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'Precarious pay penalty' of zero-hours staff

Workers on zero-hours contracts face a "precarious pay penalty" of almost 7% — or £1,000 a year for a typical worker — compared to similar workers doing similar jobs, according to new analysis from the Resolution Foundation.

The Foundation's analysis is the first to pinpoint a specific "precarious pay penalty" associated with zero-hours contracts.

The number of workers on these contracts recently reached record high of 900,000. They have been in the spotlight recently with the poor working conditions exposed at Sports Direct and JD Sports.

While it is well known that zero-hours contract workers earn less than permanent employees — 38% less an hour on average — many people assume this is down to the fact the jobs are concentrated in low-paying sectors, and among younger and less experienced staff.

To get to the real pay penalty associated with zero-hours contracts, the Foundation's analysis compares the pay of zero-hours contract and non-zero-hours contract workers with similar characteristics and doing similar jobs.

It does this by controlling for a wide range of factors including the worker's gender, age, experience, qualification level, their occupation, the industry they work in and how long they've been in their current job. These factors explain around four-fifths of the overall pay gap between zero-hours contract workers and other employees.

This analysis highlights a remaining "precarious pay penalty" of 6.6% (or 93p an hour) directly associated with zero hours work itself. For a typical zero-hours contract worker, working 21 hours a week, this penalty amounts to £1,000 a year.

The analysis also finds that the "precarious pay penalty" is greater still for zero-hours contract workers in lower-paying roles, with the lowest fifth of earners experiencing a "precarious pay penalty" of at least 9.5%.

Crucially, zero-hours contract workers stand out as suffering the biggest "precarious pay penalty" of all.

Other forms of non-traditional employment also carry a pay penalty when workers doing such work are compared to others with similar characteristics doing similar jobs, including temporary work (5.5%) and permanent agency work (2.4%).

The Foundation says this "precarious pay penalty" suggests that the use of zero-hours contracts (ZHCs) is not only about the flexibility they bring.

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The existence of such a large pay penalty suggests they also result in wages being held down in some cases.

Laura Gardiner, senior policy analyst at the Resolution Foundation, said: "As new ways of working continue to grow – from ZHCs and agency work to the gig economy and wider self-employment – we need a better understanding of how they help or hinder people's earnings and career prospects.

"Policy makers must also tread a careful path between getting to grips with the living standards challenges thrown up by new and often insecure forms of employment, without jeopardising Britain's recent job-creating success."

www.resolutionfoundation.org/media/press-releases/zero-hours-contract-workers-face-a-precarious-pay-penalty-of-1000-a-year/

Plans for a Universal Basic Income

Scotland is poised to join Finland and Canada in testing Universal Basic Income (UBI), a welfare system in which all citizens are given a fixed sum of money, regardless of their income or employment status.

A UBI is currently being considered by Glasgow and Fife councils following meetings held late last year.

The councils have not yet announced at which level the basic income will be set, but will proceed with the pilots subject to securing sufficient government funding.

"Like a lot of people, I was interested in the idea [of the UBI] but never completely convinced," said councillor Matt Kerr, anti-poverty lead on Glasgow City Council.

"But it is also about solidarity: it says that everyone is valued and the government will support you. It changes the relationship between the individual and the state."

A UBI is a growing idea in Europe. A pilot is currently running in the Netherlands while another launched in Finland at the start of this year, as it intends to provide people with a basic economic platform on which to build their lives, whether they choose to work, study or help others voluntarily.

Finland's two-year pilot scheme will provide 2,000 unemployed Finnish citizens, aged between 25 and 58, with a monthly basic income of €560 (around £475) that will replace their other social benefits. These citizens will continue to receive the basic income even if they find work.

Kela, the organisation which runs Finland's social security systems and is running the pilot scheme, hopes the basic income experiment will boost employment, because the current system can potentially discourage the unemployed to find work as their earnings reduce the benefits they may receive.

Meanwhile, in Canada, the province of Ontario is pushing forward with plans for a trial run of universal basic income.

Supporters of the UBI believe it would also create a fairer, less complex system than the current mix of welfare benefits, eliminating benefit fraud and reducing administrative costs.

However, opponents of UBI have warned that the scheme might make people unwilling to work and would give public funds to the already well-off.

Back in Europe, a referendum on whether or not to introduce UBI in Switzerland was overwhelmingly rejected last year.

www.publicsectorexecutive.com/Public-Sector-News/scottish-councils-considering-universal-basic-income-trials?dorewrite=false

www.theguardian.com/world/2016/oct/28/universal-basic-income-ontario-poverty-pilot-project-canada

http://basicincome.org/news/2016/12/finland-basic-income-experiment-authorized-parliament/

2017 – economic forecasts for year

It looks like a tough bargaining year for negotiators if the forecasts for the economy collated by the Treasury prove correct.

Each month, the Treasury publishes forecast from around 40 City forecasters covering an array of economic statistics and there seems general agreement that living standards will be hit as inflation outstrips the growth in average earnings.

The range of forecasts for average earnings growth in 2017 runs from a rise of just 0.8% up to 3.9%, with a median rise of 2.3%. The forecast from the Office for Budget Responsibility (OBR), the independent adviser to the Treasury, is for 2.4% growth.

The expected rise in inflation will, however, eat away any gains. For inflation under the Retail Prices

Index (RPI) — the measure favoured by union negotiators — the range of forecasts runs from a rise of 2.4% up to a rise of 5.2%, with a median rise of 3.3% in the fourth quarter of 2017. The OBR forecast is for a 3.4% rise in the RPI.

Forecasts for consumer inflation under the Consumer Prices Index (CPI) range from 1.9% up to 3.8%, with a median of 2.8% and an OBR forecast of a 2.5% rise. The CPI is to be replaced as the government's preferred inflation measure this March by the CPIH, which has in the past few years been a couple of percentage points above CPI.

On the growth in the economy, the 2017 forecasts for gross domestic product (GDP) range from 0.5% up to 2.7%, with a median forecast of 1.2% annual growth. The OBR forecast is for 1.4% growth.

The latest published unemployment rate under the Labour Force Survey — for the three-month period August to October 2016 — was 4.8%, but most forecasters expect the rate to rise by the fourth quarter of 2017 to between 4.6% and 6.0%. The median forecast is for a 5.4% rate, while the OBR also expects the rate to rise, but only to 5.3%.

www.gov.uk/government/statistics/forecasts-for-the-uk-economy-december-2016

'Fat Cat Wednesday' has been and gone

Top executives will already have made more money by the first Wednesday of 2017 — 4 January — than the typical UK worker will earn all year.

After just two and a half working days Britain's top bosses will have made more money than the average UK worker earns in an entire year, according to High Pay Centre calculations.

The median pay figure for chief executives (CEOs) in FTSE 100 companies in 2015 was £3.97 million. The High Pay Centre found that if CEOs are assumed to work long hours with very few holidays, this is equivalent to a rate of pay of over £1,000 an hour. On that basis, the average CEO passed the £28,200 a year average worker's salary by around midday Wednesday, 4 January.

The average pay ratio between FTSE100 CEOs and the average pay of their employees in 2015 was 129:1, according to the High pay Centre.

Stefan Stern, director of the High Pay Centre, said: "Our new year calculation is not designed to make the return to work harder than it already is. But 'Fat Cat Wednesday' is an important reminder of the continuing problem of the unfair pay gap in the UK. We hope the government will recognise that further reforms to pay practices are needed if this gap is to be closed. That will be the main point in our submission to the business department in its current consultation over corporate governance reform."

http://highpaycentre.org/blog/fat-cat-wednesday-2017

Northern Ireland to reveal political gifts

Belfast City councillors have voted in support of a call to reveal the names of those who make large donations to Northern Ireland politicians.

The Alliance Party motion was passed by 38 votes in favour to 13 against.

Unlike in the rest of the UK, Stormont parties are not required to reveal where their funding comes from, due to concerns about the security of donors.

Alliance wants Northern Ireland to be brought in line with Great Britain where names of those who donate over £7,500 are published. The motion was proposed by Alliance councillor Kate Nicholl at meeting of the council on 3 January.

It was supported by councillors from Sinn Féin, the SDLP, Green Party, the Progressive Unionist Party and the Traditional Unionist Voice. Meanwhile, the move was opposed by members of Democratic Unionist Party and the Ulster Unionist Party.

In her time as a Westminster MP, Alliance leader Naomi Long secured legislative change that paved the way for the possible future identification of donors who have contributed more than £7,500 since January 2014.

However, the names can only be published if secretary of state for Northern Ireland agrees to lift an exemption.

Long said there was no problem with political parties accepting donations, but that the Northern Ireland public should be given the same transparency as those in the rest of the UK.

She said it was time for parties to "open their books to the public".

www.bbc.co.uk/news/uk-northern-ireland-38501643

UK's deficit in trade in goods gets ever worse

The UK's trading position with the rest of the world – in terms of goods – has reached another record deficit.

The deficit in trade in goods reached £38.7 billion in the third quarter of 2016, according to the Office for National Statistics (ONS).

The deficit widened from £30.2 billion in the second quarter on the back of a rise in imports, while exports fell. Imports of goods rose by £7.4 billion to £113.2 billion, but exports fell by £1.1 billion to £74.5 billion.

The surplus on trade in services is usually positive, and in the third quarter of last year increased by £2.2 billion to £25.1 billion.

Combined these two sets of figures gave a worsening position for total trade, with the deficit widening to £13.6 billion in the third quarter of 2016 from £7.3 billion in the second.

The widening deficit in total trade contributed to an increase in the UK's current account deficit. The deficit was £25.5 billion in the third quarter of 2016, against a revised deficit of £22.1 billion in the second.

The current account deficit equated to 5.2% of gross domestic product (GDP) at current market prices in third quarter of the year, compared with 4.6% in the second quarter, the ONS said.

EU A current account deficit of £20.9 billion was recorded with the EU in the third quarter of last year – smaller than the £22.3 billion deficit in the second.

The deficit in trade in goods with the EU widened to £23.6 billion from £22.5 billion. Exports increased by around £1 billion to £37.3 billion, but imports increased by around £2 billion to £60.8 billion.

The trade in services surplus with the EU increased to £9.9 billion from £7.9 billion. Exports were up by £0.9 billion to £26.6 billion, while imports fell by £1.1 billion to £16.7 billion.

Non-EU The current account balance with non-EU countries switched from a surplus of £0.3 billion in the second quarter of 2016 to a deficit of £4.6 billion in the third quarter. This was mainly due to the total trade surplus narrowing from £7.3 billion in second quarter to a surplus of £0.1 billion in third.

The trade in goods deficit widened to £15.1 billion from £7.7 billion, as imports rose by £5.3 billion to £52.3 billion, while exports fell by £2.1 billion to £37.2 billion.

The trade in services surplus was up to £15.2 billion from £15 billion in the second quarter. Exports increased by £0.3 billion to £34.4 billion, while imports rose by less than £0.1 billion to £19.2 billion.

www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/bulletins/balanceofpayments/julytosept2016

UK economic growth revised upwards

Britain's economy grew faster than previously thought in the three months after the EU referendum, figures from the Office for National Statistics (ONS) show.

The economy, as measured by gross domestic product (GDP) posted quarter-on-quarter growth of 0.6% in the third quarter of 2016, compared with initial estimates of 0.5%. GDP was up by 2.2% on the same quarter 2015.

"Robust consumer demand continued to help the UK economy grow steadily in the third quarter of 2016. Growth was slightly stronger than first thought, though, due to greater output in the financial sector," said Darren Morgan of the ONS.

The services sector – which accounts for about 80% of economic activity in the UK – was the main driver of growth, with an increase of 1.0% in output in the third quarter of 20016 compared with the second quarter.

The production industries saw growth down by 0.4%, with manufacturing recording a 0.8% fall in output compared with the second quarter.

Production output was up by 1.1% on the same quarter 2015, with manufacturing output 0.5% higher.

On an annual basis, GDP grew by 2.2% in 2015.

www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/quarterlynationalaccounts/quarter3julytosept2016

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