

EMPLOYMENT COMMITTEE: 22 OCTOBER 2015

PAY UPDATE 2016-17

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

Purpose

1. The purpose of this report is to outline the recent changes to pay, particularly for lower paid staff and to explore the implications of these changes on the pay structure as a whole.

Background

2. The Council implemented single status for pay in September 2002 and was one of the first councils to implement a pay and grading review to harmonise terms and conditions for all employees.
3. The revised pay and grading structure was underpinned by the Hay Job Evaluation Scheme.
4. The Council has continued to use the pay and grading structure that was implemented in 2002 and has maintained Hay as the basis for job evaluation. A copy of the current pay structure can be found at Appendix A.

Recent Changes to Pay

5. As the Committee is aware, the National Pay Award for 2014-15 gave notice of the deletion of the lowest pay point from the National Joint Council for Local Government Services (the NJC) pay scales with effect from 1 October 2015 to accommodate the increase in the National Minimum Wage. This would normally require the Council to simply delete its lowest pay point, pay point 3, the only pay point within Grade 2. However, doing this would mean the removal of Grade 2, creating the need to review the pay structure. This will be undertaken as part of a wider review, the need for which has been created through the introduction of the National Living Wage on 1 April 2016.
6. As an interim measure, and to recognise the differentials between staff currently on different grades, it has been confirmed that employees on pay point 3 (approximately 480 people) will remain on pay point 3 from 1 October 2015 and that the value of this pay point will increase. It will be made clear to employees that whilst the hourly rate is changing, their grade is not.
7. The July budget announced that a new National Living Wage will be implemented from 1 April 2016 at £7.20 per hour. There was a further commitment that it would increase to at least £9 per hour by 2020, with the aim that the hourly rate would

reach 60% of the median UK earnings figure at that time. Initial projections by the Local Government Association (LGA) point to the figure being closer to £9.30 per hour.

8. The introduction of the National Living Wage from 1 April 2016 will lead to a higher salary bill on an ongoing basis. It has been estimated that the increased cost as of April 2016 will be up to £100,000, rising to a cumulative total of £5 million by 2020. These additional costs do not allow for any further increases which would be made to maintain pay point differentials.

Organisational Context

9. The Council's objective is to continue to deliver excellent, high performing services, whilst significantly reducing spend. The introduction of the National Living Wage and the pressures within a range of service budgets mean that the Council faces an even more challenging financial position.
10. As the local employment market begins to recover, it has been noted that a number of employees with key skills, such as specialist IT skills, have left the organisation. This raises the question of how the Council rewards senior, technical specialists and how this relates to the job evaluation scheme.
11. The LGA hosted a Local Government Pay Briefing in September 2015 which recognised the challenges facing local government in relation to pay, and is engaging with local authorities to consider possible courses of action.
12. The NJC have submitted a pay claim for 2016-17 which proposes a £1 flat rate on all pay points. The LGA have yet to respond.

Pay Issues

13. Pay increases weighted towards low pay over time have resulted in different levels of incremental progression across the grades. Trade Unions have expressed significant concerns regarding the lack of incremental progression for lower graded posts.
14. The Government's commitment to at least a £9 per hour National Living Wage by 2020 will place even greater pressure on the lower grades in relation to equal incremental progression. Careful consideration will need to be given going forward to how the year on year increase should be implemented and how it will impact on the pay structure as a whole.
15. A comprehensive review of the pay structure, which would include examining the grade structure, pay differentials and market analysis is proposed, and the detail of this, including timescales, will be shared at a future meeting of the Employment Committee.

Timetable for Decisions

16. The required changes need to be implemented by no later than April 2016.

Recommendation

17. The Employment Committee is asked to note the report.

Officer to contact:

Gordon McFarlane: Assistant Director (Corporate Services & Transformation)
Email: gordon.mcfarlane@leics.gov.uk
Tel: 0116 305 6123

List of Appendices

Appendix A – Pay and Grading Structure (Effective from 1 January 2015).

Equality and Human Rights Implications

Any review of pay will need to take into consideration equal pay issues, and also any other Equality and Human Rights Implications.