FACT SERVICE

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Statutory redundancy pay limit rises

The amount of an employee's weekly earnings which counts towards statutory redundancy pay increased from £330 to £350 on 1 February 2009.

Although the £20 increase is welcome to the thousands of people who find themselves joining the dole queue each week, the £350 is still far lower in real terms than the original value of statutory redundancy pay when it was introduced in 1965, the TUC says. It would like to see the weekly limit increase to at least £500 to provide a financial cushion for the newly unemployed.

Figures from the Office for National Statistics show that almost half (46.2%) of UK employees earn more than £350 a week, so a significant amount of the workforce will still be losing out with the new statutory limit for redundancy pay.

To ensure that workers are properly compensated when they lose their jobs, the TUC believes the chancellor should increase the weekly limit on statutory redundancy pay to at least £500, to help restore the real value of the limit.

To further help those who have been made redundant, the TUC also believes the amount that people receive in redundancy pay before they have to pay tax — frozen at £30,000 since 1989 — should now be increased to £50,000. This would have been the current level had the tax threshold increased in line with inflation.

Other increases The *Employment Rights (Increase of Limits) Order 2008*, SI No. 3055 also increases, from 1 February 2009, the limits applying to certain awards of employment tribunals, and other amounts payable under employment legislation. Most notably, in respect of dismissals on or after 1 February 2009, the maximum compensatory award for unfair dismissal increases from £63,000 to £66,200.

The minimum basic award for unfair dismissal due to health and safety, trade union, employee representative or occupational pension trustee reasons increases from £4,400 to £4,700.

www.tuc.org.uk/newsroom/tuc-15909-f0.cfm
www.opsi.gov.uk/si/si2008/uksi_20083055_en_1

Goalposts to be moved in child poverty plans

The government appears to want to move the goalposts on their aims to eradicate child poverty in its proposals published in the run up to introducing legislation on the issue.

Ending child poverty: making it happen, a consultation document launched at the end of January, somewhat shifts the goalposts from the original vision set out in 1999 by the then prime minister Tony Blair. A decade ago the aim was to reduce the number of households with children living in relative poverty – defined as earning less than 60% of the median national income – to zero by 2020. Instead, the new draft child poverty legislation defines "eradication" as reducing the proportion of children in relative low income to 5-10%.

An extra target also has been included to reduce the proportion of children in low-income households living in material deprivation to "a level approaching zero".

The consultation also outlines plans to set up an expert commission to advise on the creation of a new child poverty strategy, which will set out milestones to the 2020 target and monitor progress.

In addition, it is proposed that councils be given a stronger role in tackling child poverty locally.

Meanwhile, campaigners have called on the government not to back down from its commitment to halve child poverty by 2010 ahead of the *Child Poverty Bill*.

The Department for Work and Pensions admitted last year that it was unlikely that the 2010 target could be achieved, with around 1.2 million children still living in relative poverty according to the latest figures.

Kate Green, director of the Campaign to End Child Poverty, urged the chancellor to make the funds available to meet the 2010 target. She added: "There is a pressing need for government to invest the £3 billion necessary in this year's budget to keep their promise of halving child poverty by 2010. The legislation's focus on 2020 should not detract from this."

www.dcsf.gov.uk/consultations

www.communitycare.co.uk/Articles/2009/01/29/110581/charities-urge-government-not-to-soften-child-poverty-stance.html

Tax avoidance

British taxpayers are being left to plug a multibillion-pound hole in the public finances as hundreds of the country's biggest companies increasingly employ complex and secretive tax arrangements to limit the amount they hand over to the exchequer.

An extensive *Guardian* investigation has examined the accounts of the UK's biggest companies – many of them household names – and discovered a series of sophisticated tax strategies which, critics say, amount to an almost unstoppable tide of perfectly legal corporate tax avoidance.

The veil of confidentiality that covers these tax avoidance schemes is so difficult to penetrate that nobody knows exactly how much tax goes missing each year. But HM Revenue & Customs (HMRC) estimated that the size of the tax gap could be anything between £3.7 billion and £13 billion.

The House of Commons public accounts committee put it at a possible £8.5 billion and the TUC said £12 billion.

UK listed companies are not required to set out exactly how much UK corporation tax they actually hand over to HMRC. When the *Guardian* asked each FTSE 100 company to provide this information only two offered a response.

Brendan Barber, TUC general secretary, said: "Tax avoidance is hollowing out the tax system. With the rest of us having to fill the tax gap left by Britain's most wealthy, there is a real threat to the future of public services - especially as the recession takes its toll on normal tax flows.

"It will be hard to maintain public support for tax when it looks increasingly optional for big companies and the super-rich, who increasingly float free from the network of mutual obligations that underpin any civilised society."

www.guardian.co.uk/business/series/tax-gap

Car workers hit by cuts in jobs and hours

Car giant Ford is to cut up to 850 jobs at its UK operations by May.

Between 400 and 500 of the posts are to go at its Transit plant in Southampton. The firm said it hoped the losses would be met through voluntary redundancies.

Bosses will also renegotiate a recent pay deal struck at the south coast site. The GMB general union accused Ford of "going back on its agreement" over a 5.25% pay increase agreed late last year.

Staff at Vauxhall's car plants in Ellesmere Port and Luton are taking a cut in pay after agreement was reached to reduce their working hours.

Following talks between company bosses and unions, workers at Ellesmere Port have been told their working week will be reduced from 38 to 30 hours, while those in Luton have seen their hours reduced to 34 a week.

http://news.bbc.co.uk/1/hi/england/hampshire/7870823.stm
http://news.bbc.co.uk/1/hi/england/merseyside/7870338.stm

Pay freeze hits water firm Southern

Public services union UNISON said a move by Southern Water to freeze wages was a "slap in the face" to staff. The union had lodged a claim for a 6% pay rise in December.

Southern Water, which covers the south east of England, decided to freeze pay for its 1,600 staff, including senior directors, to prevent job losses.

A company statement said: "To help counter the effects of the recession and avoid job losses one measure that would regrettably be taken was a pay freeze for 2009-10.

"We told staff this was not a decision we wanted to take, neither was it one that reflected on their performance. It is a direct result of the unprecedented economic downturn which has seen many people lose their jobs in our region."

UNISON accused the directors of "hypocrisy", claiming they would take bonuses in the current financial year if staff achieved their targets.

"The company has delivered a slap in the face to staff, with a management e-mail telling staff they could not afford to give a pay award," said regional officer Phil Wood. "The directors have said that while they won't take a pay award this year, they will take their bonuses, if staff achieve targets."

The union submitted a claim for a 6% pay rise for Southern Water staff in December. It wants a minimum wage of £7.65 an hour. It is now conducting a ballot on a strike in support of the claim.

In October 2007, Greensands Investments Limited completed the acquisition of Southern Water Capital Limited, parent company of Southern Water Services Limited.

The company is 100% owned by Greensands Holdings Limited, which in turn is owned by a consortium of infrastructure firms and pension funds — 15 investors in total.

The latest accounts available at Companies House for Southern Water Services Limited covering the year ending March 2008 show the pre-tax profits, excluding exceptional items, of £122.2 million on turnover of £618.7 million.

Employee levels had already taken a hit with average numbers down by nearly 300 to 1,611.

The highest paid director received £629,000 in the year ending March 2008.

It's interesting to note, given the *Guardian* exposé of tax paid by companies, that Southern paid only £18 million in taxation in the year ending March 2008 — equivalent to a rate of around 15%.

Thames Water The London-based utility is cutting 300 jobs, most of which will be in support services in Reading and Swindon. The firm, which employs 5,000 people, said the recession was reducing its revenue, partly as more customers were unable to pay bills. Compulsory redundancies have not been ruled out.

The GMB general union was opposed to the job cuts. Gary Smith, national secretary, said: "GMB want to meet Thames Water to discuss these job cuts. We will take some convincing that there is an economic case for these job losses."

http://news.bbc.co.uk/1/hi/england/7859038.stm
www.ofwat.gov.uk/
www.gmb.org.uk/Templates/Internal.asp?NodeID=98138

No direct regulation of City pay

The Financial Services Authority watchdog is due to publish a government-commissioned review of City supervision in March.

However its chair, Lord Turner, appeared to retreat from suggestions that City bonuses might be directly regulated in an interview with *The Independent* newspaper.

He said that although City pay structures had played a major role in the crisis, he was not sure direct regulation was the right approach. There is "a clear-cut danger in the financial system, where you have a load of assets held on bank balance sheets and accounted for on mark-to-market bases."

He added: "As the process of irrational exuberance sets in, the price of those assets can go to unreasonably high levels, generating what are in a sense illusory profits and very large bonuses to the people involved in the process. This in turn makes bankers think they should do even more of what they have just done."

Lord Turner said the question was on how it was appropriate to intervene.

"Very high leverage is clearly a problem which needs to be offset with significantly higher capital requirements for trading books. But we may need to intervene to change the bonus culture and make remuneration within trading activities dependent on return over a long period of time.

"If I had to rank them, the things to do with leverage and capital adequacy are more important than those to do with the structure of bonuses."

www.independent.co.uk/news/business/news/fsa-chairman-pulls-back-from-direct-regulation-of-city-pay-1519193.html

Essex council is to sell off all its services

Essex County Council is planning to outsource all of its services to make savings of over £200 million over the next three years.

Dave Prentis, general secretary of public service union UNISON, slammed the county council's plans as "a recipe for disaster and economic chaos".

He warned other councils against going down that route, saying: "This is the first time in the history of local government that any council has put all its services out to tender. This is because it is a recipe for economic chaos and service failure. At a time when councils should be doing all they can to support their local communities and economy, the Tories, who run Essex County Council, are washing their hands of their responsibilities and selling off council services and jobs."

He pointed to the fact that: "Only this week Essex County Council was forced to bring its failing outsourced IT contract back in house, which will no doubt cost local people millions. Instead of learning a salutary lesson from that experiment, councillors are still recklessly intent on selling off the council.

Prentis has promised the union "will intensify its fight against these plans and the lesson to other councils must be 'Don't try this at home'".

www.socialistworker.co.uk/art.php?id=17028

www.unison.org.uk/asppresspack/pressrelease_view.asp?id=1341

Global recession could cost 50 million jobs

The global economic crisis could see more than 50 million jobs lost around the world, according to the International Labour Organization's (ILO) latest report on employment.

The ILO said in its 2009 *Global Employment Trends* report that, depending on the effectiveness of recovery efforts and timeliness, global unemployment could this year increase on 2007 figures by between 18 and 30 million, and by more than 50 million if the situation continues to deteriorate.

In this worst case scenario, some 200 million workers, mostly in developing economies, could be forced into extreme poverty.

The global recession is also expected to lead to a dramatic increase in the number of people joining the ranks of the "working poor" and those in vulnerable employment.

"The ILO message is realistic, not alarmist. We are now facing a global jobs crisis. Many governments are aware and acting, but more decisive and coordinated international action is needed to avert a global social recession," said its director-general, Juan Somavia.

"Progress in poverty reduction is unravelling and middle classes worldwide are weakening. The political and security implications are daunting."

The crisis was, he said, "underscoring the relevance of the ILO Decent Work Agenda". He called on the upcoming meeting of the G20 to be held on 2 April in London to agree on priority measures to promote productive investments, decent work and social protection objectives, and policy coordination.

www.ilo.org/global/About_the_ILO/Media_and_public_information/Press_releases/lang--en/WCMS_101462/index.htm

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