries in terms of labour productivity despite efforts to improve the skills of its workforce.

The research draws on case studies in the retail and hospitality sectors and asks experts from government, trade organisations, unions and other leaders in the field to give their opinions on why they think this is happening, as well as what they think should be done.

The report shows that the problem is especially prevalent at the lower end of the labour market, where jobs too often provide little autonomy, progression or support. This can leave workers feeling underused and demotivated, with accompanying effects upon performance and productivity.

The report calls for wider recognition of the issue and urges policymakers to implement measures to begin tackling the problem. Among the report's chief recommendations is the implementation of measures aimed at promoting better job design. It also recommends the establishment of a workplace innovation fund that could provide small-scale funding for skills utilisation projects and support for employers taking steps to address the issue.

www.theworkfoundation.com/Media/Press-Releases

Regional pay

A Treasury minister has confirmed that the government has started the procedure for introducing regional pay rates in the public sector. Chloe Smith, economic secretary to the Treasury, told a recent House of Commons debate that the chancellor had "written to the independent pay review bodies to ask them to consider how to make public sector pay more responsive to local labour markets".

The government wants to save cash by paying lower wages outside the south east of England.

Jonathan Edwards, the Plaid Cymru MP for Carmarthen East and Dinefwr who instigated the debate, said: "The topic of regional pay will increasingly dominate relations between the UK government and the public sector over the coming year, perhaps even more than the still unsolved dispute over public sector pensions."

He went on to explain the negative effects of the plans on regional businesses: "In many places, the private sector is reliant on the trade generated by the public sector and the money circulated through public sector employees.

"In constituencies such as mine, where more than 30% of people work in the public sector, there is a direct correlation between their wages and the cash circulating in the local economy."

The PCS civil service union said regional or local pay rates would simply drive down wages and further depress local economies that desperately need investment, not more cuts.

The union has described chancellor George Osborne's proposal as "economically incoherent" because it would undermine the government's stated aim of helping to drive growth and development in the regions.

Public sector pay has already been frozen for two years, and Osborne announced in his autumn statement in November that it would be capped at 1% for at least two years beyond this.

PCS general secretary Mark Serwotka said: "Regional public sector pay is the exact opposite of what our local economies need.

"Instead of allowing pay to be driven down to the lowest level, ministers should be looking to increase pay and living standards of everyone, to put money in people's pockets to help our economy to grow."

www.pcs.org.uk/en/news_and_events/pcs_comment/index.cfm/id/DAC11F8C-BCAB-4462-B235DAFB498C7F70

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