

## **Pay Claim For 2022**

### **Submitted by UNISON to Vertas (Derbyshire) Limited**

This pay claim is submitted by UNISON on behalf of staff working for Vertas (Derbyshire) Limited. It takes into account the following key points:

- The cost of living has substantially increased over the past year, and is predicted to increase further in 2022, significantly reducing the value of staff wages.
- Appropriate reward is needed to sustain the morale and productivity of staff in their crucial role of delivering high quality services, and to reflect their hard work during the pandemic.
- A majority of members' indicated that they have considered leaving their current position over the last year in their responses to a survey run by UNISON.
- There are substantial pay increases being offered by employers in retail, hospitality and care, that Vertas (Derbyshire) Limited needs to keep pace with.
- The removal of staff working at Vertas (Derbyshire) Limited from NJC pay increases has cost the staff affected between 0.75 and 1.75% in 2021.

### **Background**

Vertas (Derbyshire) Limited (VDL) offered a 1% pay increase for all grade points for 2021. This year a 2% pay rise has been offered, which will be applied to all grade points, except for those below the new national minimum wage of £9.50, who will be raised to £9.62.

Prior to the transfer from Derbyshire County Council, staff's pay would have had their pay linked to NJC pay. Meaning that since 2010, staff have lost on average 23.9% of their pay when measured against the Retail Price Index (RPI).<sup>[1]</sup> Additional, if staff had remained with Derbyshire County Council, their 2021 pay increase would have been 1.75% (2.75% for those on the lowest pay point), which is 0.75-1.75% higher than the 1% increase from VDL.

Staff in VDL have had an extraordinarily hard two years since the start of the pandemic. They have had to adapt to rapid changes, putting themselves and their families at risk by working on the frontline, with workloads increasing due to the strains of the public health emergency. UNISON believes that the claim below reflects a fair compensation for the challenges that staff have faced and would also demonstrate Vertas (Derbyshire) Limited's continued commitment to being a good employer that invests in its staff.

### **Summary of the Claim**

We are seeking that Vertas (Derbyshire) Limited:

- Implement an 8% increase for all salary points and allowances.
- Increase rates for staff at the bottom of the pay scale to bring their pay up to the level of the Real Living Wage of £9.90, set by the Real Living Wage Foundation.

## Economic Background

The Retail Price Index (RPI) and Consumer Price Index (CPI) 12-month rates were 7.5% and 5.4% respectively in December, with both expected to remain high into 2022.<sup>[2][3]</sup> These high rates are driven by increases in transport, recreation, and culture, as well as supply chain issues slowing production.

Cost of living increases that are expected to continue to drive inflation are:

- The price cap for energy being reviewed in February, with it expected to go up by £500, from its current cap of £1277.<sup>[4]</sup>
- Full declaration of imports are expected to cause an increase in food.
- Increases in rail fares set at 3.8% which take effect in March.
- Petrol prices are expected to remain high, and could increase if the price of a barrel of oil exceeds \$100, due to international political instability.

There are also non-inflation related cost of living increases forecasted for this year:

- Councils have the ability to increase council taxes by 2-3% without a referendum, with many expected to do this to recover increased costs and reduced incomes incurred due to COVID-19.
- The age of exemption from prescription fees is being raised from 60 to 66, likely to hit many of VDL's workers, due to the higher-than-average age of the workforce.
- In addition to the cost-of-living increase and inflation, National Insurance (NI) is going up in April 2021 by 1.25% to 13.25%.
- A 4-year freeze on the Income Tax threshold, resulting in individual tax bills relative to incomes to go up.

The Resolution Foundation has estimated the impact of all the increases in costs and taxes as a £1200 hit per household per year.

Meanwhile, the Office for National Statistics indicates that the vacancy rate across the economy had bounced back to 4.1% by December 2021, taking the level substantially higher than before pandemic and putting the total number of vacancies at over a million for the first time since records began.<sup>[5]</sup> From sector analysis, the highest vacancy rate across the economy is in the traditionally low-paid sectors of "accommodation and food services," where shortages are reflected in a 7.4% vacancy rate, and in the adult social care sector, which has a vacancy rate of 8.2%.<sup>[6]</sup> Additionally, from labour market surveys, 47% of employers have reported having "hard to fill" vacancies at the end of 2021, reflecting the difficulty that employers are facing to recruit and retain staff.<sup>[7]</sup> The CIPD also found in its most recent survey that private sector employers are predicting that they will raise pay by 2.5% on average over the year to September 2022, meaning that the current 2% offer is below forecasted average being seen across the sector.

We also note that the Vertas Group has performed well against its Key Performance Indicators, with the mobilisation of joint venture with Derbyshire County Council forming a crucial part of this performance. It has also not gone unnoticed that the highest paid director in Vertas Group is paid £160,000, which is approximately ten times the FTE salary of the lowest paid cleaner, doing nothing for the morale of the staff being left behind by this pay rise.

## Impact of Pay on Staff Retention

Working against a background of tight budgets and the unprecedented demands of the COVID-19 pandemic, staff are facing greater workload pressures. The resulting increased stress puts the morale of the workforce at risk and poses retention difficulties for VDL

Results from a survey that UNISON ran from 15 December to 25 January can be found attached to this response, but some headline feedback from UNISON's members demonstrate the morale of staff:

- 57% of members who responded said that they are worse off than 12 months ago when they compare their pay to the cost of living.
- 38% of members said their morale was low in the workplace, with 48% saying it was moderate, and 81% said it was lower than 12 months ago.
- Members said that Workload (62%) and Stress (70%) had increased over the last year.
- 42% of members said they had very seriously considered leaving their current position over the last year, with another 38% saying they fairly seriously considered leaving.
- The majority of members who responded to the survey were in low-paid positions, with 71% of respondents saying that VDL becoming a Real Living Wage employer would have a positive impact on their pay.

## Wider Context

Vertas (Derbyshire) Limited presented figures from other competitors in the cleaning and facilities management sector which presents them as in the middle of the average. However we are seeing some substantial rises in other low-waged job:

1. In retail, we have seen Sainsbury's, Lidl, Aldi and Morrison raise their minimum hourly wage to £10 per hour, with Lidl proudly advertising that it is a Real Living Wage employer.<sup>[8]-[11]</sup>
2. Pret a Manger have also raised their minimum hourly wage to £9.80-10.15, this is the second time in 4 months it has done this, and follows Costa increasing pay.<sup>[12],[13]</sup>
3. Itsu, an Asian fast food chain, increased their wages by 11% to £10.40.<sup>[14]</sup>
4. Encore Care Homes have given a 5.7% pay rise to all staff.<sup>[15]</sup>
5. Vida Healthcare announced a 30% wage increase for frontline staff.<sup>[16]</sup>
6. Methodist Homes for the Aged have applied the real living wage, a £10.00 wage floor and a 5% pay rise overall.<sup>[17]</sup>

In addition the data that VDL has presented on competitor's pay, shows that the average pay is £9.55 as of 13/01/2022. However, six of the jobs were paying below the National Minimum Wage that will be in effect as of 1 April. When these salaries are raised to the new statutory minimum the average is £9.75 and this before those organisations have applied any above legal requirement pay rises. VDL's average wage for staff on the lowest band after the 2% rise is given is £9.77, and £9.86 for all employees.

The Low Pay Commission currently forecasts that the National Minimum Wage will rise to £10.18 in 2023 and then £10.70 in 2024.<sup>[18]</sup> While this is subject to change, and only come legally into effect as of 1 April each year, many employers in their planning will implement it before when recruiting new staff, placing a pull factor on staff.

## Real Living Wage Employer

The Living Wage has become a standard benchmark for the minimum needed for low-paid staff to have a “basic but acceptable” standard of living. VDL is now competing in a labour market where the Living Wage of £9.90 an hour outside London has become an increasingly common minimum. The Living Wage Foundation has 155 cleaning companies listed as accredited Living Wage employers, with many more facility management companies are registered Living Wage service providers, meaning they commit to submit bids based on living wage rates for contracts. Studies supported by Barclays Bank have shown that Living Wage employers report an increase in productivity, a reduction in staff turnover / absenteeism rates and improvements in public reputation.<sup>[19]</sup>

The 2% pay offer would keep the majority of Vertas (Derbyshire) Limited staff below the Real Living Wage for the UK, which stands at £9.90 as of November 2021. UNISON asked its members if Vertas (Derbyshire) Limited becoming a Real Living Wage employer would have a positive impact on their pay, with 71% answering that it would.

There are several benefits to an employer becoming a Real Living Wage Employer, beyond the positive news that follows signing up, or the ability to tender for contracts with employers that have committed to an ethical procurement policy. The Foundations’ own research shows:

- Over half of employees (54%) felt more positive about their workplace once the LW was introduced and 52% felt more loyal
- Staff leaving rates fell by 25% and when introduced by KPMG among its facilities management contract provided by ISS, the policy led to a 40% drop in turnover.
- Almost a third (32%) of workers felt it benefitted their family life by allowing them to do things like spend more time with family
- Almost 4 in 10 (38%) workers reported financial benefits such as being able to buy more goods and save more

## Conclusion

There can be no doubt that VDL staff have seen the value of their earnings fall considerably over the past year and evidence suggests that they are also falling behind pay settlements for comparable jobs. Combined with these developments, the last year has seen intensified pressures placed on staff at the same time as greater job choices are opening up for staff in an improving labour market.

Therefore, this pay claim represents a very reasonable estimate of the reward staff deserve for their dedication, skill and hard work and the minimum improvement in pay needed to maintain workforce morale for delivering consistently high quality services and retain trained and experienced staff in the company.

## References

[1]: UNISON NJC 2021 pay claim, Appendix 1

[2]: Office for National Statistics, Inflation and price indices, Jan 2022

[3]: Bank of England, Will inflation in the UK keep rising?, Dec 2021

[4]: The Resolution Foundation, Higher and higher, Jan 2022

- [5]: Office for National Statistics, Labour Market Overview, Jan 2022
- [6]: Skills for Care, The State of the Adult Social Care Workforce in England, Sep 2021
- [7]: CIPD, Labour Market Outlook, Autumn 2021
- [8]: BBC, Sainsbury's raises pay to £10 an hour, Jan 2022
- [9]: BBC, Lidl to become UK's highest-paying supermarket, Nov 2021
- [10]: Evening Standard, Aldi to give shop workers pay rise, Dec 2021
- [11]: Morrisons Corporate, Morrisons pay to break £10 an hour barrier, Jan 2021
- [12]: Guardian, Pret a Manger to increase pay for second time in four months, Jan 2022
- [13]: BBC, Costa gives 5% pay rise to some staff and recruits 2,000, Sep 2021
- [14]: BBC Itsu increases pay to a minimum of £10.40 an hour, Sep 2021
- [15]: Care Home Professional, Encore Care Homes recognises staff with 5.7% pay rise, Jan 2022
- [16]: Care Home Professional, Vida Healthcare announces 30% wage increase for staff, Jan 2022
- [17]: UNISON Ballots members on MHA pay offer Dec 21/Jan 2022
- [18]: Low Pay Commission, 2021 Report Summary of findings, Oct 2021
- [19]: Real Living Wage Foundation, Living wage costs & benefits report, Oct 2012