



National Union of Rail, Maritime & Transport
Workers

**Rates of Pay & Conditions of
Service 2015**

London Underground Ltd

Introduction

This document represents the RMT's application on behalf of our members working for London Underground Ltd for an improvement in pay and conditions of service prior to the next pay negotiations. Over the course of this document we will address the following issues;

1. A substantial pay award

Dramatic rises in living costs necessitate a substantial, unconditional pay award at the earliest opportunity, in order for our members' pay to keep pace with both the increasing cost of living and rates of pay in the industry.

2. A minimum flat rate increase for those on the lowest pay

Those members who receive the lowest salaries bear the brunt of any increase in living costs and, as such, should be afforded additional protection in the form of a minimum flat rate increase.

3. Reduction in the working week

RMT members have identified a reduction in full-time working to a 4 day, 32 hour week as a key target (with a pro-rata decrease for part-time workers).

4. Ending the practice of permanently managed vacancies

The union's policy is for management to increase levels of coverage in the roster and to cease the practice of permanently managed vacancies.

5. Best travel facilities for all staff

All staff, whether directly employed or not, should receive free access to all travel facilities as standard. This includes individuals who provide support services such as cleaning via outsourced companies, being entitled to the same travel facilities as directly employed workers.

6. Overtime

The union opposes the use of overtime where extensive and continued vacancies exist; we also oppose contractual, compulsory and the rostering of overtime.

7. Family friendly policies

The desire for improved work-life balance is coupled with a demand for more progressive 'family-friendly' policies and a claim for 52 weeks full pay for all women on maternity leave.

Financial information

London Underground Ltd

For 2013/14 revenue from fares was £2.286 billion, 7.6% up on the year before.

In the year to 31 March 2014 London Underground Ltd had total assets (less current liabilities) of £17.238 billion.

This was up from £16.413 billion the year before – a rise of over 5%.

LUL had £19 million in the bank/ on deposit.

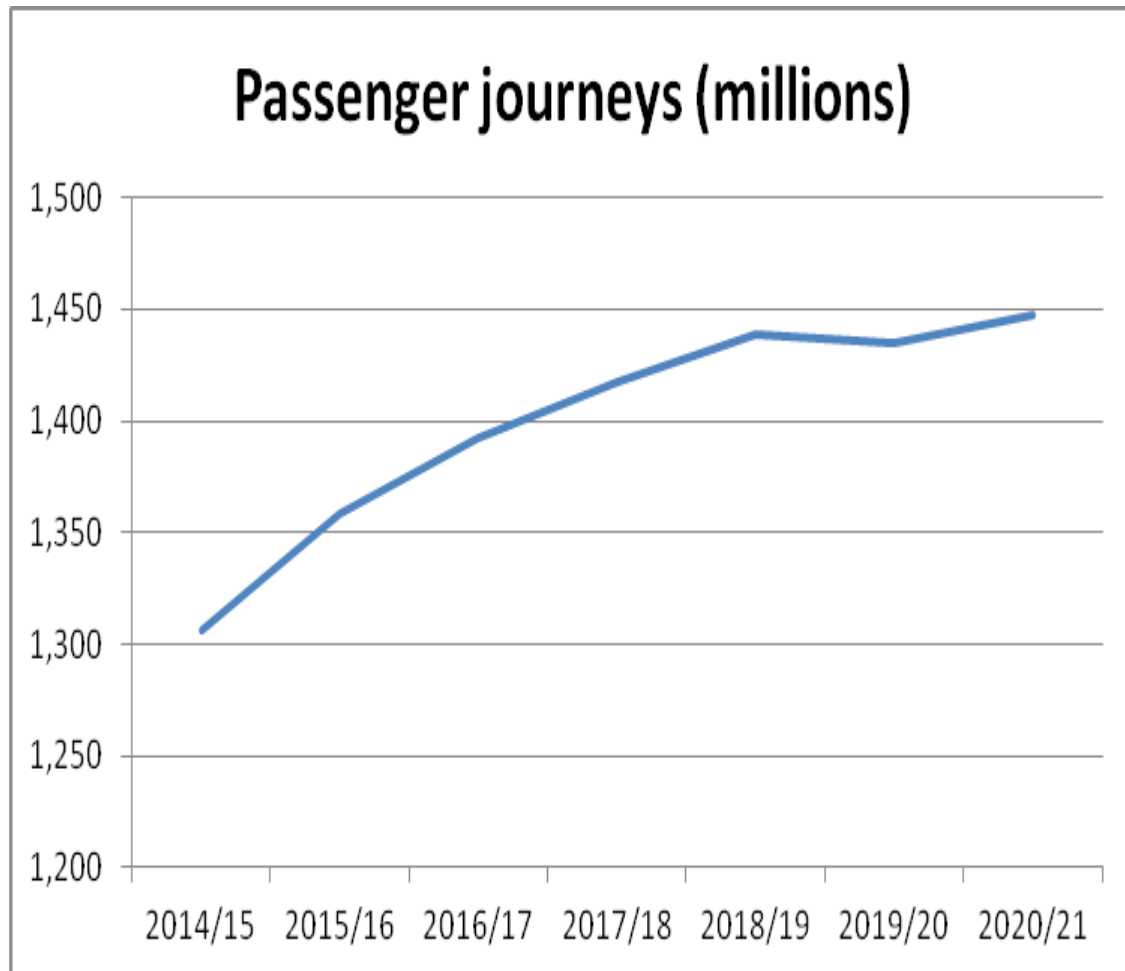
And Mike Brown, Managing Director of Rail and Underground received total remuneration (excluding pensions) of £394,355.

Tube Lines Ltd

In the year to 31 March 2014 Tube Lines Ltd (owned by London Underground Ltd) had total assets less current liabilities of £378.9 million.

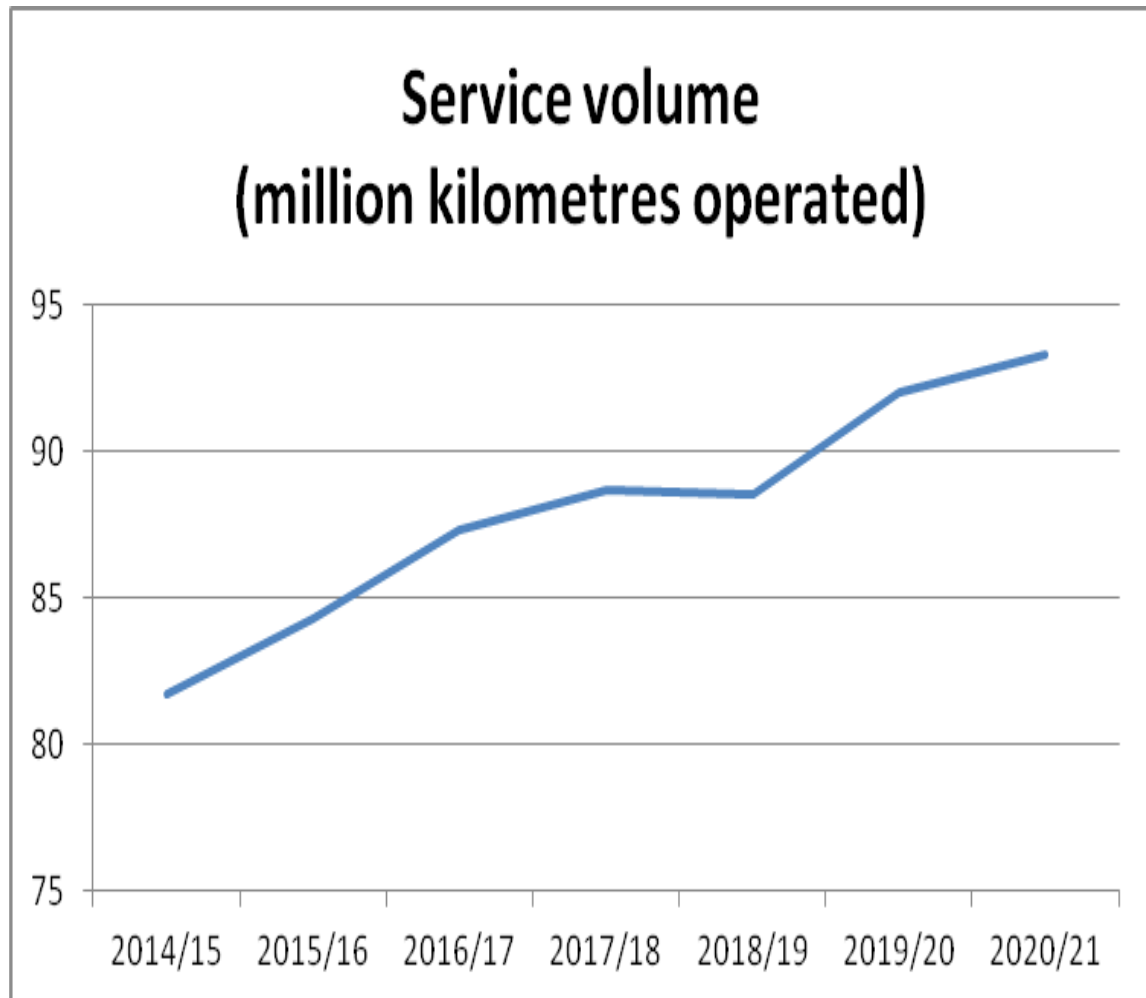
Passenger journeys

The number of journeys on the Tube are projected by TfL to increase as follows:



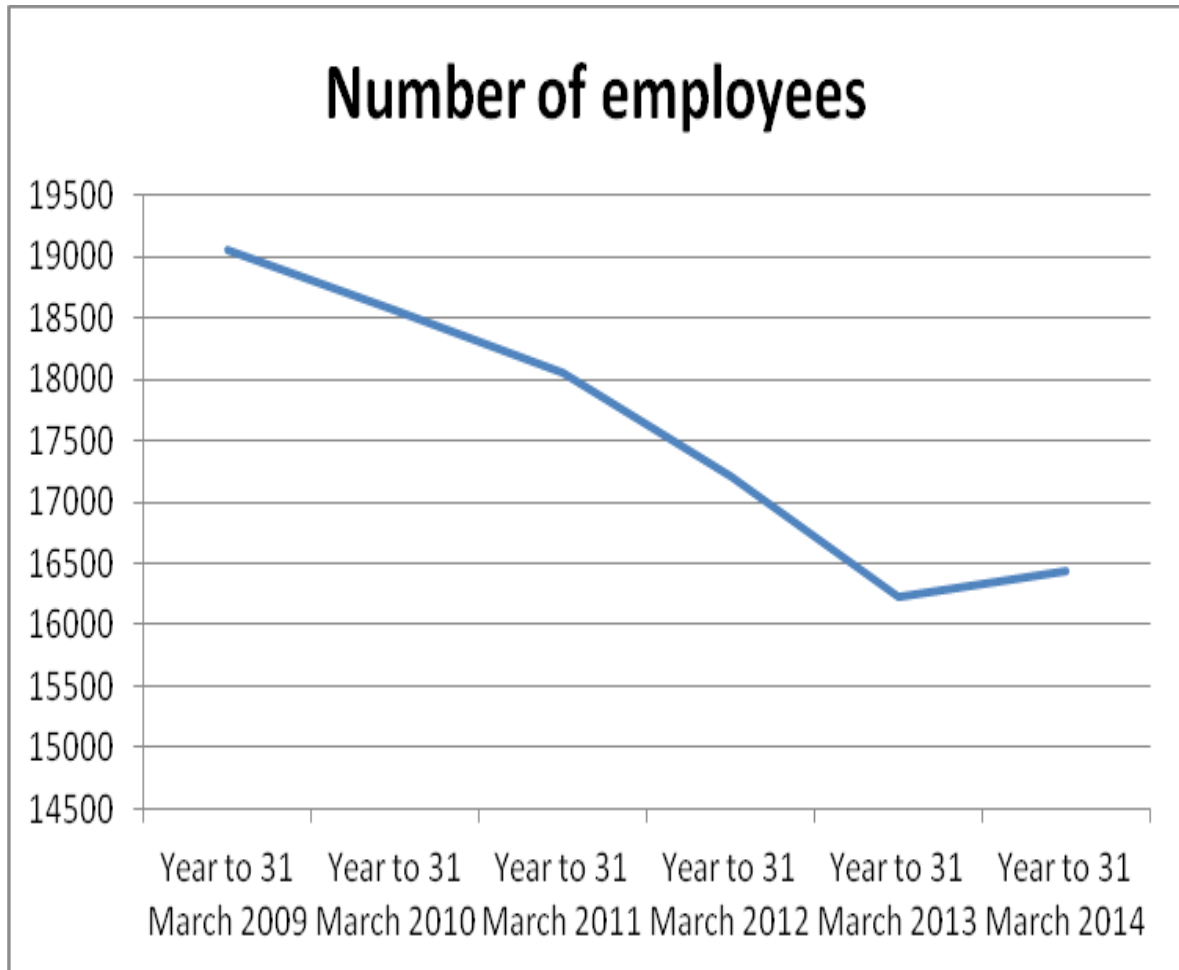
Service volume

The number of kilometres travelled on the Tube are projected by TfL to increase as follows:



Staffing levels

Yet, the number of workers employed by LUL has sharply decreased in recent years:



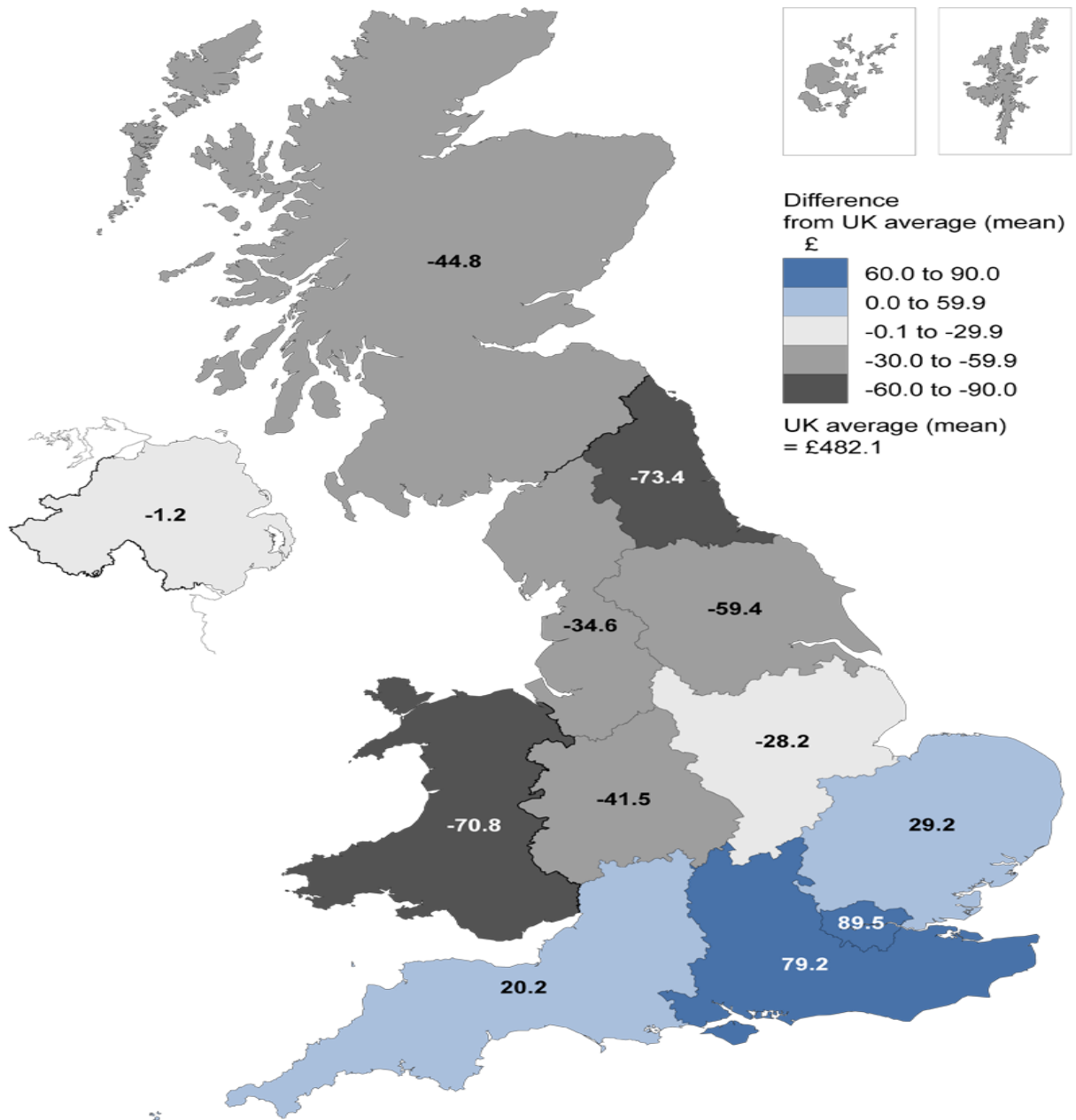
Substantial increase in rates of pay

Inflation over the past 12 months

The Retail Price Index (RPI) is the only inflation measure for negotiating pay. (RPI is also used to calculate index-linked government bonds, privately issued index-linked bonds, National Savings and Investments, Corporation Tax, business rates, Alcohol Duty, Tobacco Duty, Gaming Duty, Air Passenger Duty, Climate Change Levy, car and van Fuel Benefit Charge, regulated rail fares, regulation of water and sewerage charges, indexation of British Telecom's wholesale charges and interest payments on student loans). RPI, which includes housing costs and excludes high earners' spending, stood at **1.6%** for the year to December 2014.

The Consumer Price Index (CPI) is designed for comparing different EU countries' economic performances and not for internal UK purposes. It excludes housing costs (though includes stockbrokers' fees and foreign students' university tuition fees), is calculated to a mathematical formula less responsive to price fluctuations and doesn't adequately reflect changes to ordinary workers' cost of living: so says the Royal Statistical Society. CPI stood at 0.5% for the year to December 2014.

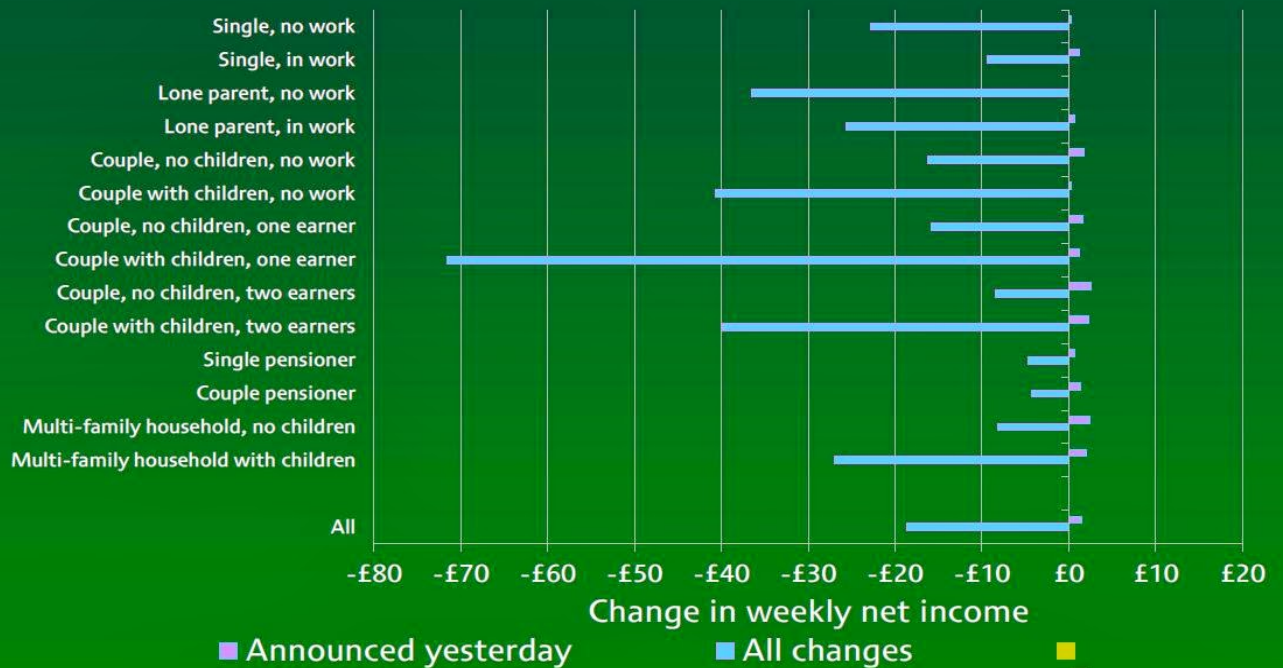
According to the ONS over the years 2010 - 2012, the average weekly household expenditure in the UK was £482.10. But that is an average. The figures outside of London and the South show enormous disparity of wages across the UK as can be seen from this graph showing the difference between the total weekly household spending in English regions and UK countries and the £482 figure.



Source: Office for National Statistics
 Contains National Statistics data © Crown copyright and database right 2014
 Contains Ordnance Survey data © Crown copyright and database right 2014

The tax changes introduced throughout the Coalition government continues to undermine our members' incomes and spending power. The Institute for Fiscal Studies' table below shows the impact of the 2014 budget and how the poorest households have lost the most of their income over the life of this government.

Impact of tax and benefit reforms January 2010 - April 2015 inclusive



Fuel duties modelled at average 2015-16 level.
Assumes full take-up of means-tested benefits and tax credits.

© Institute for Fiscal Studies

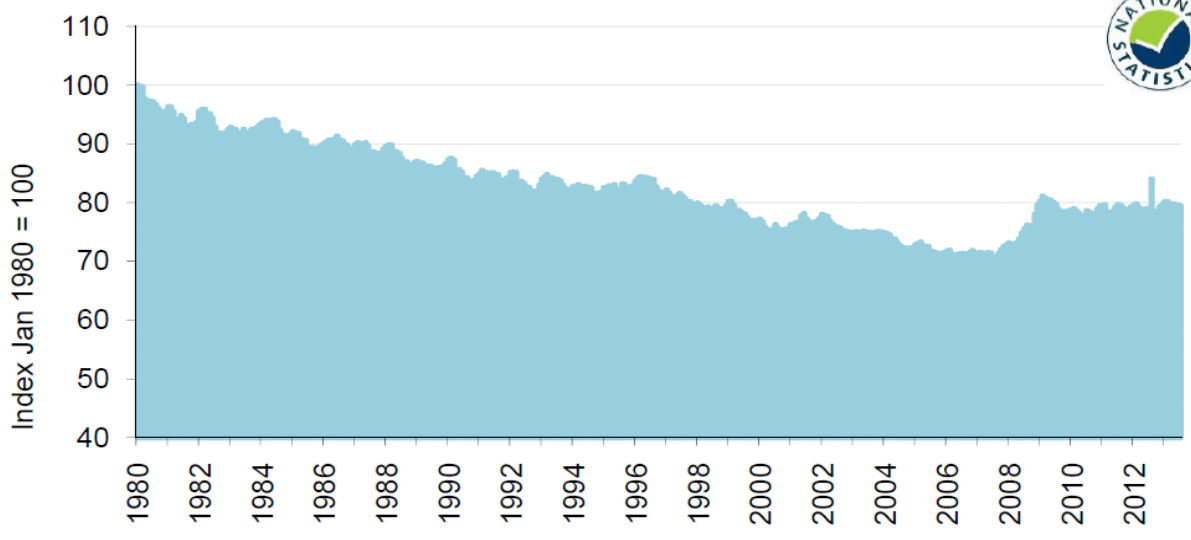
Institute for
Fiscal Studies

In addition, the ONS has found that people on lower incomes continue to pay a disproportionately higher amount of tax than those on above average incomes. In 2010-11, the bottom fifth of households paid 31% of their disposable income in indirect taxes, compared with 13% for the richest fifth, increases of 3% and 1% respectively on 2009-10.¹

Food prices

¹ Pg 6 http://www.ons.gov.uk/ons/dcp171778_267839.pdf

The following chart from National Statistics shows the increase in food prices since 1980.



Food prices have risen in real terms by 12% since 2007 causing additional suffering to hard working families. The shocking state of Food poverty in the UK is now well documented and the evidence suggests that while the cost of living crisis has hurt every socio-economic group, it has been a disaster for the poorest.

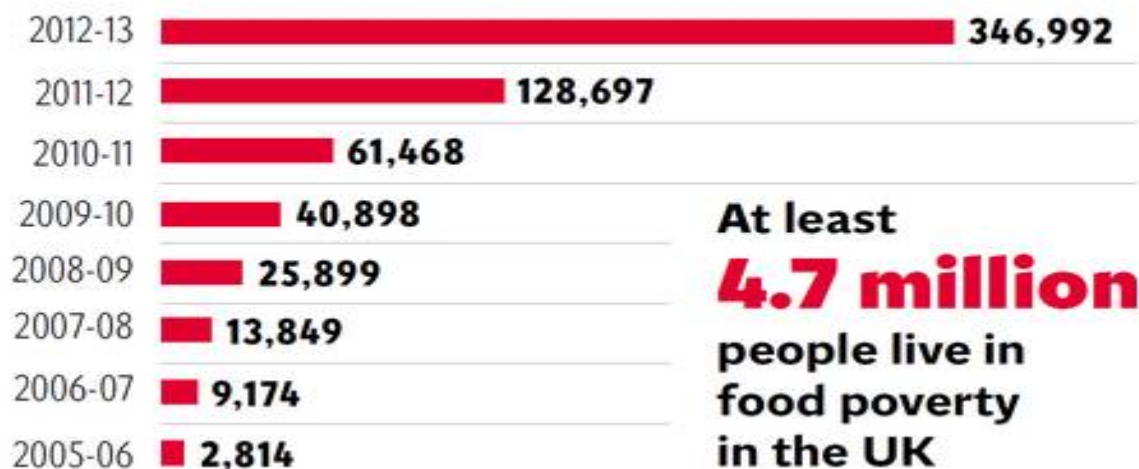
The number of British households falling below minimum living standards has more than doubled in the past 30 years, despite the size of the economy increasing twofold, a recent study on poverty and deprivation in the UK said².

It showed 33% of households endure below-par living standards – defined as going without three or more "basic necessities of life", such as being able to adequately feed and clothe themselves and their children, and to heat and insure their homes. In the early 1980s, the comparable figure was 14%.

The research, billed as the most detailed study ever of poverty in the UK, claims that almost 18 million Britons live in inadequate housing conditions and that 12 million are too poor to take part in all the basic social activities – such as entertaining friends or attending all the family occasions they would wish to. It suggests that one in three people cannot afford to heat their homes properly, while 4 million adults and children are not able to eat healthily.

² <http://www.poverty.ac.uk/take-part/events/final-conference>

NUMBER OF PEOPLE GIVEN EMERGENCY FOOD FROM TRUSSELL TRUST FOODBANKS



The proportion of income that the poorest households spend on necessities rose by nine percentage points between 2003 and 2012, in the biggest rise endured by any economic group.

Other figures published as part of the same report include the claims that 5.5 million adults go without essential clothing; that 2.5 million children live in damp homes; that 1.5 million children live in households that cannot afford to heat them; that one in four adults have incomes below what they themselves consider is needed to avoid poverty, and that more than one in five adults have to borrow to pay for day-to-day needs.

Prof David Gordon, from the Townsend Centre for International Poverty Research at the University of Bristol, said about the findings: "The available high-quality scientific evidence shows that poverty and deprivation have increased. The poor are suffering from deeper poverty and the gap between the rich and poor is widening."

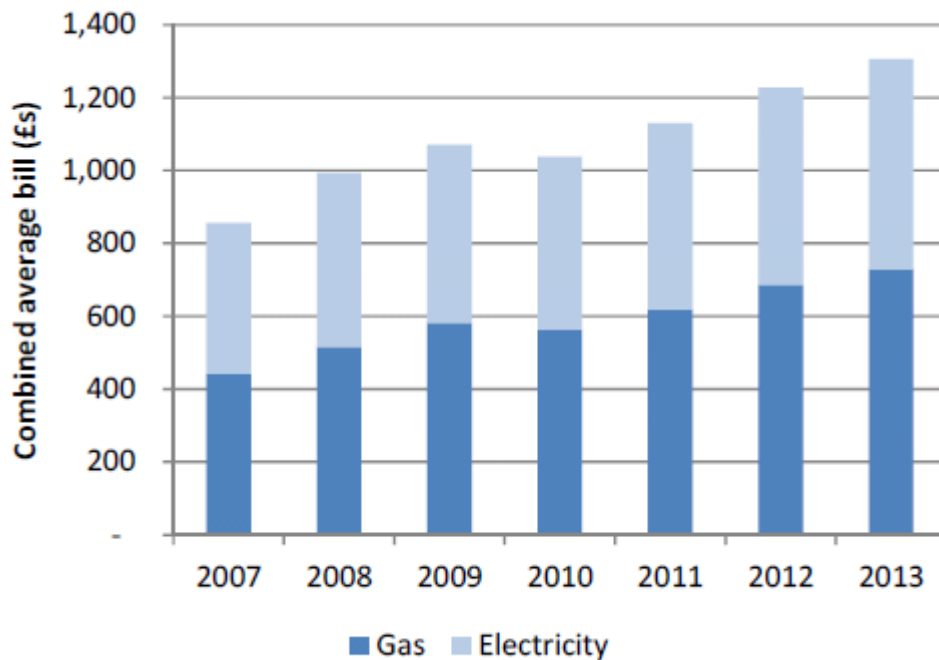
Energy Prices

This chart shows average standard domestic energy bills, in cash terms, produced from average domestic electricity and gas bills.

Combined gas and electricity bills are estimated to have grown by £78 (6.4 %) between 2012 and 2013 to £1,306. Since 2007, bills have grown by £450 (53 %). Since 2007, prices in real terms have increased by 33 %.³

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https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/296011/QEP_March_2014.pdf



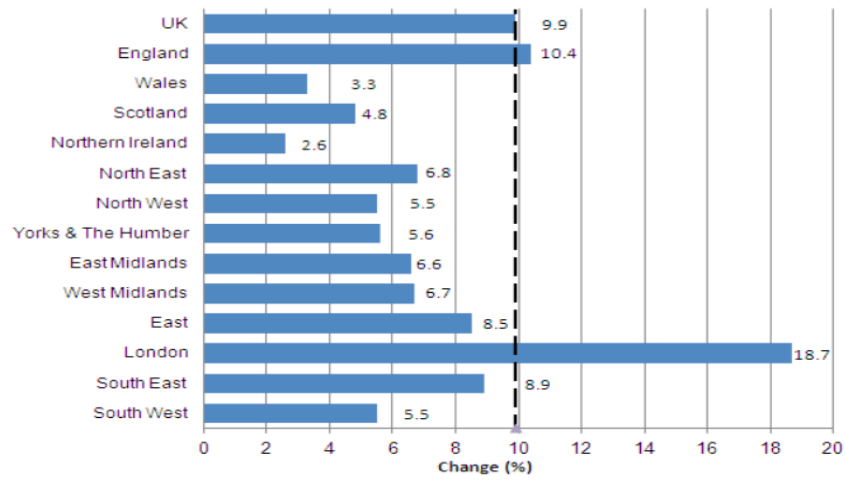
The current situation with regard to energy prices continues to have a significant impact on RMT members' ability to keep their homes heated.

Housing

RMT members wishing to purchase their own home continue to face excessive cost barriers which nothing short of a substantial increase in their rates of pay can address. UK house prices increased by 9.9% in the year to April 2014.

Although house prices are increasing strongly across most parts of the UK it was prices in London again fuelling the highest growth with rises in London (18.7%), the South East (8.9%) and the East (8.5%).

All dwellings annual house price rates of change: UK, country and regions
12 month percentage change for April 2014

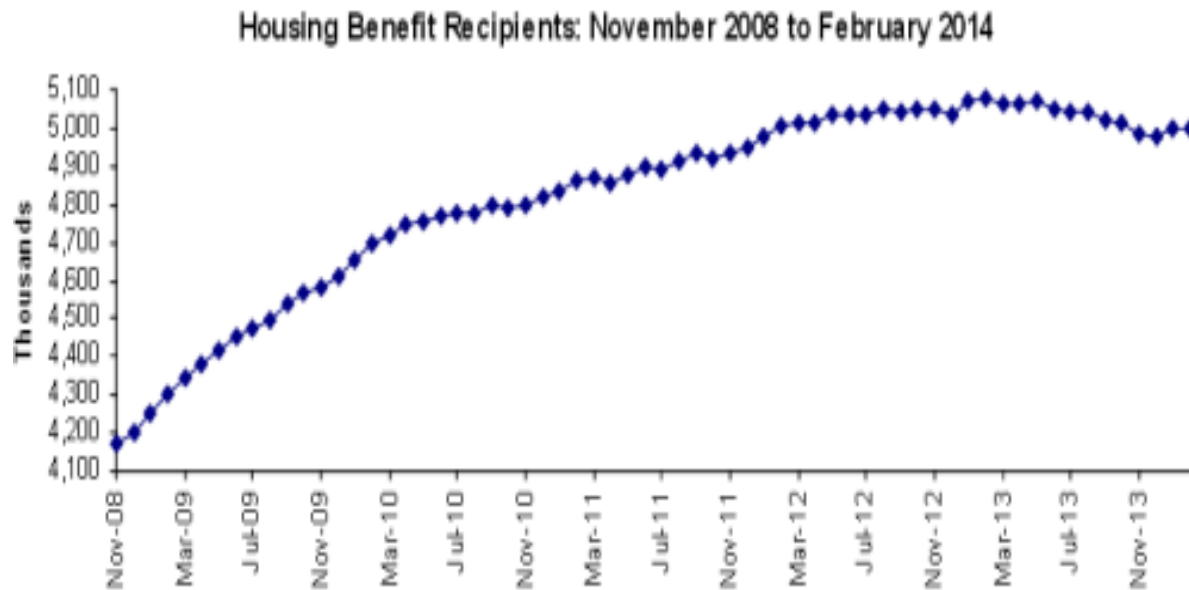


The average cost of renting a home increased by 2.9% during April 2014 to £848 per month.

Average UK rental amounts are currently 7% higher than the same time last year.

Greater London saw monthly and annual increases in average rents of 2.4% and 9.4% respectively to £1,348 per month – the highest amount on record. It is currently 96.2% more expensive to rent a home in the capital than the rest of the UK (when the Greater London figure is removed), fuelling inequality and preventing our members in London from buying their own home. The National Housing Federation also published a stark report in October 2012, *Home Truths*⁴, which found that the cost of renting a home on the private market in England had increased by 37% in the last five years to 2012 and predicted a 35% increase over the next six years. The number of people with jobs forced to claim Housing Benefit hit record levels according to the latest figures making a mockery of the so-called fall in unemployment. The number of in-work Housing Benefit claimants now stands at over 1.049 million, the highest figure on record. In May 2010, when this Government came into power, the number claiming this benefit was just over 650,000. Housing Benefit is probably the best indicator of how many people in the UK are poor. Available to those in or out of work, as well as pensioners, the only criteria are being a tenant on a low income and having low, or no, assets or savings. Even those with jobs on Housing Benefit will have a disposable income little higher than someone on out of work benefits, as the benefit is reduced as earnings rise. All of the Housing Benefit bill goes to landlords, and the rates are capped at the bottom 30% of properties in the local rental market.

⁴ http://www.housing.org.uk/PDF/HomeTruths2012_England.pdf



RMT members' access to affordable housing is severely restricted and worsening. In late 2011, there were 4.5 million people on the waiting list for social housing⁵ yet, in the 3 months to June 2012 there was a 24% drop in the number of new homes, with the supply of affordable housing particularly badly affected.⁶ This is a direct result of the 63% cut in government spending on affordable housing announced in the 2010 Comprehensive Spending Review.

This toxic combination of rising rents, pay stagnation, cuts to in-work benefits and a falling supply of affordable housing should be combated by a substantial, above inflation pay rise for RMT members and their colleagues.

⁵ http://www.housing.org.uk/media/facts_and_figures.aspx

⁶ <http://www.insidehousing.co.uk//6522938.article>

Cost of childcare

The increase in child care costs is having a severe impact on RMT members with young children. Part-time childcare costs for a family of two children have overtaken the average UK mortgage bill by 4.7 %, according to new research from the Family and Childcare Trust.⁷

The Family and Childcare Trust's annual childcare costs report shows, for a family of two children, the cost for one child in part-time nursery care and one in an after school club is £7,549 a year. This compares to the average UK mortgage cost of £7,207. The cost for the same family needing full-time childcare would amount to a staggering £11,700 a year, 62 % higher than the average UK mortgage.

⁷ <http://www.familyandchildcaretrust.org/childcare-costs-surveys>

Childcare costs are also outstripping other household bills. Twenty five hours of childcare in a nursery for a child under two costs an average of £109.89 a week in Britain - twice the price of a weekly household food shop.

Since the first survey in 2002, childcare costs have risen more than inflation every year. A full-time nursery place for a child under two now costs £9,850 a year, a rise of 3.3 % on 2013.

Findababysitter.com's annual report to the end of the year in 2013 collected data from 231,000 nannies, child-minder's and other professionals and also found childcare costs rose by an average of 19%.

Parents in Britain use more of their salary to pay for childcare - more than a quarter (26.6 %) - than most other European countries according to the Organisation of Economic and Cooperation and Development.

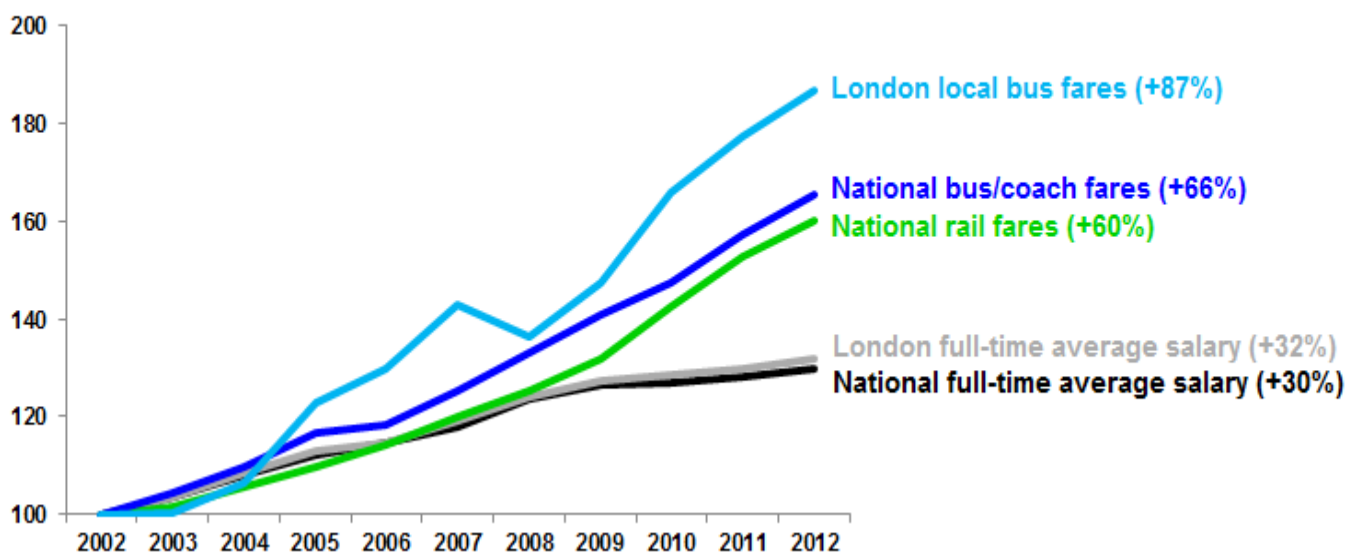
Transport

The costs RMT members have had to meet to travel to work has increased dramatically over the last few years. The Office for National Statistics shows us that the median full-time salary in the UK stood at £20,376 in 2002 and £26,462 in 2012 - around a 30% increase. Meanwhile, the same wage in London has gone up by around 32% in a decade.

Fares prices though have risen much more steeply. There are many different types of rail fare and a number of ways of measuring the increases. Looking at fares as components of the RPI shows that average rail fare prices have increased by around 60% in a decade and average bus/coach fares have increased by 66%.

Looking further to the Department for Transport's bus statistics shows that London's local bus fares have risen by 87% on average. As well as this the cost of fuel and car prices have increased well in excess of wages.

Indexed change in fares and wages, UK and London: 2002-12



Education

Since Autumn 2012 universities have been able to charge tuition fees of up to £9,000 per year. If you live and study in London, it has been estimated that you should expect your total average expenditure to be £23,521 each academic year.

This breaks down as follows:

- £10,133 for course costs
- £13,388 for living costs (£6,143 for rent, £1,956 for food, £316 for household goods, £65 for insurance, £2,074 for personal items, £1,524 for travel and £1,310 for leisure).

An 'average' student's income from loans and funding each academic year is £17,450, so RMT members might need to find £6,071 on average every academic year to cover the shortfall between students expenditure and income from loans and funding, as well as funding to cover the long vacation.

If you live and study in England but outside London, students should expect their total average expenditure to be £22,189 each academic year. This breaks down as follows:

- £10,133 for course costs
- £12,056 for living costs (£4,834 for rent, £1,956 for food, £316 for household goods, £42 for insurance, £2,074 for personal items, £1,524 for travel and £1,310 for leisure).

An 'average' student's income from loans and funding each academic year is £14,370, so RMT members might need to find £7,819 on average every academic year to cover the shortfall between students expenditure and income from loans and funding, as well as funding to cover the long vacation.⁸

The OECD also notes that the UK's tuition fee system will levy the third highest fees in the world. This introduction of a market in higher education funding discriminates against RMT members with school age children and can only be ameliorated through substantial increases in parental income.

⁸ <http://www.nus.org.uk/en/advice/money-and-funding/average-costs-of-living-and-study/>

Reduction in the working week

The RMT continues to campaign for a better work-life balance for its members. Full-time employees in the UK work for the third-longest amount of time in the EU, completing an average of 42.7 hours a week compared to the EU average of 37.4 hours, according to the Office for National Statistics.⁹ As a result of the RMT's campaigning, the majority of TOCs and infrastructure companies now operate a 35-hour working week and several bus, cleaning and catering companies have followed suit.

While the Union is pleased with the progress made, we are still campaigning for further improvements in the form of a 4 day, 32-hour working week (with a pro-rata decrease for part-time workers). This should take place at the earliest opportunity and without loss of pay. Increased time away from the workplace is crucial in a safety critical industry like the Underground where the need for proper rest and recuperation is a priority.

⁹ http://www.ons.gov.uk/ons/dcp171776_247259.pdf

Progressive ‘family-friendly’ policies

In order to ensure that parents and carers are not disadvantaged in the workplace and to promote a better work-life balance, the Union is seeking an improvement in ‘family-friendly’ policies across the board. Maternity and paternity leave can only be a real and affordable option for our members when it is paid at the individual’s *full* rate of pay, based on average earnings rather than basic pay.

One of the most progressive agreements secured by the Union is with Northern Rail which provides for 39 weeks at full pay. Metronet offers 34 weeks’ maternity leave at full pay. Our agreement with Merseyrail affords one of the best paternity leave arrangements with 3 weeks’ paternity leave at full pay. Other good examples of parental leave policies, outside the transport industry, are provided by Accenture which offers maternity leave at full pay for 39 weeks with no length of service requirement, and the National Trust which also offers 39 weeks’ maternity leave at full pay. However the UK currently ranks tenth in Save the Children’s Mothers index and RMT are seeking an increase in full pay entitlement to 52 weeks to ensure all children receive the best start in life.¹⁰

We are also seeking improvements to both maternity and paternity leave arrangements for all workers. We also maintain that all Parental Leave should be paid, available from the first day of employment and should apply to all workers, not just employees, whether contracted or fully employed by the company and regardless of length of service and in line with best practice.

¹⁰ <http://www.savethechildren.org/atf/cf/%7B9def2ebe-10ae-432c-9bd0-df91d2eba74a%7D/STATE-OF-THE-WORLDS-MOTHERS-REPORT-2012-FINAL.PDF>

The current provision allowing for the taking of standard Parental Leave only in blocks of one or more weeks is too rigid. The minimum leave period it is possible to take at one time, should be reduced to one day, thus allowing parents greater flexibility. Finally, the leave entitlement should last until the child's 16th birthday (it is already 18 for disabled children).

Full travel facilities for all

The two-tier travel facilities provision for the workforce is a great source of bitterness amongst transport employees. A member might have spent the last decade working alongside a colleague doing exactly the same job, yet one receives the full entitlement because he or she is directly employed by LUL but the other does not.

Not only are they aggrieved, they are perplexed - the RMT has continuously highlighted the nominal cost to the employer of extending full travel facilities for all. In these circumstances, there is no logical reason to withhold the benefit from some employees. A reasonable solution could easily be obtained with the will of the company to do so.

In 2004 London Underground agreed to reimburse all employees who joined post-April 1996, 75% of the cost of an annual season ticket on national rail services. This agreement, though welcome, was an interim agreement and it is time for it to be substantially improved by a move to full parity.

Conclusion

Over the course of this submission we have illustrated how over recent years a combination of the prevailing economic climate and weak wage growth has negatively impacted upon our members' pay.

With the economic recovery slowly beginning, it is now time that our members' wages caught up with the cost of living. In a recent report the High Pay Centre notes that since the late ninety's Executive pay has grown from 60 times that of the average UK worker to nearly 180 times¹¹.

Therefore only a substantial pay increase will resolve the dramatic reduction in purchasing power experienced by our members working for London Underground Ltd over the last few years. LUL is clearly able to afford to improve pay and conditions of service in the manner outlined in this submission - and the contribution of RMT members to the organisation's obvious success and strong outlook must be recognised in this year's award. We trust that London

¹¹ <http://highpaycentre.org/blog/reform-agenda-how-to-make-top-pay-fairer>

Underground Ltd will make every effort to address our claim in full during this pay round.