

ATL briefing note on Pay in the Independent Sector

August 2010

Many ATL members working in the independent sector have some form of consultation or negotiation on pay. This may take the form of formal arrangements for collective bargaining, such as through trade union recognition, or local ad hoc arrangements.

Pay is a fundamental term of employment and ATL believes that all members should have the right to *negotiate* their pay, rather than just being *consulted*.

Meaningful consultation and negotiation is based on having the relevant information to make informed decisions.

If your employer does not engage with staff collectively on pay then you may wish to consider requesting that it does so. Members have a legal right to collective bargaining under the Trade Union and Labour Relations (Consolidation) Act 1992, as amended by the Employment Relations Act 1999.

Some independent schools tie their pay awards to the state sector pay structure, in which case the possibility of negotiating is obviously limited. However, you will be indirectly represented in the negotiations that ATL undertake in social partnership with the government.

This briefing is designed to help ATL members in the independent sector negotiate on pay and associated rewards.

The briefing gives an overview of some of the main issues, including:

- Pay deal components
- Bargaining & Total Reward
- Inflation; including RPI, CPI and the current economic climate
- Benchmarking against the state sector and the commercial world
- Indices of a healthy independent school
- Trade Union recognition
- Further information

Pay deal components

- Cost of Living
- Recruitment and Retention
- Performance
- Profitability
- Affordability
- The Market
- Motivation and Morale

Recruitment and retention is an important issue for any employer but perhaps none more so than in the competitive world of independent education. Education is a people business. The key to success is recruiting and retaining high quality staff. Parents have high expectations of having good quality staff and want to see a consistency of staffing.

Employers often look to the annual pay award to reward **performance**.

If the school is turning a healthy profit then the employer can afford to reward staff for the significant contribution that they make in achieving that **profitability**. The reverse of this may be in severe times staff may forgo a reasonable annual award.

Can the employer afford to give a decent pay rise? While many employers in the independent sector may cry lack of **affordability**, is it really so? Or is it a case of having other priorities? If the employer argues lack of finance, then it is not unreasonable for ATL members to ask the employer to prove it. While some information may well be commercially sensitive, information can be provided on an aggregate basis. As most independent schools are registered charities, some of this financial information will be in the public domain.

The right of disclosure of relevant information is a statutory right of employees where their trade union is recognised.

Pay awards are often made on the basis of what others in **the market** place pay. This is not just what the state sector awards, or the general private sector, but may be the local market of competitor schools.

As an ATL rep you might want to consider setting up an email information exchange group with ATL reps at comparable schools.

Regardless of the economic situation many employers in the private sector have been historically unwilling to offer pay awards at less than 2% for the fear of appearing mean. Pay deals affect **motivation and morale**. A reasonable pay deal can help foster unity and shared spirit.

Bargaining and Total Reward

Bargaining can take the form of different forms of reward. While the headline percentage salary increase is often the most important there are many other areas of reward and employee benefit that should be considered. Examples include:

- Working time
- Flexible working
- Sick leave and enhanced sick pay
- Enhanced Redundancy pay
- Training provision
- Reducing qualifying time for enhanced benefits

Pay Claims other than simple percentage increases

Another approach to collective bargaining is to combine percentage increases with minimum lump sums. This is what ATL is doing in the campaign for pay parity with school teachers for teachers and lecturers working in Further Education [FE].

The Association of College's has offered a 0.2% increase for FE college staff in England in 2010. The offer has not been accepted by the recognised unions, who are currently consulting on how to respond.

Inflation and the Cost of living

The major component of the annual pay award is the cost of living award reflecting inflation. The traditional measure of inflation used for pay negotiations is the Retail Price Index. RPI was introduced in 1947 by the government to assist employers and employees in negotiations over salary increases to reflect rising costs. RPI is used by the government to up rate non-means tested benefits, tax allowances and some government bonds.

More recently, since 2003, the government has used Consumer Price Index as its preferred measure of inflation.

Over 20% of RPI is made up of housing costs, so fluctuations in this area have a significant affect on the overall figure. For this reason ATL believes that RPI continues to be the key reference point for wage negotiations.

The August 2010 RPI and CPI figures are 4.8% and 3.1% respectively. This is significantly higher than the Government's target rate of 2%. According to the Bank of England projections, inflation is likely to stay above the target rate well into 2011, given the forthcoming increase in VAT from 17.5% to 20% from January 2011.

Other pressures have contributed to the high rate of inflation and over the past 12 months up to June 2010 there have been significant increases in the following areas of spending:

Food	1.7%
Motoring	14.7%
Fares & travel	6.3%
Leisure	0.9%
Clothing	6.3%

Although there have also been some significant decreases:

Fuel & light	- 2.4%
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And some areas of spending have remained unchanged:

Housing	0%
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The effect of the current recession on pay negotiations

There is no doubt that the current recession, which began in April 2008, will impact on pay negotiations. While the recession is having an adverse affect in some sectors of the economy, it does not necessarily mean that annual pay awards in the independent sector should suffer as a consequence.

In some instances, there will be employers who genuinely cannot afford to pay significant pay increases. However, the majority of independent sector employers can afford to reward staff with a proper pay award.

Indeed, some schools may well prosper in these uncertain times. For instance, the Headmasters' and Headmistresses' Conference (HMC) survey of members in January 2009 showed that there were 2.3 applicants for every place for 11-year-olds this year, a rise of 1.7%.

Playing catch-up

A factor to bear in mind in this year's negotiations is that for many there will be an element of playing catch-up.

The RPI figure for the last academic year has increased from -1.4% to 4.8% reaching of peak of 5.3% in April. We know from our survey in October 2009 of 1,500 ATL members, that the majority received an annual increase of less than 5.3% and therefore saw a cut in terms of real earnings.

ATL Pay & Condition Survey

The annual ATL Pay & Condition Survey provides some very useful information on salaries. The survey is carried out by email during October with separate surveys for teachers and support staff.

There was a significant response from members with over 1,500 completing the 2009 survey. This makes the ATL survey not only unique but authoritative.

The 2009 survey revealed that the economic recession had impacted on the annual cost of living award in the independent sector. In comparison to the previous year, the majority of ATL members reported receiving a cost of living increase below the state sector award. A significant number - 20% of respondents reported a pay freeze. Worryingly, in a very small minority of schools that are financially struggling, members have seen a cut in their salaries.

The independent sector teachers faired worse than their colleagues in the state sector, who were insulated from the effects of the recession by the three year pay deal negotiated by the unions covering 2008 to 2010. The government has indicated that its pay policy for 2011 is to freeze public sector pay. This means that the independent sector will have faced the brunt of the recession at least two years earlier than the state sector.

One thing that ATL members in the independent sector need to be on their guard against is that they do not suffer a double whammy at the hands of opportunist employers who suppress wage increases early and late!

Also, it must be remembered that it is not all doom and gloom and a significant number of independent schools are doing very well and staff should be sharing in this success.

The results of the 2010 survey will be available on the ATL website www.atl.org.uk after the Independent Schools Conference in November.

Benchmarking against the state and commercial sectors

School Teachers' Review Body [STRB]

The STRB determines the pay of teachers working in the state sector. In February 2009 ATL, within the context of social partnership, submitted further evidence asking the STRB to review the proposed pay increases for teachers in September 2009 and September 2010. As part of a three year pay deal teachers were due to receive an increase of 2.3% in September 2009 and 2010. ATL's submission to the STRB recommended increasing both these awards. However, the STRB decided to leave the three year pay deal unchanged. This means that in September 2010 teachers in the maintained sector received an increase in pay of 2.3%.

The three year pay deal is as follows:

2008	2.45%
2009	2.3%
2010	2.3%

Current Government policy is that there should be a public sector pay freeze in 2011 and 2012.

Support Staff

Support staff pay in the state sector was increased in April 2009 by 1% and for the very low paid 1.25%. Support staff pay was not increased in April 2010. Current Government policy is that there should be a public sector pay freeze in 2011 and 2012.

Currently, trade unions are considering what action to take regarding the decision by local government employers not to award a pay increase this year.

Although it is useful to benchmark a potential pay award with pay in the state sector, independent schools are commercial enterprises and as such are a different beast from the state sector. Many independent schools are thriving, despite the current recession. It is a reasonable expectation of staff that their hard work is rewarded.

ATL believes that the contribution of all staff to the success of a school and its pupils should be recognised. We believe this should be done by way of an across the board cost of living increase to all staff, teachers and support staff.

Average wage settlements

In the three months to June 2010, the median pay settlement for the whole economy was 2%.

In June 2010 the average pay deals in the private sector was 2% [as opposed to the public sector at 0.3%].

Office of Budget Responsibility Forecasts [as of June 2010]

	Average Earnings %	RPI %	CPI %
2010	2.1	3.7	2.7
2011	1.9	3.2	2.4
2012	2.3	3.2	1.9

The indices of a financially healthy independent school

In order to effectively collective bargain it is important to understand the general financial position of your employer. Unfortunately, in most cases, it is not possible to simply rely on information provided by the employer.

Members will often be told that the employer cannot afford a higher increase when actually it is a case of priorities: they would simply prefer to do something else with the money.

Meaningful consultation and negotiation is based on having the relevant information to make informed decisions.

So how can you tell what sort of financial position your employer is in? Well, there are a number of pointers as to the health of an independent school. Of course there is no absolute guide as every situation will be different and some items of expenditure may well be very necessary and very costly.

To avoid drawing conclusions from minor variances, it is advisable to look at trends, say over the last five years.

Total income & expenditure

However, it is helpful to get a general picture by looking at the income and expenditure of an independent school over a period of time.

The single biggest item on a school's budget is staffing costs. The Independent School Council ISC estimates that the average independent school spends approximately 65-70% of its entire income on salaries. If your school spends significantly less than this figure, it could be taken as a sign of financial health. Again you might want to request information over a number of years to see if there is any trend.

Pupil numbers

Clearly, it is a healthy sign if pupil numbers are rising.

School Fee inflation

The increase in school fees is a clear indication of rising costs for all. School fee increases have comfortably outstripped RPI for quite a number of years.

Halifax Financial Services has examined the changing cost and affordability of private schools in Great Britain over the period 2003 to 2008. Data has been sourced from the Independent Schools Council (ISC) census and the ONS. All figures relate to the average fees for day pupils unless stated otherwise.

Private school fees have risen by an average of 40% over the last five years, more than double the increase in the Retail Price Index (18%).

Trade Union Recognition

If your employer does not negotiate salary increases with staff, or refuses to provide relevant information for meaningful consultation and negotiation, then you may wish to consider securing trade union recognition for ATL. Recognition is a statutory right for all employees, providing a majority are in favour. More information on recognition is available on the ATL website www.atl.org.uk or contact ATL's National Official for the Independent Sector at the London office.



Further information

Further information pay is contained in ATL's guide to *Working in the Independent Sector* and is available on our website www.atl.org.uk.