

2019

Financing the Future: sustainability for the NUJ



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Financing the NUJ's future – introduction

The NUJ faces a grave financial challenge. It is the product of three unrelated factors. The first is the decision of the 2018 Delegate Meeting not to increase subscriptions – with the result that by 2020, subscriptions will have been static for six years.

A slight decline in paying membership is the second. Despite significant efforts to recruit, with a particular renewed push since the last delegate meeting, we have not managed to grow the union. Of course, these efforts must continue, but it has proved impossible to recruit our way out of financial shortfalls.

The third is a change of policy by the Pensions' Regulator. It is requiring that pension schemes that are in deficit increase the rate at which deficits are paid down. The NUJ is in a significantly stronger position than it might have been because its defined-benefits staff pension scheme is now closed. However, the annual cost of paying back the scheme's deficit is expected to rise from £210,000 to £360,000 in the next financial year as a result of this new change in approach.

The only plausible solution lies in a significant rise in subscriptions over a relatively short period and an acceptance that subs will need to keep pace with inflation in the future thereafter and that we should prepare the membership for cost-of-living scale increases in subs at every subsequent Delegate Meeting.

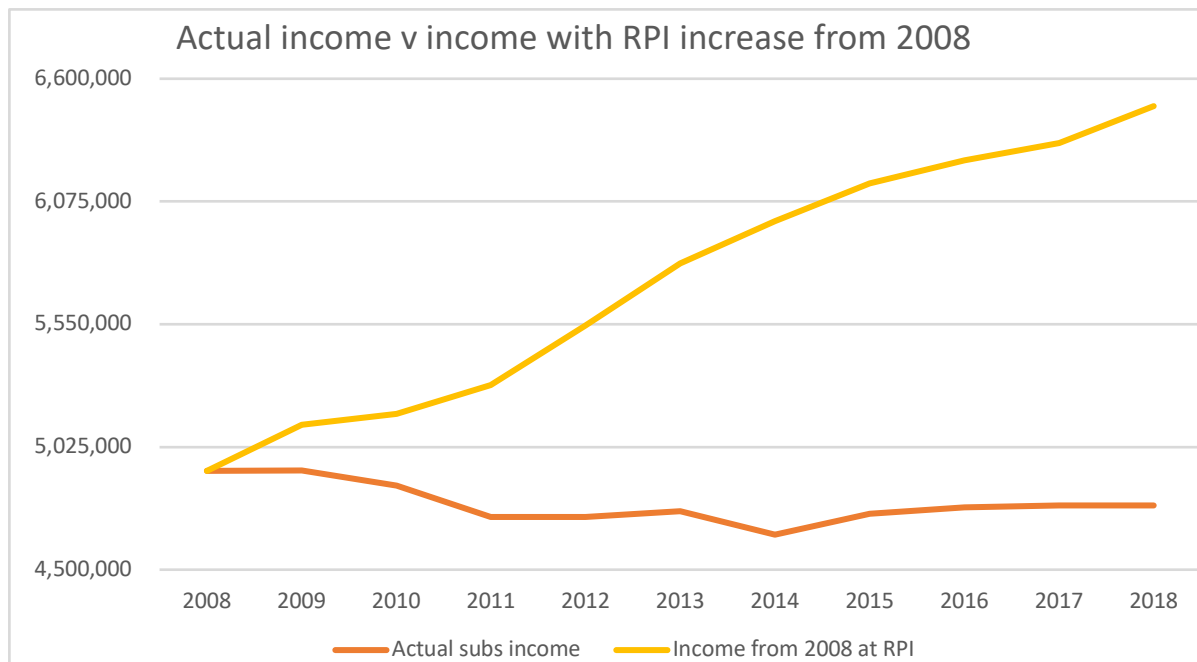
This paper, initiated by officers of the Finance Committee and incorporating amendments made at NEC, sets out the background to this situation and provides data and information to demonstrate that the solution suggested is achievable. Its intention is to facilitate the widest possible debate among NUJ members about how we finance the future of our union. In previous years, members have complained that starting a debate simply with the publication of the DM preliminary agenda is too late for meaningful discussion. The policy formulations set out here are not set in stone and we intend for the coming debate to inform the shape of the motions that the NEC then takes to DM.

As well as considering how we can work to achieve this solution, we also need to be realistic about what failure is likely to mean.

Without a sharp increase in income, it would be necessary to make draconian and immediate reductions in costs. This would certainly mean further reductions in staffing numbers and possibly the closure of one, or more, offices. Even that, however, would provide only a stop-gap before we had to seek a protective merger with a union that had the resources to absorb our pension debts.

Issue one: falling subs income

Our present subs income is projected to be £4.73million by the end of this financial year. Had subscription income maintained its RPI value from 2008 our income would be £6.75million, slightly over £2million higher than now provided we had maintained the same number of members.



Issue two: declining membership

There have been significant efforts made to increase membership – these have been broad-ranging, including around specific industrial organising targets such as Springer Nature, Iran International and Vice; targeted events such as Ireland’s recruitment week or campaigns on equal pay and the gender pay gap; online campaigning, such as UseItPayForIt; and a recruitment video in the freelance sector. Our recruitment materials have been revamped, receiving very positive feedback. All has been valuable and without this work clearly the membership position would now be worse. It has not reversed the trend, however. Despite the significant effort, membership has declined overall and paying membership has fallen by 21.8 % over the last ten years from 28,170 to 22,027.

However a close examination of membership shows an interesting pattern. Membership potential in traditional recruitment areas is declining, yet that is not the overall picture. Fig 1 shows membership figures for the past 18 years, rising through the early noughties as redundancy fears become real and then falling again as jobs are axed throughout traditional areas.

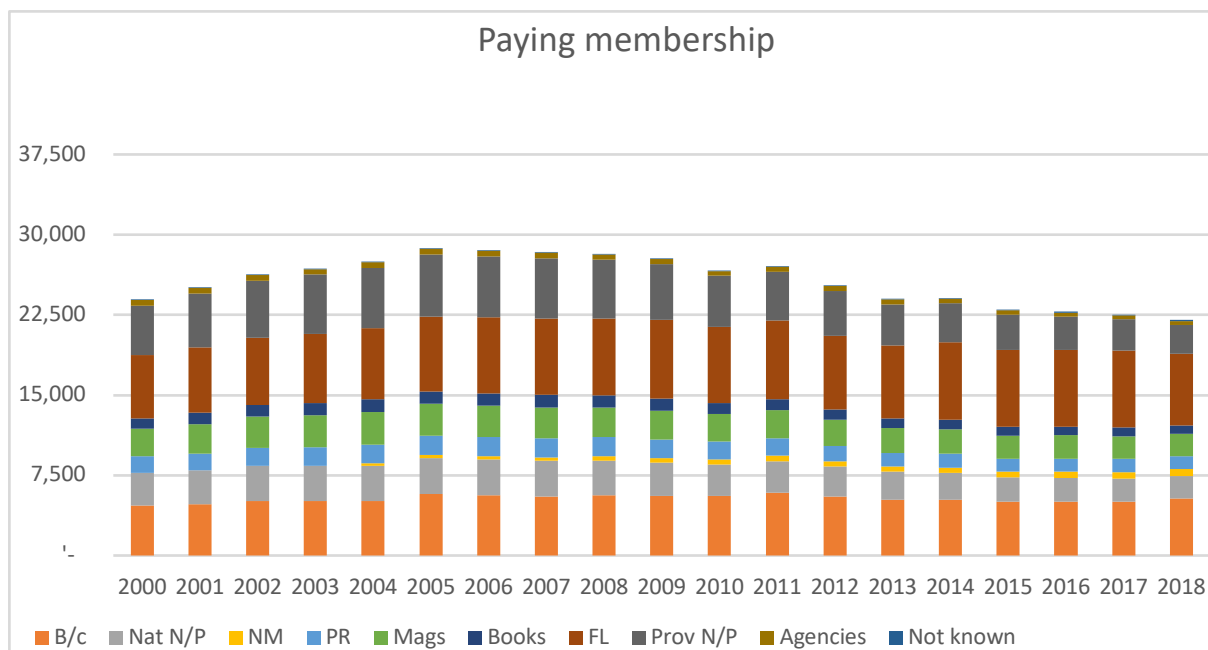


Fig 1: NUJ paying membership

The loss of membership is largely in traditional recruitment areas of newspapers and magazines and matches the decline in jobs in those areas.

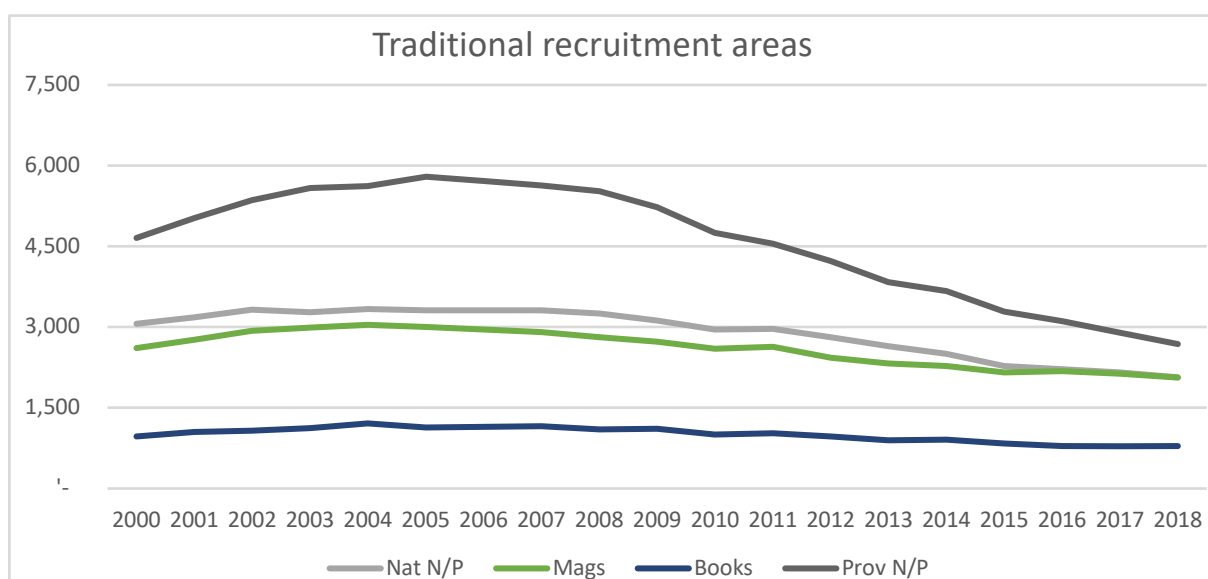
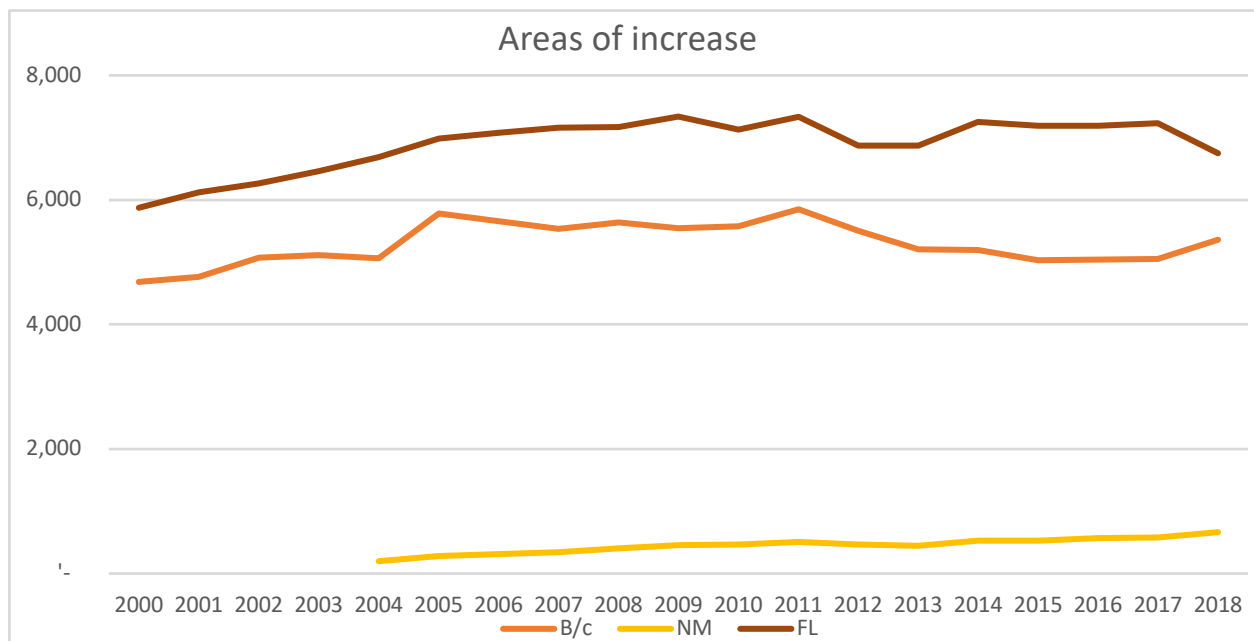


Fig 2: Membership in traditional print areas of recruitment**Fig 3: Industrial sectors showing growing membership**

Membership in broadcasting, freelance and new media has been increasing slowly over the past 20 years although it has slipped back a little over the past ten years. New Media has been growing steadily, albeit from a relatively low membership, overall. The union seems to find this a difficult area to recruit because of the lack of traditional members, difficulty in accessing new areas of business to recruit and the small size of potential chapels.

What's less clear is the reason for the increase in freelance membership although there are a couple of obvious answers. It's probable that the main reason for the increase in freelance members is due to the general move towards what's known as the "gig economy" and the desire amongst employers for a more flexible workforce hired as and when needed. It's also possible that the increase is beneficial to some of the members concerned, allowing them to work part time to a pattern that best suits them and their family. There is also anecdotal evidence that many of those made redundant in the last few years, especially in local newspapers, have moved to freelance. This is supported by the changing age profile of freelance members. This makes the significant fall in membership in this sector between 2017 and 2018 slightly worrying as it could be the start of retirement for significant numbers of members who left newspapers to move into freelancing. However, the bulk of the increase in freelance membership was in the first few years of the new century, before the serious job cuts started so it seems likely that any such fall could simply be a temporary blip in a volatile membership sector.

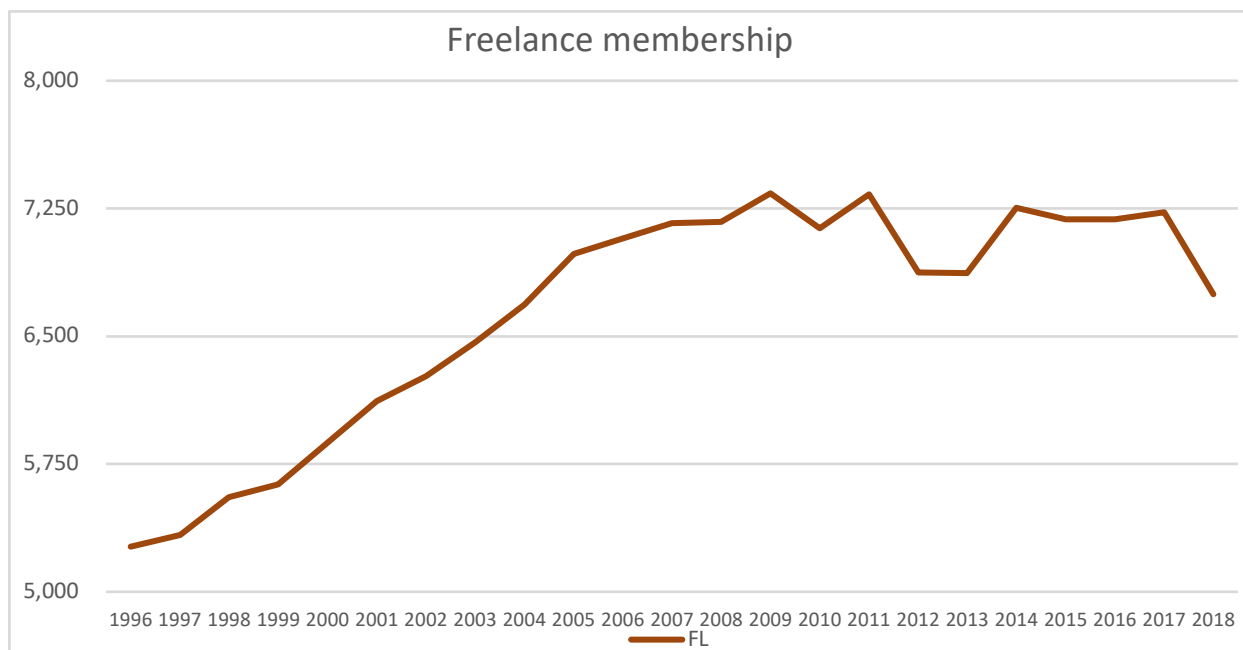


Fig 4: Freelance membership

Fig 5 shows the difference in membership profile between the print areas of recruitment and broadcasting freelance and new media

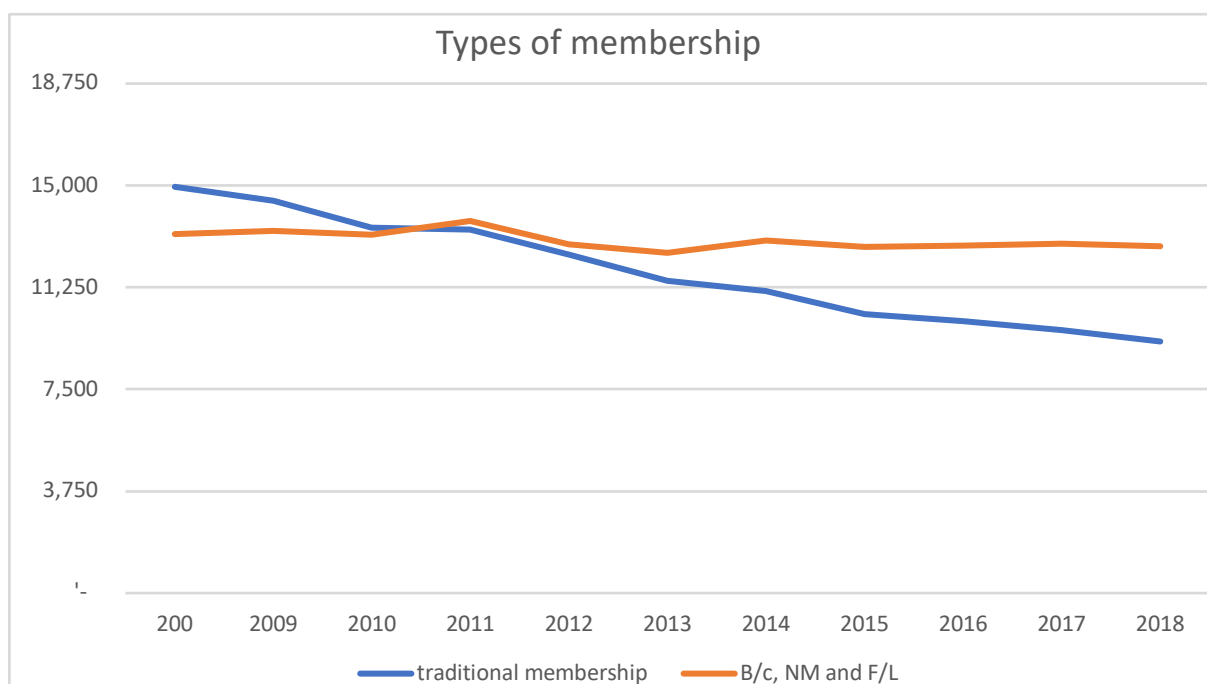


Fig. 5: Traditional membership sectors v B/C, NM and Freelance

From these graphs it's clear our problems with falling membership lie in newspapers and, to a much lesser extent, magazines and books and that solutions lie elsewhere. We know from the Office of National Statistics figures that journalism jobs are growing overall and our task must be to find ways to recruit in new areas (social media, content management etc) whilst at the same time, most of our activists still work in the traditional areas that are probably now close to maximum potential recruitment. The recent survey amongst the membership may give some steers in this area.

Issue three: the rising cost of our pension commitments

For many years, the NUJ operated a defined-benefit pension scheme to provide pensions for our employees, a type of scheme that was common among British employers for many years. Each year, employers and employees paid into a fund, which was invested to obtain the maximum long-term benefit. For each year that employees paid in, they ‘accrued’ the right to be paid a portion of their final salary upon retirement – in most cases between one-fortieth and one-eightieth per year.

The value of the totality of the money paid into the scheme has to be sufficient to meet its commitments in respect of current and future recipients of pensions. Actuaries provide advice on how much will be needed, based on the predicted longevity of those who are entitled to draw a pension.

Unfortunately, the abuse of pension funds in the 1980s by employers such as Robert Maxwell, as well as more general changes to lifestyle patterns, has made the operation of these schemes increasingly difficult. Regulations have become steadily tighter and more complex. Stock markets and other investment vehicles have become more unpredictable. And expected longevity has increased.

The result is that a great many pension funds – the NUJ’s among them – have been found by their actuaries to be insufficiently funded. When this happens, the first call on the part of pension fund trustees is usually for the sponsoring employer to make up the deficit. This is what happened to the NUJ – and to many other unions. Pension fund deficits have been the main reason why British trades unions have been forced into merger. The roots of Bectu’s recent amalgamation into Prospect is in a pension fund that it could not finance. The same is true of nearly every other union that has given up its independence and joined a bigger union.

Pensions’ challenges have been a particular challenge for the past decade or more. Back in 2008 the crash in the financial markets coupled with changes to actuarial calculations of the liabilities of the scheme had created a £1.825million deficit. As a cross-border scheme at that time, the Union was obliged to pay the deficit within the year to ensure it was fully funded and to satisfy the EU Directive requirements. Our options were to cash in our investments or to take out a loan to do this. Using our investments was ruled out as this would have entailed early encashment penalties and market losses of some £300,000 at the time. It was therefore decided to take out loans totalling £2million to cover the deficit and the attendant costs of restructuring the scheme.

By the time of the next valuation, as of 1st January 2010 despite the previous investment, the pension deficit stood at £1.42million and this time a 13 year recovery plan was agreed.

The following year, it was agreed, effective from 1st July 2011, that the joint scheme would be separated into a new UK scheme, (which would then be subject to triennial reviews, not annual) and the residual cross border scheme retained just for Irish members. Since that time the Irish scheme has been fully funded (obviously if that hit a deficit, as a cross border scheme any deficit would still have to be plugged within the year in accordance with legislative requirements).

In June 2011, with even further pressure on the Union’s finances, it was subsequently decided to cash in the investments and repay the loans early to free up the cash flow necessary to balance the budget – a move that avoided early encashment penalties and involved an investment gain of some £130,000.

In 2013, the actuaries advised that the fund was now £4.44million in deficit. A repayment plan was agreed for a near 16 year period, of £70,000 a year from 1st Jan 2014. In addition to this, the difficult

but brave decision was taken to close the pension scheme to future accruals and to make alternative arrangements for staff pensions.

Had our staff not shown the generosity that they did then, the NUJ would have ceased to exist. It was an act of commitment to our union and from our staff to do all that was necessary to maintain our political and financial independence. It is a reason, if reason were needed, to redouble our efforts to find ways to ensure that the NUJ survives.

Although the threat posed by our pension responsibilities was significantly reduced by closing to future accruals, the issues that arise from it have by no means gone away and the scheme still has to be funded to meet its outstanding commitments.

The actuaries continue to carry out the required triennial valuations and at 1 January 2016 they advised there would be a deficit of £3.6million requiring a new repayment programme of £100,000 p.a. over a period of 13 years.

Three years on, our current deficit as at 1 January 2019 is now £12million. This spring, the Pensions' Regulator announced a new approach in light of struggling and uncertain markets, which involve applying new requirements in respect of the speed at which deficits must be paid down. This is currently being consulted on, but the Regulator has made it clear it expects schemes with valuations this year to apply these new principles. The scheme actuary is taking a relatively conservative approach, both in terms of the annual amount and the length of the repayment plan, based on a pragmatic assessment of the union's ability to afford such significant increases involved and acknowledgement of the fact that the Union's Employer Covenant is now formally assessed as "weak". This, a lengthy repayment plan, and uncertainty over our future income could all be reasons for which the Regulator could choose to investigate (as they have done in the past) and determine the amounts should be higher or paid over a shorter timeframe. There may not be an agreement until March 2020 – before the Delegate Meeting, yet the Union will have to plan as it will be in receipt of a subs increase in order to afford the agreed repayments. It will also likely have to enhance the negative pledge that exists as a form of charge the pension scheme holds over the Union's asset, Headland House.

No one wants to run an organisation simply to finance a pension fund deficit. If, however, we act decisively at this time, it is a challenge to which we can rise.

Subs increase needed at 2020

Of course we need to continue recruiting. The NUJ has resisted plenty of existential threats in the past – mass derecognitions in both the 1920s and the 1990s could have easily finished off our union. In each case, through hard work and tenacity, we battled to survive and thereby created a platform from which to thrive. The experience of the past two years, however, is that simply hoping that recruitment will solve our problems is no solution at all.

It would be foolish to imagine things will change this time around and that we will find it easy to recruit the **9,259** full members we would now need at current subs rates to make up the income shortfall we have built for ourselves without a subs increase.

If subscriptions are not increased by at least **15% in 2020** and a further **10% in 2021** alongside a targeted change in membership categories and recruitment areas and a serious activist-led

membership recruitment campaign, significant further cuts in union spending will be required. This will reduce our capacity to assist our members that will reduce our effectiveness as a union, leading to further resignations and a vicious downward spiral. It would seem that a paying membership of around 25,000 to 26,000 producing a subscription income of around £7million at present costs would be the ideal and would provide a strong and sustainable union but this requires an immediate subs increase of 25% plus an immediate recruitment of 3,000 members.

If, for example, a 15% increase was achieved in 2020 – and applied to each grade of membership – it would impact subs in those grades as follows:

- Grade One – increase from £15 a month to £17
- Grade Two – increase from £18 per month to £21
- Grade Three – increase from £25 to £29.

The union needs to employ organisers and administrative staff and also have the resources to run our democracy and Headland House. In order to maintain the same spending power today that the union had in 2008 without a significant immediate increase in membership, an immediate **subs increase of 28%** would be required to ameliorate the massive subs income shortfall we now face. This not to suggest that 2008 was some kind of golden era to which we should aspire. As fig 6 shows it was a year of alleged high membership but these figures are highly dubious as the membership stats and income do not match for the period 2007 until 2011 when a new membership system was introduced as well as a new GS and Finance director who were able to make the finance and membership figures balance identifying some serious problems in the process requiring hard solutions.

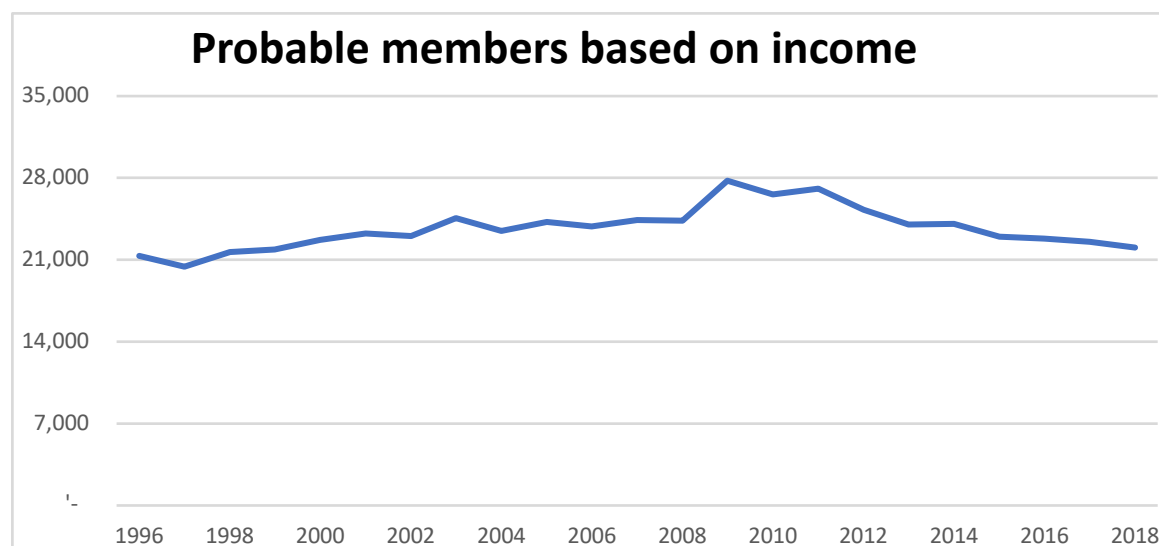


Fig 6: Probable membership based on income until 2011 and then true figures as identified from membership database.

Benefits of a subs increase

The benefits of a subs increase can be described in many ways. One is to consider that ways in which the NUJ is unusual, if not unique among unions on these islands.

We provide a level of service that is significantly in excess of most unions. All of our organisers staff, from the General Secretary downwards, undertake personal casework. This helps members, often at the lowest points in their lives, navigate tremendous difficulty and ensures that unscrupulous employers have an effective check on their behaviour. It is an approach that pays dividends to our members. NUJ legal and industrial representation has secured over £9million for members in the past year alone.

The NUJ continues to organise in new areas and sign fresh recognition agreements. Since a legal right to trades union recognition was won in 1999, the NUJ has signed as many, if not more, new recognition agreements than any other union, despite being tiny by comparison to some. Recent successes at Vice, Springer Nature, the SNP Holyrood Chapel and Al Jazeera, as well as ongoing work at Alaraby, and Iran International are testimony to this.

We campaign relentlessly to safeguard and improve the legal backdrop to the work of all journalists, – lobbying on legislation in Ireland and the UK and defending individual cases.

Doing all of this requires funds – for the most part to pay our staff and provide offices from which they can work. During the past two years a significant number of positions have not been filled, either after natural turnover or long-term sickness. This in turn has created a significant strain on the staff who remain, as well as the activists that support them. Providing the same high services without proper funding cannot continue indefinitely.

Won't a subs increase make it harder to recruit?

No-one likes to pay more and it is an understandable concern that an increase in subs will lead to a fall-off in membership. A rich infusion of anecdote and opinion often accompany expression of this concern. None of it is consistent with the facts, however.

Studying membership patterns in the wake of previous increases in subs, provide surprising data. In the period following both the last subs rise, April 2014, and the change to earnings-related subs, April 2016, there is a rise in the number of people joining the union in the three-month period following the change. The numbers lapsing, or deciding to leave the union is relatively unchanged, in the same before and after periods.

Recruitment figures are also interesting.

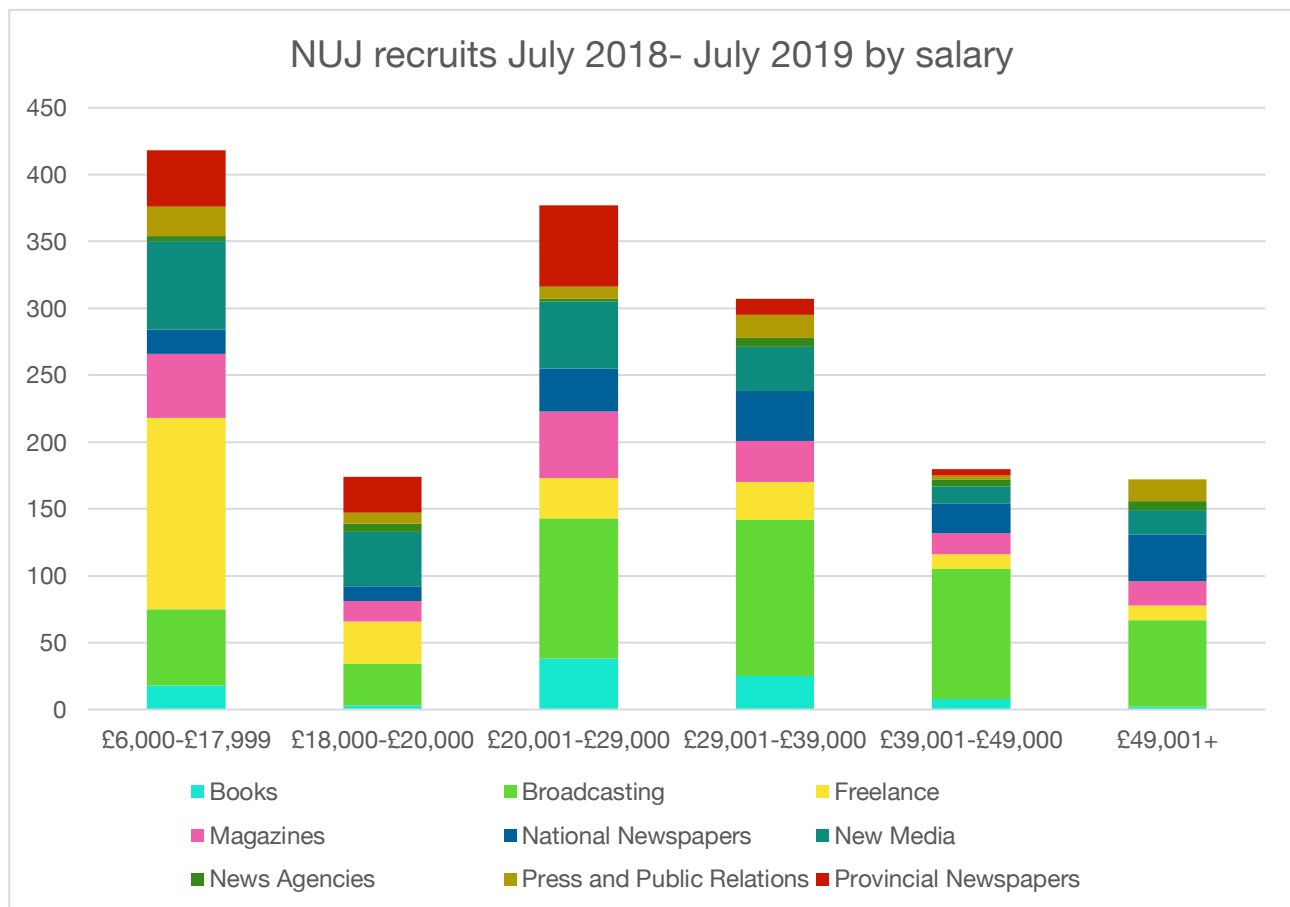


Fig 7: Salaries of members recruited July 2018-June 2019

Figure seven shows the salaries of recent recruits illustrating how the largest group of new members are low earners, as one might expect from those just starting their careers as journalists. However, 74% of new recruits earn more than £18,000 with 55% earning between £18,000 and £39,000pa.

Salaries of new starters are as follows:

£6,000-£17,999	26%
£18,000-£20,000	11%
£20,001-£29,000	23%
£29,001-£39,000	19%

£39,001-£49,000	11%
<u>£49,001+</u>	11%

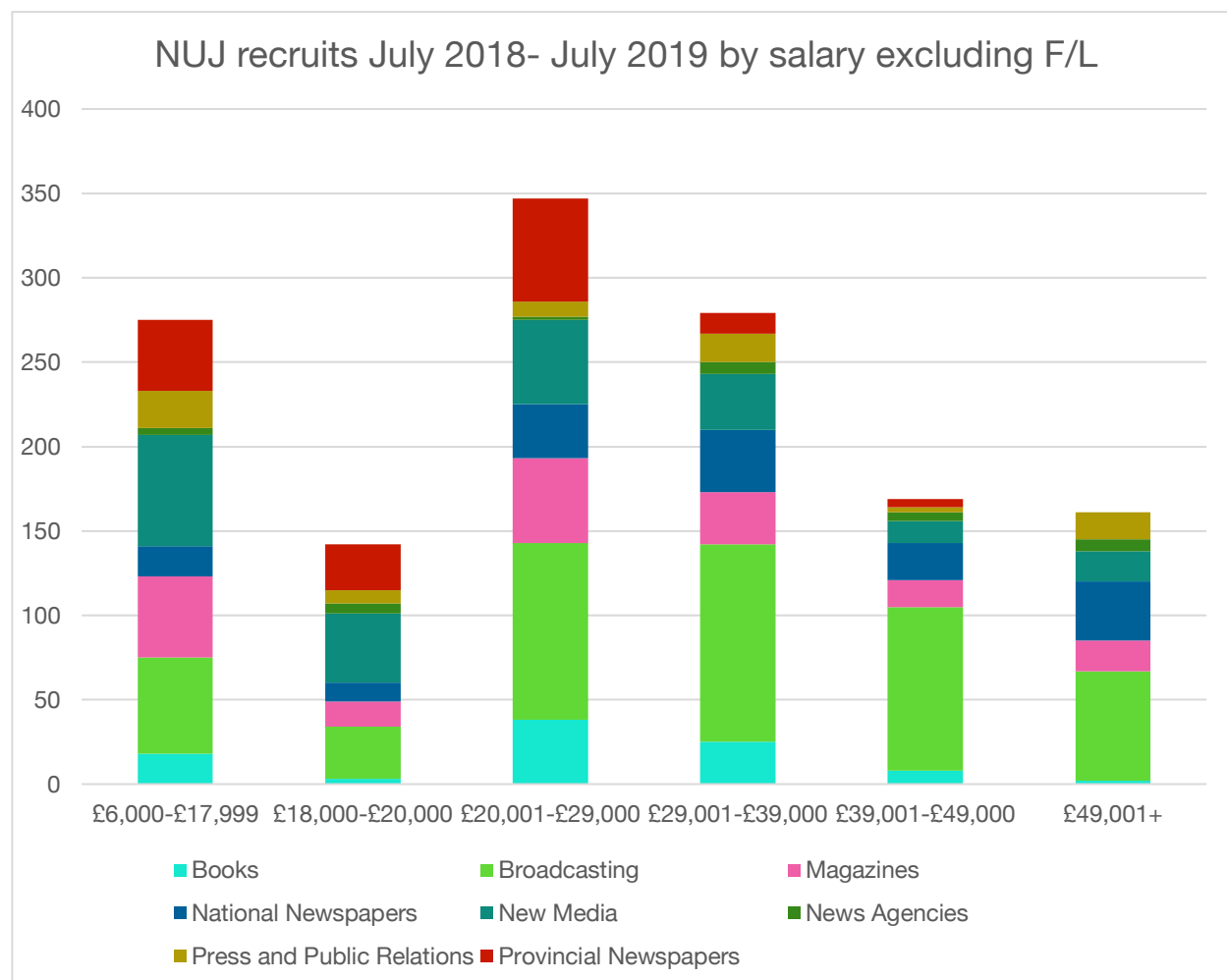


Fig 8: Salaries of members recruited July 2018-June 2019 excluding freelance

Removing freelance recruits as shown in Fig 8 reduces the number recruited at the lowest salary range significantly from 26% to 20%. Just under 28% of freelances join when being paid less than £18,000 pa compared with 20% of staff jobs.

£6,000-£17,999	20%
£18,000-£20,000	10%
£20,001-£29,000	25%
£29,001-£39,000	20%
£39,001-£49,000	12%
<u>£49,001+</u>	12%

We have no way of knowing how many of these freelances are part-time by choice but a significant number must be. The ONS identifies that just over 26% of the UK working population works part-time. This makes it clear that despite fears that a subs increase will make membership impossible for many we are seeking to recruit, in fact most new recruits are able to pay both existing subs and future planned increases and stay within the 1% target we set ourselves.

DM 2018 asked the NEC to consider the idea of new grades of membership for the higher paid. We have not in the past kept records of earnings for the higher paid. However, with only 11% of membership earning more than £49,000 pa according to the new recruit statistics, and taking into consideration the potential risk of resignations from those earning higher wages if asked for a very significant increase in subs, the imposition of higher grades would be a risky strategy combined with a substantial subs increase across the board.

NUJ sustainability plan DM motion principles

Subs increase:

15% increase in July 2020; a further 10% increase in July 2021 with the aim of seeking RPI increases in subsequent years.

Membership classes

Part time

Changes in earnings rules to facilitate more part-time and community journalists seeking to enter the profession either full time or part time by reducing the majority of income rule to a lower percentage such as 20%. It is in our interests to give them the chance to join the union, be recognised and to insist they work to the high ethical standards we set. We need to maintain a strong position within the workplace and the wider political world and failing to accept reality won't allow us to do that.

Students and new starters

The other area that is damaging recruitment and therefore our income is those at the start of their careers usually students. On leaving their course, many find it difficult to get jobs and so lose touch with the union. They should pay by DD every year rather than for their course, allowing us to keep in touch with them and ensure we recruit them to full membership when they start working.

High earners

DM 2018 asked the NEC to investigate the possibility of additional membership grades for high earners. In order to keep in line with existing subs arrangements the following grades could be suggested:

grade 4 - from £45,000 to £60,000 at rates in 2018 terms of £35pm (or in euro)

Grade 5 – from £60,001 up at rates in 2018 terms of £48pm (or in euro)

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Adopted by the NEC – 12th July 2019