

**THE NASUWT FURTHER EVIDENCE
TO THE INDEPENDENT WELSH PAY REVIEW BODY
25 MARCH 2022**

The NASUWT – The Teachers' Union.

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1. Further comments on inflation

- 1.1 The NASUWT is grateful to the Independent Welsh Pay Review Body for accepting further evidence on inflation, given the publication of HM Treasury (HMT) forecasts and the Office for National Statistics (ONS) release of the February 2022 inflation figures, which could not be included in the NASUWT's supplementary evidence to the Review Body because of time constraints. The NASUWT is also grateful to the Review Body for the opportunity to provide revised modelling of the impact of forecast inflation on teachers' pay, which takes into account the latest HMT forecasts.

2. February 2022 inflation

- 2.1 The NASUWT's analysis does not take into account the ONS's February 2022 inflation release on 23 March 2022, as the deadline for the submission of this supplementary evidence meant that it was impossible to provide a detailed further analysis of the impact of this. However, the NASUWT asks the Review Body to take into account that 12-month Retail Prices Index (RPI) inflation has risen from 7.8% in January 2022 to 8.2% in February 2022.¹

3. The Chancellor of the Exchequer's Spring Statement

- 3.1 In his Spring Statement speech of 23 March 2022, the Chancellor of the Exchequer stated that Consumer Prices Index (CPI) inflation could reach 7% during 2022, which means that RPI inflation could reach double-digit levels, the highest level since the 1980s. Given this possibility, the NASUWT asks the Review Body to request a pay remit from the Welsh Government for 2023/24 in addition to the two-year pay award which is included in the current remit. This would enable the Review Body to address high and unpredictable levels of inflation during 2022/23 by a supplementary 2023/24 pay award.
- 3.2 The NASUWT has previously drawn the attention of the Review Body to the increase in National Insurance Contributions from 1 April onwards, which will add to the cost of living crisis which all working people, including teachers, are facing.
- 3.3 We ask the Review Body to take into further account the impact of the Chancellor's previously announced tax and National Insurance changes on teachers' living standards, irrespective of the measures to raise National Insurance thresholds announced by the Chancellor in the Spring Statement. This is because of the impact of high and unexpected levels of inflation which were not forecast when tax thresholds were initially frozen. The Institute of Fiscal Studies (IFS) has carried out the following analysis:²
- *For the coming year as a whole (2022-23), those earning between around £10,000 (the current NICs threshold) and £25,000 will pay less tax on their earnings as a result of these changes. Those earning more than £25,000*

¹ ONS, Consumer Price Inflation, UK, February 2022:

<https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/latest>

² <https://ifs.org.uk/spring-statement-2022>

will pay more, due to the combined effect of freezing income tax thresholds and increasing the NICs rate.

- *By 2025-26 - after the cut to the basic rate of income tax has been implemented and thresholds have continued to be frozen - virtually all workers will be paying more tax on their earnings than they would have paid without these changes to rates and thresholds. This is because freezing thresholds for four years is now set to have such a large impact, given the rise in expected inflation over this period.*
- *Bringing together the expected changes in earnings, the reforms to taxes, and the energy measures announced in February, a median (middle) earner on £27,500 per year can expect to be about £360 worse off this year than they were last.'*

3.4 In general terms, the NASUWT asks the Review Body to ensure that the pay award which it recommends for 2022/3 and 2023/4 compensates for these effects.

4. HM Treasury (HMT) inflation forecasts

4.1 The most recent inflation forecast data was published by HMT on Wednesday 16 March 2022.³ The new forecasts consider the potential inflationary pressures of the war in Ukraine, such as further increased energy costs and food shortages, and these should be taken into full consideration by the Review Body when making a determination for teachers' salary increases in 2022-23 and 2023-24. As can be seen from the February 2022 RPI inflation figure, the March 2022 forecast used in the NASUWT modelling below may even be an underestimate.

4.2 This commentary analyses the impact of the latest 'Average of New Inflation forecasts', published by HMT in March 2022, which are:

- RPI March 2022 – 8.0%;
- RPI March 2023 – 3.7%.

4.3 The NASUWT notes the Welsh Government's evidence to the Review Body,⁴ in which it provides total pay bill costings 'based on scenarios applied evenly across pay ranges and allowances of:

- 4.0% from September 2022 and 2.5% from September 2023 (table 41) to match Office for Budget Responsibility (OBR)-projected overall average earnings forecasts; and
- 4.0% in both years (table 42), which may allow for more flexibility, if necessary, following recommendations from the strategic review.⁵

³ HM Treasury, Forecasts for the UK Economy, 16 March 2022.

<https://www.gov.uk/government/statistics/forecasts-for-the-uk-economy-march-2022>

⁴ Welsh Government's Evidence to the Independent Welsh Pay Review Body: The 2020 teachers' pay award, May 2022. <https://gov.wales/evidence-independent-welsh-pay-review-body-2020>

4.4 In the table below, the NASUWT has modelled the Welsh Government's pay scenarios of a 4% increase to all salaries and allowances in 2022-23 as:

- Option A – 2.5% increase in 2023-24; and
- Option B – 4% increase in 2023-24.

Welsh Government Options A&B			Option A	Option B
	2021/22	2022/23	2023/24	2023/24
		4%	2.5%	4%
Main Pay Range				
Minimum (M2)	£27,491	£28,591	£29,306	£29,735
M3	£29,699	£30,887	£31,660	£32,123
M4	£31,987	£33,267	£34,099	£34,598
M5	£34,506	£35,887	£36,785	£37,323
Maximum	£37,974	£39,493	£40,481	£41,073
Upper Pay Range				
UPS1	£39,368	£40,943	£41,967	£42,581
UPS2	£40,827	£42,461	£43,523	£44,160
UPS3	£42,333	£44,027	£45,128	£45,789
Leadership Pay Range				
L6	£48,571	£50,514	£51,777	£52,535
L8	£51,029	£53,071	£54,398	£55,194
L11	£55,038	£57,240	£58,671	£59,530
L28	£83,376	£86,712	£88,880	£90,181
L43	£119,248	£124,018	£127,119	£128,979

4.5 The table above shows that, even under marginally more generous Option B, where a 4% increase is applied to all salary levels in both 2022-23 and 2023-24, the minimum salary for new teachers fails to achieve £30,000, which the Westminster Government has proposed will be the starting salary for new teachers in England in 2023-24.⁶ This would clearly be in breach of the Welsh Government's commitment to ensure 'that following devolution of pay and conditions to Wales, teachers and school leaders in Wales will suffer "no detriment" in comparison to those in England'.⁷

4.6 The NASUWT continues to maintain that the minimum point on a new six-point classroom teacher pay scale in Wales should be £30,790, to incorporate both the Westminster Government's previously announced intention to increase classroom teachers' starting salaries to £30,000 nationally by September 2022, and to apply the NASUWT's 12% recommended pay increase to the former M1 point on the classroom teachers' pay scale in Wales.

⁵ Welsh Government's Evidence to the Independent Welsh Pay Review Body 2022 (para. 6.8, pg. 85).

⁶ Department for Education (DfE), Government evidence to the STRB: The 2022 and 2023 pay awards, March 2022.

⁷ Welsh Government's Evidence to the Independent Welsh Pay Review Body 2022 (para. 6.1, pg. 69).

- 4.7 If teachers' starting salaries had increased in line with RPI inflation since 2010, and increased by 8% in 2022 (to match the new HMT inflation forecast), they would be £31,960 in September 2022. This further demonstrates the reasonableness of the NASUWT's recommended six-point pay scale for classroom teachers and the Union's recommended pay increases of 12% in 2022, 10% in 2023, and 8% in 2024.
- 4.8 In the following table, the NASUWT has modelled the Welsh Government's pay scenario of a 4% increase to all salaries and allowances in 2022-23 against the real-terms salary that teachers would have achieved if pay increases had matched RPI inflation since 2010, and if RPI is set to increase to 8% in 2022, in line with the new HMT inflation forecast.
- 4.9 The salary shortfall in 2022-23 represents the difference, in both cash (£) and percentage (%) terms, between:
- the Welsh Government's pay scenario of a 4% increase to all salaries and allowances in 2022-23; and
 - the real-terms salary that teachers would have achieved in 2022-23, if pay increases had matched RPI inflation since 2010, and if RPI is set to increase to 8% in 2022, in line with the new HMT inflation forecast.
- 4.10 The cumulative shortfall represents the total shortfall in salary suffered by teachers as a result of the pay freezes and successive below-RPI inflation pay increases endured by teachers in Wales since 2010.

Welsh Government Options A&B (4% Salary increase vs 8% RPI) 2022-23	Salary 2022/23	Shortfall in 2022/23 (£)	Shortfall in 2022/23 (%)	2010/11-2022/23 Cumulative shortfall (£)
Main Pay Range				
Minimum	£28,591	-£3,369	11.8	-£30,235
M2	£28,591	-£5,896	20.6	-£40,035
M3	£30,887	-£6,373	20.6	-£43,263
M4	£33,267	-£6,859	20.6	-£46,576
M5	£35,887	-£7,401	20.6	-£50,253
Maximum	£39,493	-£7,218	18.3	-£49,975
Upper Pay Range				
UPS1	£40,943	-£9,660	23.6	-£63,499
UPS2	£42,461	-£10,016	23.6	-£65,843
UPS3	£44,027	-£10,388	23.6	-£68,287
Leadership Pay Range				
L6	£50,514	-£12,226	24.2	-£79,901
L8	£53,071	-£12,846	24.2	-£83,955
L11	£57,240	-£13,857	24.2	-£90,557
L28	£86,712	-£20,994	24.2	-£137,198

L43	£124,018	-£31,573	25.5	-£207,324
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4.11 The table above includes the old M1 minimum salary to demonstrate the positive impact of the Welsh Government’s decision to remove M1 from the classroom teachers’ main pay scale. However, there is no room for complacency for the Welsh Government, since the new minimum salary in 2022-23 (increased by 4% in 2022-23) would still be £3,369 lower in real terms for beginning teachers, and £5,896 lower than M2, in real terms (if it had kept pace with RPI inflation since 2010, and if RPI is set to increase to 8% in 2022, in line with the new HMT inflation forecast).

4.12 It is clear that the Welsh Government’s costed pay increase of 4% in 2022-23 would represent yet another significant real-terms pay shortfall for all teachers and school leaders of between £3,369 (11.8%) and £31,573 (25.5%), at a time when many are suffering real financial hardship, as evidenced in the NASUWT’s initial evidence submission to the Review Body.

4.13 The impact of the public sector pay freeze, 1% pay cap and below-RPI inflation pay increases have had a significant detrimental impact on the salary levels of teachers and their finances. Teachers who have remained in the profession since 2010 would be between £30,235 and £207,324 worse off in real terms since 2010 due to the cumulative shortfall in pay, which would be exacerbated if the Welsh Government’s proposal for another real-terms pay cut in 2022-23 is implemented.

5. Welsh Government’s cost modelling scenario of a 2.5% in 2023-24 (Option A)

5.1 The table below shows the real-terms shortfall in salaries for teachers in Wales if the Welsh Government’s cost-modelling scenario of a 2.5% increase was applied to all salaries and allowances in 2023-24 (Option A), following a 4% increase in 2022-23.

5.2 The salary shortfall in 2023-24 represents the difference, in both cash (£) and percentage (%) terms, between:

- i. the Welsh Government’s pay scenario – Option A – of a 4% increase to all salaries and allowances in 2022-23, and a 2.5% increase in 2023-24; and
- ii. the real-terms salary that teachers would have achieved in 2023-24, if pay increases had matched RPI inflation since 2010, and if RPI is set to increase to 8% in 2022 and 3.7% in 2023, in line with the new HMT inflation forecast.

5.3 The cumulative shortfall represents the total shortfall in salary suffered by teachers as a result of the pay freezes and successive below-RPI inflation pay increases endured by teachers in Wales since 2010.

Welsh Government Option A (2.5%)	Salary 2023/24 (Option A 2.5%)	Shortfall in 2023/24 (£)	Shortfall in 2023/24 (%)	2010/11-2023/24 Cumulative shortfall (£)
Main Pay Range				
Minimum	£29,306	-£3,836	13.1	-£34,071
M2	£29,306	-£6,457	22.0	-£46,492
M3	£31,660	-£6,979	22.0	-£50,241
M4	£34,099	-£7,512	22.0	-£54,087
M5	£36,785	-£8,105	22.0	-£58,358
Maximum	£40,481	-£7,958	19.7	-£57,934
Upper Pay Range				
UPS1	£41,967	-£10,509	25.0	-£74,008
UPS2	£43,523	-£10,896	25.0	-£76,739
UPS3	£45,128	-£11,301	25.0	-£79,588
Leadership Pay Range				
L6	£51,777	-£13,284	25.7	-£93,185
L8	£54,398	-£13,958	25.7	-£97,912
L11	£58,671	-£15,057	25.7	-£105,614
L28	£88,880	-£22,811	25.7	-£160,009
L43	£127,119	-£34,229	26.9	-£241,553

- 5.4 As with the table for 2022-23, the table above includes the old M1 minimum salary to demonstrate the positive impact of the Welsh Government's decision to remove M1 from the classroom teachers' main pay scale. Under 'Option A', the new minimum salary in 2022-23 (increased by 4% in 2022-23, and 2.5% in 2023-24) would be £3,836 lower in real terms for beginning teachers, and £6,457 lower than M2, in real terms (if it had kept pace with RPI inflation since 2010, and if RPI is set to increase to 8% in 2022, and 3.7% in 2023, in line with the new HMT inflation forecast).
- 5.5 Furthermore, the starting salary for beginning teachers would remain below the £30,000 starting salary that the Westminster Government has proposed will be awarded to beginning teachers in England from September 2023.
- 5.6 The Welsh Government's costed pay increase of 4% in 2022-23 and 2.5% in 2023-24 (Option A) would represent a further two successive years of significant real-terms pay shortfalls for all teachers and school leaders of between £3,836 (13.1%), and £34,229 (26.9%), if inflation rises in line with the HM Treasury's new inflation forecasts.
- 5.7 The Review Body can no longer afford to ignore the significant real-terms impact on teachers' salaries as a result of 12 years of below-RPI-inflation pay increases. Teachers who have remained in the profession since 2010 would be between £34,071 and £241,553 worse off in real terms since 2010 due to the cumulative shortfall in pay, if the Welsh Government's proposals in Option A, for a significant real-terms pay cut in 2023-24, is implemented.

6. Welsh Government's cost-modelling scenario of a 4% increase in 2023-24 (Option B)

6.1 The table below shows the real-terms shortfall in salaries for teachers in Wales if the Welsh Government's cost-modelling scenario of a 4% increase was applied to all salaries and allowances in 2023-24 (Option B), following a 4% increase in 2022-23.

6.2 The salary shortfall in 2023-24 represents the difference, in both cash (£) and percentage (%) terms, between:

- the Welsh Government's pay scenario – Option B – of a 4% increase to all salaries and allowances in 2022-23, and a 4% increase in 2023-24; and
- the real-terms salary that teachers would have achieved in 2023-24, if pay increases had matched RPI inflation since 2010, and if RPI is set to increase to 8% in 2022 and 3.7% in 2023, in line with the new HMT inflation forecast.

6.3 The cumulative shortfall represents the total shortfall in salary suffered by teachers as a result of the pay freezes and successive below-RPI-inflation pay increases endured by teachers in Wales since 2010.

Welsh Government Option B (4%)	Salary 2023/24 (Option B 4%)	Shortfall in 2023/24 (£)	Shortfall in 2023/24 (%)	2010/11-2023/24 Cumulative shortfall (£)
Main Pay Range				
Minimum	£29,735	-£3,407	11.5	-£33,642
M2	£29,735	-£6,028	20.3	-£46,063
M3	£32,123	-£6,516	20.3	-£49,778
M4	£34,598	-£7,013	20.3	-£53,588
M5	£37,323	-£7,567	20.3	-£57,820
Maximum	£41,073	-£7,366	17.9	-£57,342
Upper Pay Range				
UPS1	£42,581	-£9,895	23.2	-£73,394
UPS2	£44,160	-£10,259	23.2	-£76,102
UPS3	£45,789	-£10,640	23.2	-£78,927
Leadership Pay Range				
L6	£52,535	-£12,526	23.8	-£92,427
L8	£55,194	-£13,162	23.8	-£97,116
L11	£59,530	-£14,198	23.8	-£104,755
L28	£90,181	-£21,510	23.9	-£158,708
L43	£128,979	-£32,369	25.1	-£239,693

6.4 As with the previous NASUWT modelling, the table above includes the old M1 minimum salary to demonstrate the positive impact of the Welsh Government's decision to remove M1 from the classroom teachers' main pay

scale. Under 'Option B', the new minimum salary in 2022-23 (increased by 4% in 2022-23, and 4% in 2023-24) would be £3,407 (11.5%) lower in real terms for beginning teachers, and £6,028 (20.3%) lower than M2, in real terms (if it had kept pace with RPI inflation since 2010, and if RPI is set to increase to 8% in 2022, and 3.7% in 2023, in line with the new HMT inflation forecast).

- 6.5 In addition, the starting salary for beginning teachers would remain below the £30,000 starting salary that the Westminster Government has proposed will be awarded to beginning teachers in England from September 2023.
- 6.6 The Welsh Government's costed pay increase of 4% in 2022-23, and 4% in 2023-24 (Option B) would still represent a significant real-terms pay shortfall over the next two years for all teachers and school leaders. Under the Welsh Government's Option B proposals, teachers would be between £3,407 (11.5%), and £32,369 (25.1%), worse off in real terms in 2023-24, if inflation rises in line with the HM Treasury's new inflation forecasts.
- 6.7 Under the Welsh Government's 'best-case scenario' – Option B – the majority of classroom teachers in 2023-24 would see the value of their pay cut by more than one-fifth (between 20.3% and 23.2%) in real terms, compared to 2010 salary levels.
- 6.8 Teachers who have remained in the profession since 2010 would be between £33,642 and £239,693 worse off in real terms since 2010 due to the cumulative shortfall in pay, if the Welsh Government's proposals in Option B for 2023-24 are implemented. The NASUWT asks the Review Body to recommend the rejection of the Welsh Government's proposals.