

**APPENDIX 6**

**Report of the Local  
Government Pay Commission**

**October 2003**

## **Foreword by the Chair of the Commission**

In accepting the joint invitation of the NJC parties to take the role of Chair of the Local Government Pay Commission I recognized that it would be a challenging task, not least since key aspects concerning the exact nature of the Commission, its resourcing and its scope were not clearly defined at that time (November 2002) and it was already clear that the original time allocation (one year from the date of the agreement in August 2002) had been eaten into. Once the lengthy terms of reference emerged the extent of the challenge became clearer –almost any one of them could have kept a part-time Commission such as the LGPC busy for at least a year. As the considerable body of evidence from each side of the NJC arrived at the Commission in Spring 2003 it was clear that they had even longer, and at times quite divergent, agendas for us. I considered it important that the Commission attempt to make a constructive contribution on all the shared and divergent issues, as far as was possible within the time and resources available.

In seeking to meet the challenge I have been aided enormously by the quality of the Commissioners nominated by each side and I personally wish to thank Michael Greenwood, Ian Kessler, Aileen McColgan and Frances O’Grady. They combine an impressive breadth and depth of relevant academic and practical knowledge and experience plus the other skills necessary for a body such as this to fulfil its remit. They also have been prepared to put in rather more time and effort to the Commission than I suspect the nominating parties originally estimated and indicated might be required of them. This included unsocial hours working at our two-day residential meetings and meant squeezing into already full work and domestic schedules the necessary reading, digesting and commenting on evidence and research reports and, later, drafts of this Report, always operating to a very tight time schedule. Naturally Commissioners came with their own views on various of the issues before the Commission and we had many lively discussions. These were robust but never acrimonious. The Commissioners took seriously the requirement that they act as individuals rather than as delegates of those nominating them, and that they be open to the evidence and argument in considering the issues. This helped produce a unanimous Report.

Our Secretariat was very small and the demands made of it, both by the Commissioners and those interacting with the Commission, were considerable. It is in no small part due to the effort, flexibility and skill of the Secretariat that we managed to complete our work within the tight timescale. Considerable adaptability was demonstrated by the Commission’s Secretary, Amit Sen. He set up the infrastructural support for the Commission from scratch, project managed the, at times difficult, process and coordinated all our activities. We also were extremely well served by our Research Advisor, Geoff White, seconded from the University of Greenwich Business School. He worked way beyond his formal job description in providing excellent support for the Commission in all aspects of its work. His knowledge and expertise were of considerable value to us. I wish to thank both of them, and also our administrator, Tola Babatunde, who performed a valuable ‘behind the scenes’ role, for their good natured assistance to me and the Commission throughout the last ten months.

Finally (but I hope not patronizingly) I would like to commend the NJC for agreeing to set up a body to investigate areas of concern and contention; for accepting the importance of the Commission being completely independent of the NJC; for allowing us to operate freely as

we determined, and for agreeing in advance that this Report will form the basis for their moving forward.

I hope that the process of having to put evidence to the Commission, of having to respond to our requests for additional information, and of engaging in discussion of the issues with the Commission at our meetings, of itself has been of some value to the NJC parties. Although the Commission arose from an industrial dispute and the initial response of each side to the evidence submitted by the other took the form of a rebuttal, it became clear that there are many areas of agreement and common understanding which can be built upon, some of which previously might not have been apparent. Not least the parties – and the Commission – are unanimous on the vital importance to local communities and to the country as a whole of having a well trained, motivated and suitably rewarded and respected workforce to carry forward the modernization of local government services.



Professor Linda Dickens MBE



**left to right:** Amit Sen, Ian Kessler, Tola Babatunde, Geoff White, Linda Dickens, Francis O’Grady, Aileen McColgan and Michael Greenwood.



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1. Local Government Pay Commission's **terms of reference:**

- To establish an agreed statistical basis for comparison between pay and rewards in local government and those prevalent in national, regional, and local labour markets in the UK and to make recommendations on how this statistical information should be collected in future.
- To comment and advise upon the distribution of pay and rewards throughout local government, giving particular attention to low pay, equal pay, and the pay of part time workers, managers, and professional staff.
- To establish the extent and causes of recruitment and retention difficulties in local government, and to advise on their relationship to pay and rewards.
- To consider and advise upon the implications of the use of agency and temporary staff for pay and rewards in the sector.
- To examine the barriers to implementation of the 1997 single status agreement, and advise upon action needed to ensure its implementation throughout local government.
- To consider and advise upon the pay and rewards for all patterns of work, including term-time working, giving particular attention to the need to encourage flexible working patterns to underpin service improvement and provide for a better work-life balance.
- To consider and advise upon gender and race issues in relation to pay and rewards within the local government workforce.
- To consider and advise on the implications of a mixed market in service provision on the pay and rewards of local government employees.
- To advise on how pay and reward systems in local government should develop and the means to ensure the increased effectiveness of current bargaining arrangements.

# Chapter 1

## THE ORIGIN OF THE COMMISSION AND ITS OPERATION

This chapter sets out the background to the Commission and how we set about our task.

### Background to the Commission

2. On 17 July 2002, hundreds of thousands of local government workers, the majority of them women workers, took industrial action.<sup>1</sup> It was the first national strike involving local government workers since 1989. The action was in support of a claim for a 6 per cent pay rise for 1.5 million local government workers covered by the National Joint Council (NJC). The employers and the three trade unions (UNISON, GMB and the TGWU) - representing the employees subsequently held meetings under the auspices of the Advisory Conciliation and Arbitration Service (Acas).
3. On 5 August 2002, after detailed discussions with both sides, Acas put forward a set of recommendations aimed at breaking the deadlock. Both sides agreed to put the recommendations to their respective constituents. The unions also agreed to suspend planned industrial action until the end of the agreed six-week consultation period. The Acas recommendations were in two parts:
4. Part 1: "That the following pay increases should apply:  
  
A 3 per cent increase or a minimum of £5 per hour from 1 April 2002.  
A 1 per cent increase from 1 October 2002 with an additional 1 percent for those on spine points 4 and 5 both calculated on the basis of pay rates effective on 31 March 2002.  
A 3.5 per cent increase from 1 April 2003 to 31 March 2004 with an additional 1 per cent increase for those on spine points 4 and 5.
5. Part 2: That the NJC will set up a Commission to look into pay and related issues by the end of August 2003. The Commission's terms of reference will be jointly agreed and will reflect each side's agenda for the Commission. The Commission will be chaired by an independent Chair who will be able to call on independent advisers. The Commission is charged with reporting its findings to the National Joint Council by the end of August 2003". Subsequently, the parties agreed to extend the deadline for the Commission's report.
6. In September 2002, at the end of the consultation period, both sides announced that they were able to accept the Acas recommendations in their entirety. The parties then commenced work on establishing the terms of reference, the composition of the Commission and its *modus operandi*. On 13 November 2002, at a meeting of the NJC, agreement was reached on all of these matters. The Acas recommendations

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<sup>1</sup> Source: 750,000 was the number quoted on the UNISON internet website, [www.unison.org.uk](http://www.unison.org.uk) This figure was also quoted by the Guardian newspaper's website [www.guardian.co.uk](http://www.guardian.co.uk) on 17 July 2003. However, the Employers' Organisation put the estimate considerably lower at about 400,000.

included the principle that that neither side could veto agenda items put forward by the other. The parties agreed that all those on the Commission should be people who were independent of the NJC. Professor Linda Dickens, MBE, of the University of Warwick was appointed as the independent Chair. Of the other four members, Dr. Ian Kessler of Oxford University and Mr. Michael Greenwood<sup>2</sup>, then Chief Executive of Tameside MBC, were nominated by the employer side. Ms. Frances O'Grady, Deputy General Secretary of the TUC, and Professor Aileen McColgan of King's College, London, were nominated by the employee side.<sup>3</sup> The NJC agreed that the members of the Commission were to discharge their duties as individuals rather than representatives. The Commissioners would be required to devote a specified number of days to the project and while this arrangement had the benefit of some flexibility, it was not a full-time commission. A small independent secretariat would be set up to provide support to the Commission. The secretariat was appointed during February and March 2003 and consisted of the Secretary to the Commission, a Research Advisor, seconded on a four days a week basis, and an Administrator. In the context of the time available and the size of the task to be accomplished, this was a very 'lean' structure. The issue of accommodation took rather longer to resolve than anticipated. Acas offered the secretariat the use of an office in their London Region premises at Euston Tower. This offer was readily accepted and the secretariat moved into Euston Tower on 3 March 2003. Aside from providing accommodation Acas has also made facilities available for the Commission's own meetings and meetings with the parties and other organisations. Our website was set up with expertise from Acas. We have also had the benefit of assistance from the Acas press office. We are completely independent from Acas but we are indebted to them for their help and goodwill throughout the process.

7. The funding for the Commission was split equally between the NJC parties and there was also a significant contribution from the ODPM.
8. The NJC parties envisaged that the independence of the Commission would provide them with an opportunity to state in detail their respective positions and also to respond to the other side's point of view. This did not, however, preclude the parties from submitting joint evidence should they so wish. The Commission's deliberations would be confidential and its decisions would, where possible, be arrived at by consensus. Opportunities to submit evidence to the Commission would also be extended to interested parties other than the NJC.
9. Having reached a point where the genesis of the Local Government Pay Commission has been outlined, we thought it would be helpful to place the Commission's birth in its context. The industrial action which took place in July 2002 was the catalyst for the Acas talks and recommendations. The trigger for the action was the stalled annual pay negotiations for 2001-2002. But the employee side argued that the strike was an expression of years of frustration over poor levels of remuneration, unequal pay, the relative decline in the pay of local government workers and lack of recognition of the valuable contribution made to society by local government employees and in particular the large numbers of women workers who

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<sup>2</sup> Michael Greenwood was Chief Executive until September 2003 when he took up a post as Director of Local Government Practice (North West) for the ODPM.

<sup>3</sup> Frances O'Grady was appointed as Deputy General Secretary of the TUC in early 2003.

make up 70% of the local government services workforce. These sentiments are encapsulated in the two following quotes:

*“There has been no decent pay award for years. In addition, I am on a term-time only contract so what I am paid is worth even less.”* (Support staff school worker)

*“I voted in favour (of the strike) because there is only so much you can take – I feel devalued.”* (Care Services officer)<sup>4</sup>.

## Context

10. The employers saw the strike as an unnecessary action. The pay rise of 3 per cent offered by the employers – in response to a claim for 6 per cent - was said by them to be consistent with what they could afford and that any increase above this amount would have to be paid for through increased productivity and changes in working practices. Brian Baldwin, Chair of the employers’ negotiating team, echoed local government employers’ concerns when he said: *“We know that there have been some extremely reluctant yes votes.... Councils have to find a balance between pay, the need to protect services and jobs and the demands on council taxpayers. The proposals are right at the limit of affordability”*<sup>5</sup>. The two sides seemed to have different perspectives and these differences are reflected in the Commission’s very wide-ranging terms of reference. However, the talks at Acas, apart from finding a resolution to the pay dispute, marked the potential start of a new era of shared understandings and joint working.

## What we did

11. The Commission agreed at the outset that our work would be based on evidence we received. We developed key questions which we felt reflected the scope of our terms of reference and on which evidence was invited. The structure of our report recognises that while there are distinct areas for consideration, there are nonetheless numerous areas where there are linkages between them. So although the Commission has been given nine separate terms of reference, we have addressed them in four main chapters. Each chapter begins with an indication of the issues discussed therein and the specific terms of reference which are being addressed in that chapter. We hope this will encourage all stakeholders to see that the complex matters under consideration require an integrated approach.
12. It was clear to us that we were not being asked to determine the next pay increase but were tasked with a far wider role. This role required us to consider the issues of pay and reward in local government in the round and in particular to point the way ahead on the distinct but inter-related fronts referred to above. So, while recognising immediate concerns and seeking to locate them historically, our focus was on the future. Accordingly, we have attempted to set out what we feel is required if the parties are to attain the objectives of cost-effective high quality services delivered by a well motivated, highly-skilled, justly rewarded workforce.

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<sup>4</sup> Source: UNISON internet website. [www.unison.org.uk](http://www.unison.org.uk)

<sup>5</sup> Source: EO internet website. [www.lg-employers.gov.uk](http://www.lg-employers.gov.uk)

13. It was recognised at the outset that this was going to be a very challenging task within the specified timescale and with the resources at our disposal. The Commission was set up by a national body but we were aware of 400 plus different authorities. We could not undertake detailed work at local level but wanted to engage with the people who make up local government – employees, managers, professionals, council leaders, elected councillors, lay union officials, and so on. With that in mind, a programme of visits was arranged and undertaken by the Commissioners in March and April 2003, during the call for evidence.
14. Between us we visited all the regions in England as well as Wales and Northern Ireland. The visits came early on in the Commission's work schedule and were for familiarisation purposes rather than for formal evidence taking. Information gained during the series of informal gatherings was not treated as formal evidence but as background to inform the Commission's approach and deliberations. The visits were very valuable in providing us with an insight into the concerns and priorities of employers and employees; the problems facing them and how they were tackling those problems; and their expectations of the Commission. We recognised the value of having the opportunity to hear at first hand and explore in an informal setting, the variety of experiences of those at local level on the issues of pay and reward before the Commission. We comment elsewhere in this report about the disparate nature of the local government sector and this was reflected to some extent during the visits but perhaps not to the degree that we would have expected at the outset. We would like to take this opportunity to thank all those who helped us to organise so many visits so quickly and of course those who came to meet us. A list of those whom we met is in Appendix 1.
15. At the same time that the visits were being undertaken, we made a formal call for the submission of written evidence. The request for evidence was made via our website and by way of letters sent to those who we felt would want to take the opportunity to have a say on any or all of the issues under consideration. A cut off date of 30 April 2003 was set for the submission of evidence. On the whole, evidence was received on time. A few organisations were unable to let us have their evidence by the specified deadline. By prior arrangement with the Secretary, they were allowed to submit their evidence after 30 April 2003. It was made clear to everyone that evidence submitted to the Commission would not be treated as confidential unless specifically requested. Those submitting evidence to us were free to publish it if they wished, and some did this on websites, but the Commission is not publishing the evidence.
16. The major evidence was that submitted by the local government employers and unions. The former submitted evidence through the EO although under the guidance of a body comprising representatives of: the Society of Chief Personnel Officers (SOCPO), the Society of Local Authority Chief Executives and Managers (SOLACE), and the regional employers' organisations. The unions' evidence consisted mainly of a joint submission from UNISON, the GMB and the TGWU trade unions, who comprise the union side of the NJC, and a separate submission from UNISON including various studies it had commissioned. The two sides also submitted some joint evidence and agreed data. Some individual authorities and individuals in local government also submitted separate evidence to us, as did SOCPO. Supplementary submissions from the EO and the NJC unions were received at later stages. The

NJC parties responded quickly to requests from the Commission for additional material at various times in our deliberations. We would like to thank them and their respective research departments for their co-operation in helping us work within the tight timescale they had set for us.

17. All the evidence received was recorded, analysed and made available to us for consideration. A list of those submitting evidence is included in Appendix 2.
18. We have been proactive not only in requesting evidence but in obtaining expert input. In March 2003, the Commission organised an academic workshop which was held at the University of Warwick. The aim of the workshop was to enable the Commission to tap into academic expertise in those areas it was considering and also to identify areas where the commissioning of additional research may be appropriate. This event was attended by a small group of invited academics who had published or were in the process of conducting research in areas relevant to the Commission's work. (See Appendix 3.)
19. Also in March 2003, we invited the Equal Opportunities Commission (EOC) to give us a briefing on the issue of equal pay. The following month, and again at our invitation, IDS gave us a presentation on regional pay while the Audit Commission provided us with a presentation on recruitment and retention. Industrial Relations Services (IRS) and the Hay Group also assisted us. We are grateful to all these bodies for their contributions to the process. None of them bears any responsibility for our findings. In July 2003, at the request of the Commission, our Research Adviser convened a technical statistical workshop chaired by the Secretary to the Commission. The event was attended by statistical experts from both the employer and employee side. Officials from the Office for National Statistics, Office of Manpower Economics, the Equal Opportunities Commission and the Low Pay Commission also attended. The aim of the workshop was to identify the value and deficiencies in various data sources and explore how these could be addressed.
20. There were areas where the Commission identified a need for information beyond that contained in the evidence. Time constraints restricted our ability to fill all gaps of this kind but we commissioned independent research in three areas:
  - a) The implementation of the single status agreement.
  - b) A comparison of benefits in local government and elsewhere.
  - c) An analysis of pay trends and the relative pay of local authority employees using NES panel data.

More information on the scope and methodology of these research projects are to be found in Appendix 4. The NJC parties have been provided with these research reports but have not had an opportunity to comment upon them.

21. We did not hold general oral evidence sessions other than with the NJC parties whom we met on 23 May 2003 and 31 July 2003. However, on 23 July 2003 the Chair of the Commission met with the Rt. Hon. Nicholas Raynsford MP, the Minister for Local Government. The meeting was arranged at our request.

22. Late in the day the Commission was given the 'Pay and Workforce Strategy for Local Government' document, which had been referred to in the Government's evidence. The Chair of the Commission met with officials of the ODPM and the Office for Public Sector Reform (OPSR) at their request on 26 September 2003 to discuss this document although it was received too late to be treated as formal evidence to the Commission.
23. The Commissioners met regularly throughout the period of our work. The dates of our meetings are in Appendix 5.
24. The Commission's website at [www.lgp.org.uk](http://www.lgp.org.uk) contains a full account of the Commission's activities, information on the Commissioners as well as a downloadable PDF version of this report.

## Chapter 2

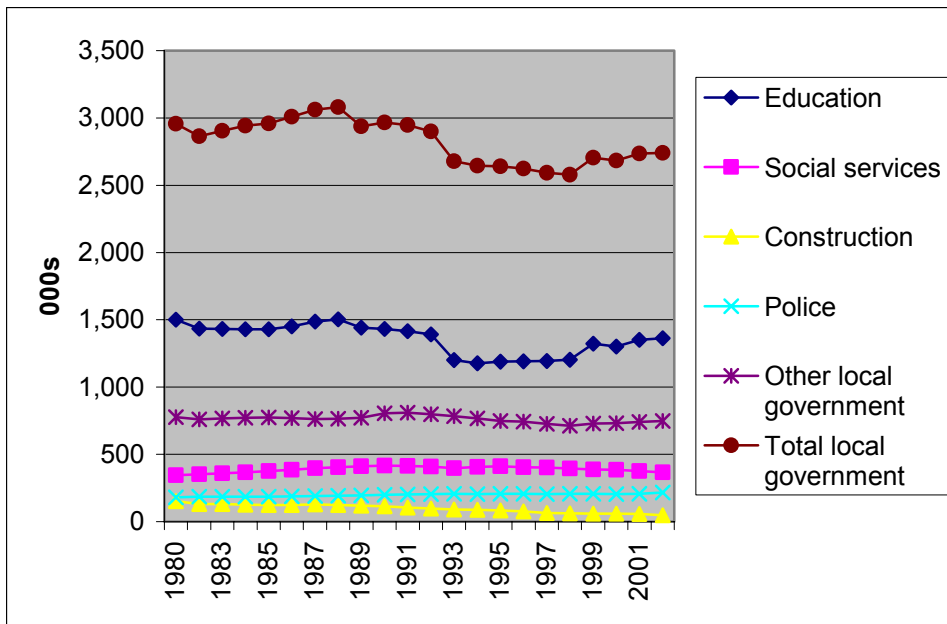
### LOCAL GOVERNMENT OVERVIEW AND CONTEXT

**This chapter reviews local government's role as an employer. It considers the structure and nature of employment in local government and sets out past and present arrangements for the determination of terms and conditions for staff covered by the National Joint Council for Local Government Services. In so doing, it provides the context for the detailed presentation of the Commission's findings in subsequent chapters. The chapter covers: Local government as an employer; The tradition of employment relations in local government; Pressures and responses to change; The National Joint Council for Local Government Services and the single status agreement.**

#### **Local government as an employer**

1. Local authorities are responsible for providing a wide range of important services. These include social care, education, housing, planning, highways and transportation as well as public and environmental protection in various forms. Historically, this responsibility has been discharged by local authorities acting as independent employers of their own in-house workforces. Whilst numbers and types of authority have shifted over the years with periodic waves of local government reorganisation, at present there are a total of 468 local authorities in England, Wales, Scotland and Northern Ireland. These authorities act as separate employers. While there has been pressure towards alternative means of service provision, and employment has fallen by half a million since 1988, local government still employs over 2.5 million workers. This figure has, despite the pressure, remained comparatively stable over the last 20 years (see Figure 2.1 below).

**Figure 2.1 UK employment in local government, 1980 - 2002**



Source: Office for National Statistics

2. The range of services provided by local authority workforces has been reflected in considerable occupational and functional diversity. In social care, for example, those employed will range from social workers and occupational therapists through to home care workers, residential and day centre employees. Similarly, in education those employed will extend from teachers through to various forms of classroom support worker, cleaners, catering staff and caretakers.
  
3. This general picture, highlighting the large number of local authority employers deploying diverse workforces across a range of service areas, needs to be qualified in a number of ways. First, it is important to recognise that local authorities do not constitute a homogeneous group of employers: the nature and extent of workforce diversity varies markedly between types of authority. Authority type determines responsibility for a given configuration of services which in turn gives rise to very different occupational workforce profiles. In this respect, a broad distinction can be drawn between all-purpose or single tier authorities which provide the full range of services - unitary councils, metropolitan districts, London Boroughs and authorities in Scotland, Wales and Northern Ireland - and two tier authorities - non metropolitan counties and districts between which the responsibilities are divided. The distribution of authority types is presented in Table 2.1 below. Clearly, the former all-purpose type of authority is likely to be more diverse in occupational and functional terms than the latter.

**Table 2.1 Types of Authority**

**ENGLAND**

34 County Councils  
47 Unitary Councils  
36 Metropolitan Councils  
33 London Boroughs  
238 District Councils

**WALES**

22 Unitary Councils

**SCOTLAND**

32 Unitary Councils

**N.IRELAND**

26 Unitary Councils (with more limited responsibilities than elsewhere).

Source: Local Government Association

4. The size of local authority workforces also varies markedly. This is partly related to the range of responsibilities. Shire districts, for example, are likely to have relatively small workforces, often employing no more than a few hundred employees. Size is not, however, only related to responsibilities. It is also associated with the population and area serviced. Some of the largest local authority employers are non-metropolitan counties which often employ more than 20,000 employees.
5. Local authorities vary as employers in party political terms. Local government employment has a uniquely variable and direct party political dimension with the employer being democratically accountable to the local population. The political complexion of local authority employers is indicated in Table 2.2 below.

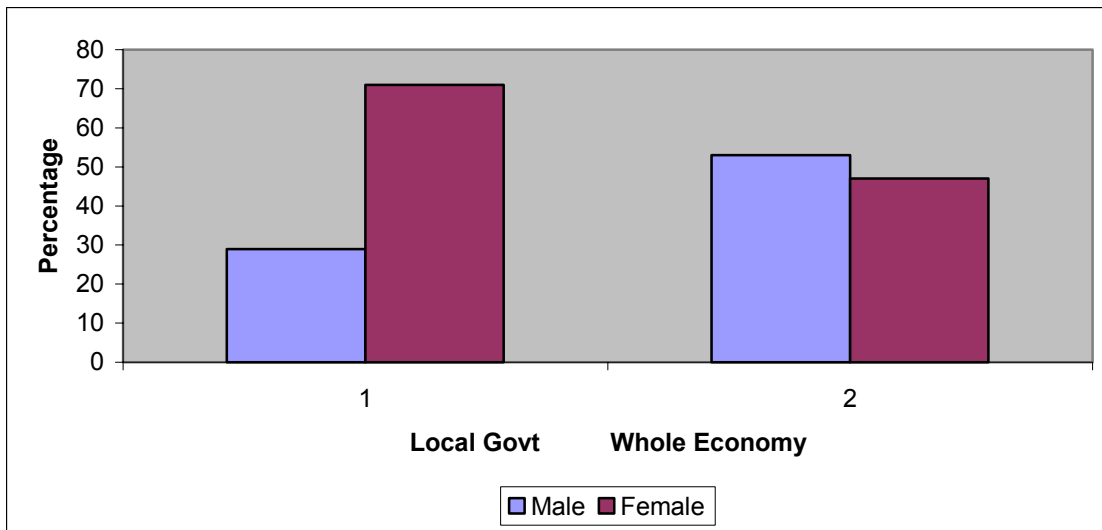
**Table 2.2: Councils and Political Control. June 2003**

	<b>Councillors</b>	<b>Councils</b>
Conservative	7645	137
Labour	6699	90
Liberal Democrat	4376	31
Independent	2052	14
Plaid Cymru	206	3
No overall control	-	135

Source: Local Government Association.

6. Second, it is also important to stress that despite the heterogeneous character of local authority employers and the diverse nature of their workforces, they do share a number of features. Most striking is the fact that there are relatively high proportions of women and part-time workers in local government. As the Tables below indicate, over three quarters of employees in English and Welsh local authorities are women - 1.6 million of a total of 2.1 million. Around a half work part time; and over 40 per cent of employees are women part-time workers. This concentration of female part-time workers is particularly strong amongst non-teaching staff in education (see below) where over half a million are to be found. Figure 2.2 demonstrates the over representation of women in local government compared to the whole economy.

**Figure 2.2 Gender profile of local government**



Source: Labour Force Survey 2002

NB This figure is based on LFS data supplied by the EO. The data relate to March-May 2002 and are for England and Wales only. The data exclude teachers, firefighters and police but do include some non-NJC staff such as Chief Officers and Craft Workers.

**Table 2.3: Employment in local government by function (E&W) as at June 2002**

	Full-time		Part-time		Total
	Male	Female	Male	Female	
Education- teachers	111106	258613	22772	111715	504206
Education – others	46318	118160	43683	523205	731367
Social Services	40147	110892	13250	150427	314716
Services direct to public	197127	98433	36028	132791	464380
Corporate functions	59732	65391	6393	35688	167204
<b>Total</b>	<b>454430</b>	<b>651491</b>	<b>122127</b>	<b>953827</b>	<b>2181875</b>

Source: Employers Organisation

**Table 2.4: Employment in local government by authority type as at June 2002**

	Full-time		Part-time		Total
	Male	Female	Male	Female	
Counties	102555	196726	41222	389956	730458
Shire Districts	59433	40381	11016	33315	144146
Metropolitan Districts	122730	164790	25281	215687	528487
London Boroughs	58171	92519	13910	88281	252881
English Unitaries	74742	110071	20858	162341	368012
Welsh Unitaries	36799	47005	9841	64247	157891
<b>Total</b>	<b>454430</b>	<b>651491</b>	<b>122127</b>	<b>953827</b>	<b>2181875</b>

Source: Employers Organisation

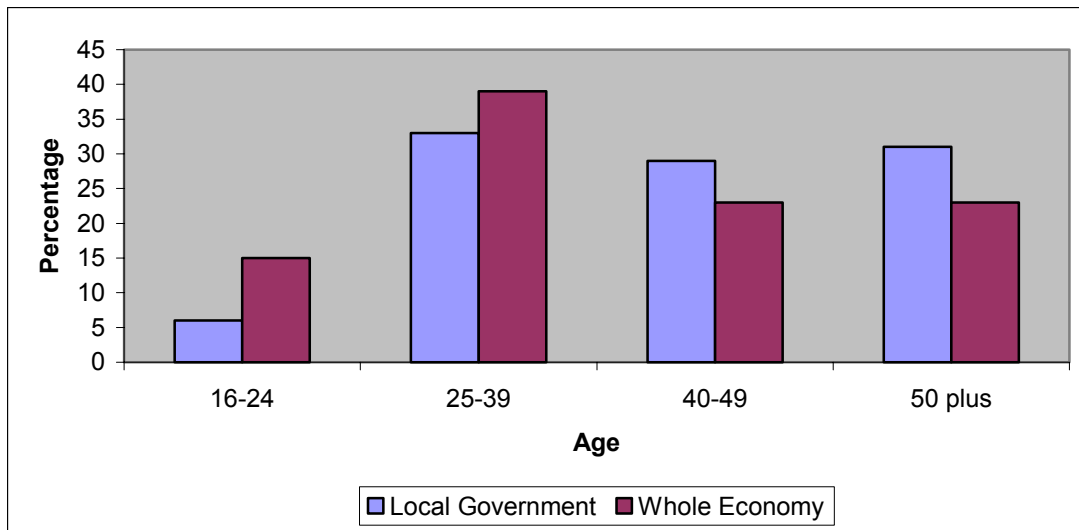
**Table 2.5: Employment in local government by region as at June 2002**

	Full-time		Part-time		Total
	Male	Female	Male	Female	
North East	37671	46655	6221	56960	147507
North West	63004	89416	14043	115748	282210
Yorkshire & Humber	53500	64661	13384	115068	246613
East Midlands	35460	52022	9334	80099	176916
West Midlands	46710	72190	14087	111839	244826
East	25839	40689	10203	74405	151135
London	58171	92519	13910	88281	252881
South East	59176	96731	18678	155043	329628
South West	38099	49603	12427	92138	192267
ENGLAND	417631	604486	112286	889580	2023983
WALES	36799	47005	9841	64247	157891
<b>Total</b>	<b>454430</b>	<b>651491</b>	<b>122127</b>	<b>953827</b>	<b>2181875</b>

Source: Employers Organisation

7. Figure 2.3 indicates the age profile of those in local government compared with the whole economy, making clear the over-representation of older workers. The scarcity of young workers in local government has implications for recruitment which we deal with in Chapter 4. In terms of ethnic composition, the local government workforce is very similar to the whole economy workforce, although it employs slightly fewer Asian workers than in the whole economy and slightly more black workers (see Table 2.6).

**Figure 2.3: Age Profile.**



Source: Labour Force Survey 2002

NB This figure is based on LFS data supplied by the EO. The data relate to March-May 2002 and are for England and Wales only. The data exclude teachers, firefighters and police but do include some non-NJC staff such as Chief Officers and Craft Workers.

**Table 2.6: Ethnic Composition of Workforce**

Ethnicity	Local Government	Whole Economy
White	93.9	93.3
Mixed	0.7	0.5
Asian	2.2	3.2
Black	2.4	1.9
Chinese	0.1	0.3

Source: Labour Force Survey 2002

8. In more general operational terms, all authorities also share a significant dependence on central government for their funding. Only around 25 per cent of net expenditure is covered by income raised locally through the council tax. The remaining income is derived from central government grants (48 per cent) and revenue from the non-domestic rates (25 per cent) which is again regulated by central government. This dependence extends to the money available to local authorities for year-on-year pay bill increases. The money available from central government to cover such increases reflects the GDP deflator used as the basis for the increased cost built into the public expenditure plans. The issue of affordability in pay negotiations, therefore, is affected considerably by central government's approach to funding of local government.
9. Employees are the key resource for all local authorities. This in part reflects the fact that, as a labour intensive sector, employment costs constitute the overwhelming proportion of variable costs to local authorities. But more importantly, with so many local authority services provided directly by employees to users, the level and quality of service provision is intrinsically linked to employee well-being and motivation.

10. There is scope to debate the extent to which local authorities have any broader employment responsibility which might impact on the health of the local economy. The unions and employers in their evidence to us recognised the connection between the pay and reward policies of councils and issues of poverty, social inclusion, economic regeneration, etc., in their local communities. In any organisation, the employment of staff is not an end in itself and at times questions have arisen concerning the balance struck in local government between producer and user interests. Nonetheless, it remains self evident that high quality public services can be provided only by an able and willing workforce.
11. All local authorities provide services of huge importance not only to those individuals in receipt of them but more generally to local communities, to all private and public sector organisations operating within them, and to the broader economy. Although locally delivered, such services are of national importance. Public policy has focused resources on developing the National Health Service and on a key local authority service, education. But in the process the value of the full range of services delivered by local government has been overlooked, with local government in danger of becoming the 'poor relation' of the public sector. It is crucial to stress that local authorities provide services used by all members of the community in the form, for example, of environmental health and road maintenance, as well as those directed at most vulnerable members of society such as housing support and social care. In so doing, all local authorities play a key role in developing and maintaining the social and economic infrastructure so crucial to individual, organisational and societal well-being.

### **The tradition of employment relations in local government**

12. Having sketched this highly complex general picture, with independent local authority employers employing diverse workforces of varying diversity which, nevertheless, share common features, we now turn to consider how local government has organised and regulated the terms and conditions of employment.
13. Employment relations in local government traditionally have been underpinned by a number of principles. Dating back to the early years of the twentieth century, these include:
  - recognition of the importance of trade unions as a legitimate way for employees to articulate their interests and needs and, as a consequence, employer encouragement for employees to join unions;
  - union involvement in the determination of terms and conditions of employment at different levels in local government, primarily through the process of collective bargaining;
  - the acceptance of a residual scope for local bargaining and consultation, but terms and conditions being determined mainly at national level; and
  - The avoidance of industrial conflict in service areas of considerable social and political sensitivity through dispute resolution procedures providing for resort to arbitration.
14. In institutional terms these principles have been given effect through longstanding joint national negotiating councils or committees covering different segments of the

workforce. The Commission is concerned with the terms and conditions of employment of employees covered by the NJC, which covers employees in England, Wales and Northern Ireland. Out terms of reference do not cover Scotland where separate arrangements exist. This section, therefore, concentrates on describing the main features of the NJC. However, other bodies cover:

Chief Executives and Chief Officers  
 Coroners  
 Craft workers  
 Firefighters  
 Magistrates' Court Services  
 Justices' Clerks  
 Police Support Services  
 Education Inspectors and Advisers (The Soulbury Committee)  
 Youth workers

15. It is also worth mentioning the School Teachers' Review Body (STRB), established in 1992 to determine the pay and conditions of school teachers. Its presence means that teachers working alongside a range of school support staff, covered mainly by the NJC, have their terms and conditions determined in very different ways - the former by an independent Pay Review Body and the latter by collective bargaining. Some of the workers covered by the other bodies distinguished above, such as the JNC for craft workers, also work in close proximity with employees covered by the NJC for Local Government Services and are operating in the context of similar workplace conditions and pressures. The presence of the JNC for craft workers is a historical legacy which reflects a period when there were larger numbers of craft workers, more readily distinguishable from manual workers in terms of skills and training.

16. The NJC for Local Government Services embraces the local government workforce in all its functional and occupational diversity and complexity. Formed in 1997, it brought together what were in their own right two of the country's largest and most diverse bargaining units, those covered by the NJC for manual workers and the NJC for administrative, professional, technical and clerical (APT&C) staff. The result was unquestionably the largest single bargaining unit in the UK with 1.5 million employees (just over a million in terms of full-time equivalents) and arguably one of the most varied bargaining units in terms of jobs and services embraced.

**Table 2.7: Employees covered by the NJC (2002)**

Full-time total	Full-time male	Full-time female	Part-time total	Part-time male	Part-time female	Full-time+part-time headcount	Full-time equivalent Total
700,359	309,850	390,509	872,250	80,617	791,633	1,572,609	1,026,126
44.5%	19.7%	24.8%	55.4%	5.1%	50.3%	100%	100%

Source: Employers Organisation.

17. An understanding of the structure and operation of this relatively new NJC and the issues it has generated for the Commission must be rooted in consideration of the development of its two predecessor bodies that covered manual and APT&C staff. Appendix 6 provides a short history of industrial relations developments for the NJC staffs.
18. At the outset it is important to recognise that the NJCs for manual and APT&C workers in local government were always fragile bodies subject to a degree of centrifugal pressure. The post-Whitley Report attempts in 1916-19 to launch National Joint Councils in local government were met with limited success as individual authorities and, to some extent, a regional tier of provincial councils continued to provide the main basis for the terms and conditions of employment. It was the State's provision of compulsory arbitration during the Second World War, that continued on into the immediate post-war years, which encouraged local authorities to abide by NJC agreements.
19. Ongoing involvement in the NJCs was sustained as the benefits of this arrangement became apparent to the unions and the employers. For the employers, multi-employer arrangements came to be seen as an efficient and effective way of determining terms and conditions for a large number of employing authorities, most of whom were quite small and with limited resources and expertise in this area. Moreover, national rates were viewed as providing a 'level playing field' for employment so reducing the scope for a competitive and costly process of 'bidding-up' for staff in common demand. For the unions, national bargaining provided them with the opportunity to express and articulate employee interests in effective ways. It also ensured that weaker interests were protected through collective strength and 'common' and 'fair' rates were paid to employees doing similar jobs throughout local government. Indeed, the value of these arrangements to the respective sides encouraged quite prescriptive and tightly drawn national agreements on pay, grading, and other terms and conditions such as hours, holidays and premium payments.
20. The application of these agreements had a number of consequences for employment relations in local government: These have shaped the character of relations between employees and employers and their respective representatives over the years whilst also giving rise to, and influencing, some of the issues underpinning the Commission's terms of reference.
21. Whilst relatively prescriptive, the manual and APT&C national agreements did provide some scope for local flexibility. Nonetheless, it was a flexibility which in practice was used unevenly and not always in an 'ordered' or structured way. This is illustrated in the case of the manual NJC agreement by the development of bonus schemes. Originally introduced in the late 1960s as a means of boosting earnings opportunities by linking pay to 'productivity', particularly in periods of incomes policy, these schemes came mainly to cover a limited range of service areas such as highways, refuse and street cleaning, characterised by male full-time employment. This development continues to be problematic today in terms of pay equality. The flexibility was also reflected in the APT&C agreement in an ongoing re-evaluation of posts as individual members of staff sought pay increases through a local upgrading.

The result was 'grade drift' and the idiosyncratic development of grading structures at this local level.

22. At the same time, the nature and extent of this local flexibility was not enough to generate a particularly dynamic form of workplace employment relations. With many terms and conditions established by the national agreement, the growth of a vibrant specialist personnel function was stunted. The personnel or human resource (HR) manager in local government began life as an Establishment Officer, simply acting as 'watchdog' over the number and type of staff employed. It was only when the Bains Report (1972) provided a management model for local government to be used in the wake of re-organisation in 1974 that the profile of the personnel manager began to increase and broaden as it came to be seen as part of the Chief Executive's corporate team. This new found significance was reflected in the formation of SOCPO in 1975.
23. The personnel function has continued to develop (albeit unevenly) in local government as a sophisticated specialist activity although its centre of gravity has shifted over the years between a central, corporate role to a more decentralised departmental role and back again. It has, however, never completely escaped the shadow of its past and the assumption that its core activity remains narrowly focused on procedural and mainstream industrial relations issues. Significantly it is an assumption which has also pervaded councillor views on personnel activity at the local level. Involvement in personnel issues at this level has rarely been seen by councillors as attractive or high priority despite the crucial link between the management of people and quality service provision noted earlier. We discuss below the way in which central government action sets standards at macro-level; this currently is not matched by macro HR strategy in local government.
24. The limited scope for employment relations activity at the local authority level in the context of tight national agreements was also reflected in the slow development of workplace union organisation. The inevitably dispersed nature of the local authority workforce and union membership had always created logistical problems for the unions in creating and effectively operating steward organisation. This was particularly the case for the manual unions - at the time NUPE, GMWU and T&GWU - but also to a lesser extent for the main white collar union, NALGO. The local bargaining and consultative agendas remained constrained, limiting the perceived need for employee representatives particularly on collective issues.
25. Finally and as already implied, the national agreement established an employment relations agenda at all levels that was fairly narrow. In this respect it was not untypical of industrial relations in many other sectors, but it was an agenda focused very much upon pay and conditions of employment. It rarely extended to broader areas of the employment relationship such as, for example, recruitment, equal opportunities, performance appraisal, training and organisation development. The uneasy relationship between a mainstream, industrial relations agenda narrowly concerned with pay and other terms and conditions of employment, on the one hand, and a broader 'people management' agenda, on the other, has been underlined by developments in the organisation of the employers' side at national level. This separation was initially reflected in the fact that an employer-side secretariat - the Local Authority of Conditions of Service Advisory Board - served the

NJC while a separate body - the Local Government Training Board - was concerned with employee development. These bodies were brought together in one organisation- the Local Government Management Board- dealing with mainstream industrial relations and broader organisational development issues. However, this was to split again, resulting in the current EO (which took over most of the functions of LGMB) and the IDeA. Many of the issues facing local government as employers call for an integrated problem solving approach involving stakeholders at national level. The Commission feels that this may be hampered by such divisions.<sup>6</sup>

## Pressures and responses to change

26. Over the last 25 years or so this traditional pattern of employment relations amongst manual and APT&C employees in local government has been subject to a wide range of pressures. These pressures have impacted with varying degrees of directness on the general management of people, but more specifically on the structure and operation of the bargaining machinery for local authority manual and white collar staff. Union and management interests inevitably have been shaped by these pressures. At times such interests have overlapped. On other occasions they have diverged.

27. In general terms, these pressures can be characterised in a number of related ways:

- **Competitive pressures:** These were introduced by central government in the form of compulsory competitive tendering (CCT). Progressively introduced across different services from the early 1980s, starting with activities covered by construction Direct Labour Organisations (DLOs), and moving through services predominantly staffed by manual workers such as refuse collection, street sweeping, cleaning and catering, this finally embraced many service areas. It forced in-house workforces to compete with contractors for the provision of services. It was replaced by the Best Value regime from the late 1990s which was based more on a benchmarking of local authority providers with outside providers and allowed for some evaluation of the cost and quality of in-house services.
- **Performance and regulatory pressures:** These were reflected in a proliferation and sharpening of performance measures and targets, often tied to new auditing or regulatory frameworks. Such arrangements have been applied to discrete service areas such as education and social services, but in their most recent and broadly based form have been manifest in the Comprehensive Performance Assessments, an overall evaluation and categorisation of local authorities according to a number of criteria. In local government, such measures and targets, in the main, have related to the nature and quality of service provision. They have had important human resource implications although these have rarely been reflected in the performance or regulatory regimes.
- **Financial pressures:** Local authorities have faced financial pressures over the years as central government has introduced various changes in the mechanisms

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<sup>6</sup> In April 2001 responsibility for Training and Development matters was transferred from IDeA to the Employers' Organisation.

for resource allocation and in the level of resources available. Such changes in the mechanisms included a shift from volume-based to cash-limited public expenditure plans in the early eighties, a cap on what local authorities could generate through local revenue streams, and more recently the ring-fencing of funding in certain areas. Some of these changes have had an affect on the level of financial resources available but more directly significant has been the progressive reduction in the support grant provided by central government<sup>7</sup>. Local authorities are increasingly being asked to do more (meet central government set standards and growing consumer demands) with less.

- **Consumer pressures:** These financial pressures have come at a time when user expectations about the level and quality of services have been increasing. These expectations have been driven by national policy makers stressing citizen or consumer rights. These present local authorities with the difficult task of 'squaring a circle', requiring more and better services when the resources available to provide them have been diminishing (although we recognise that resources have been increasing since 2000).
- **Modernisation pressures:** Embracing a number of developments, including some of those noted above, these pressures have broadly been underpinned by attempts to ensure that service delivery is sensitive to user 'need and choice'. Most recently, this has been reflected in the e-government initiative designed to facilitate user access to services. It has also encouraged moves to 'remodel' parts of the workforce with, for example, the creation of new roles in education. Finally, it has led to a greater emphasis on partnership working which has seen cross-working across different organisational boundaries not only within local government but also between different parts of the public services, as in health and social care, and between the public and private sectors. This process of modernisation is an extremely complex process in local government because of the breadth of services provided, the diversity of stakeholders consequently embraced, and the wide range of Central Government departments involved .It is noteworthy that, for example, in addition to the ODPM, almost every other government department has Public Service Agreement targets which directly relate to local government and indeed have implications for the management of local authority employees.
- **General legislative pressures:** These derive from general developments in employment law which had a powerful impact on local government, given the nature of the workforce. The most significant of these is in the area of discrimination and equality, particularly equal pay for work of equal value. Given the often uneven and disordered development of pay systems and structures, a workforce with many different occupations, and with female employees in the majority, the possible consequences of this legislation have to be seen as profound.

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<sup>7</sup> In England, between 1993 and 2001 Central Government grant fell from 52% of revenue expenditure to 49% (Local Government Finance Statistics Key Facts: England, DETR, March 2000)

28. Responses to these ongoing pressures might be characterised crudely as involving important changes of emphasis on the union and employer sides with a residual degree of shared commitment to key principles which have informed industrial relations in the sector over the years. On the union side, there was a continuing pursuit of tight national agreements. These were seen by the unions as a powerful response to the downward pressures exerted by CCT on national terms and conditions of employment. In addition, the unions were becoming increasingly concerned to ensure that the interests of the full range of their diverse membership were effectively advanced. For instance, the concerns of their female membership assumed growing importance. The contrasting iconographies of the 'dirty jobs' dispute in 1969 and the 'winter of discontent' in 1979, with their resonant images of male refuse collectors on strike standing alongside piles of rubbish on the streets, and the 2002 dispute, with its pictures of 'dinner ladies' and home helps marching through the streets of London, is perhaps a testament to this broadening in union focus.
29. On the employers' side, the change in emphasis has been more towards a loosening of the national agreement. The pressures outlined have impacted unevenly and in different ways on local authorities. This has encouraged them to seek greater discretion, not least in terms in how they treat their employees. Some have perceived the national agreement as not sensitive enough to their own particular circumstances and needs.
30. At the national level, attempts to address these shifting emphases and priorities have been underpinned by a continued commitment to key principles. Given the diverse nature of the constituent groups on both the union and employer sides retaining this consensus has required a skilful 'balancing act'. On the employers' side, it was eased by the creation of a single local government organisation - the Local Government Association (LGA) – which brought together the Association of District Councils, the Association of Metropolitan Authorities and the Association of County Councils. The difficulties around consensus building, however, have been clearly reflected in the opting-out of around forty local authorities from the national agreement, mainly during the late eighties in response to local labour market pressures. Attempts to address some of these pressures have resulted in organisational developments on the union side also, most notably in the formation of UNISON through the merger of the National Union of Public Employees and the National and Local Government Officers' Association (as well as the Confederation of Health Service Employees).
31. Over the years, attempts to meet the developing interests of the respective sides within the context of a national framework have seen some fine-tuning of the national agreement. By far the most significant attempts to respond to recent pressures and evolving interests, however, were the establishment in 1997 of the National Joint Council for Local Government Services which brought together the NJCs for Manuals and APT&C staff; and the plans to harmonise terms and conditions under the single status agreement.

## The NJC and the single status agreement

32. The NJC for Local Government Services brought together the employer and union side stakeholders in a new representational structure. The employers side currently comprises:

24 members from the LGA

1 member from the National Association of Local Councils

1 member from the Northern Ireland Local Government Association.

33. The employee side membership is divided between three unions proportional to their representation amongst the workforce:

31 members from UNISON

16 members from the GMB

11 members from the TGWU

34. The NJC currently has four working parties:

- The School Support Staff Working party
- The Training and Development Working Party
- The Job Evaluation Working Party
- The Health and Safety Working Party.

35. The 1997 single status agreement is enshrined in the new 'Green Book'. In seeking to address and balance the new concerns of the respective sides, it seeks progressive moves towards harmonisation on the basis of a national framework sensitive to local circumstances and needs. More specifically, the new agreement is based on all employees moving to a 37-hour working week. They have also been assimilated onto a single pay spine. This assimilation is based on the continuation of former manual and APT&C grading structures until they are replaced by local arrangements based on the national spine following local reviews of existing pay and grading arrangements. These new pay and grading arrangements are central to the agreement. As the agreed note on the implementation of the agreement states:

*"To fulfil a key objective of single status employment, fair and non discriminatory grading structures are needed at local level to integrate former APT&C staff and the former Manual Workers."*

36. The agreement as it currently stands is divided into four parts. Part 1 outlines the principles underpinning the operation of the agreement and how they are designed to support and encourage 'high quality services delivered by a well-trained and motivated workforce with security of employment'; 'equal opportunities in employment'; 'a flexible approach to providing services to the community, which meet the needs of employees as well as employers'; and 'stable industrial relations and negotiation and consultation between local authorities as employers and recognised trade unions'.

37. Part 2 sets out key national provisions which are for application by all local authorities to all employees covered by the NJC. These provisions relate to such issues as working time, health and safety, sickness and maternity leave.
38. Part 3 is concerned with other national provisions which may be modified by local negotiation. These provisions cover details on working arrangements and, in particular, payment for additional hours, weekend working, night work and public and statutory holidays
39. Part 4 presents agreed guidance on good practice on a range of issues including job evaluation and equal opportunities. It provides a jointly developed job evaluation scheme.

## **Summary**

40. The NJC covers a uniquely complex bargaining unit. This unit embraces almost all local authorities independently employing almost 1.5 million workers from a diverse range of occupational groups and involved in the provision of a wide variety of important public services. In the context of such complexity, the ongoing commitment of both the employee and employer sides to national machinery for the determination of terms and conditions of employment is a testament to its continued viability and value. However, the NJC and its agreements inevitably have been subject to a number of pressures over the years. Some of these pressures, falling unevenly on different types of authority, service area and occupational group, have placed strains upon what in the past have often been fairly prescriptive national agreements. At the same time, other pressures, not least those which relate to recent legislative developments, have actually encouraged the use of a national framework as part of an effective response to new statutory employment rights and responsibilities.
41. The establishment of the NJC and the agreement to harmonise terms and conditions contained in the Green Book represented a bold and imaginative attempt to address these competing pressures. These new arrangements gave considerable discretion to authorities in the employment of their staff as they sought to modernise services in response to local needs, circumstances and choices, while at the same time providing an underpinning protective framework which ensured fair treatment of employees at the workplace. However, the pressures which gave rise to these new arrangements have not abated. Indeed, in some respects they have intensified so heightening the tensions inherent in the current arrangements. Moreover, the institutional legacies which derived from past agreements and the development of employment relations in the sector have not easily or readily been overcome. They have sometimes served to hinder rather than facilitate the implementation of the current agreement.
42. The Commission's terms of reference derive from the difficulties and tensions which have confronted the NJC in the ongoing determination of terms and conditions of employment. They reflect the interest of both sides in generating a more informed debate on the challenges facing the current arrangements. This is seen, in turn, as a step towards further joint consideration of the means by which such arrangements might be developed to ensure that they operate in more efficient and effective ways.

# Chapter 3

## A Picture of Pay and Reward in Local Government

Our terms of reference require us:

- To establish an agreed statistical basis for comparison between pay and rewards in local government and those prevalent in national, regional and local labour markets in the UK and to make recommendations on how this statistical information should be collected in future.
- To comment and advise upon the distribution of pay and rewards throughout local government, giving particular attention to low pay, equal pay, and the pay of part-time workers, managers and professional staff.

In the first section of this chapter we consider the range of statistical sources which can be used to map, monitor and evaluate the distribution of pay and rewards and the relative merits and deficiencies of these. We also discuss how data gathering and analysis to inform NJC negotiations should be developed. In the second section of the chapter an analysis of the available data, albeit with inadequacies, is provided and we discuss the current distribution of pay and rewards and changes over time. The chapter includes findings from two specially commissioned research projects – one analysing the New Earnings Survey panel data and one on comparisons of the benefits available to local government staff and those in the wider economy. The chapter concludes with some observations on the issues raised.

This chapter is necessarily rather longer than the others as it provides much of the data upon which our other chapters draw.

### Part 1: Measuring pay and reward

1. Pay bargaining outcomes depend on a wide range of factors - not just statistical evidence - but arguments based on such data play an important role in the negotiating process. Arguments about the relevance and appropriateness of particular datasets, as well as their interpretation, often take up substantial time during negotiations. A stumbling block for the NJC parties in discussing patterns and trends in local government pay is the current deficiency in the pay statistics provided by both official sources and local authorities. This is acknowledged by both sides of the NJC and indeed by the ONS, the Government statistical service. Extensive changes in the labour market, such as the large increase in part-time and female employment and the changing occupational composition of the workforce, have led to the national statistics used to measure pay and the labour market becoming increasingly inadequate. These deficiencies particularly affect the NJC group because of the high proportion of 1) female workers and 2) part-time workers covered by the agreement, some of whom will be earning below the lower earnings limit. In addition, the wide range of occupations covered by the NJC, compared to other, more homogeneous public sector groups, makes comparisons across the

public sector difficult and the absence of the highest earners in the NJC (who are covered by separate agreements) also complicates comparisons with whole economy figures.

2. As part of our consideration of our first term of reference, the Commission convened a technical workshop on pay and labour market statistics relevant to the public sector. This was attended by representatives from the EO, UNISON, TGWU, GMB, the ONS, the EOC, the OME and the Low Pay Commission. This meeting was helpful in both identifying agreed deficiencies in the existing data sources and in agreeing possible ways forward in improving the pay and labour market intelligence for the NJC. A second meeting of this technical workshop is being organised for later in 2003.

### **What needs to be collected and why?**

3. We begin by considering what data need to be collected and for what reasons. There are three main sources of pay data to which the NJC has access: local authorities, official statistics on pay and reward, and other non-official sources. There are also a number of categories of data which can come into consideration when negotiating on pay and rewards. These are as follows:
  - basic rates of pay;
  - distribution and composition in gross earnings (which include basic pay plus additions such as overtime, shift and bonus pay);
  - total remuneration (i.e. all elements of the reward package including gross earnings plus the value of any benefits provided by the employer, such as pensions, holidays and sick pay);
  - economic indicators (such as inflation and employment data); and
  - pay award or settlement data (for example the level of pay increases being agreed or set elsewhere in the economy).
4. Looking just at basic pay is important because it is the basis for the annual pay increase. Analysis of the distribution of basic pay allows us to consider the spread of full-time and part-time employees and men and women within the pay structure. The major source of this data is the local authorities themselves.
5. Analysis of basic pay does not tell us the whole story. Some local government workers receive considerable additional earnings from overtime pay, shift pay, bonuses and allowances. Data on gross earnings are required. This is especially important when making comparisons with the whole economy and comparable groups and in analysing the gender pay gap.
6. There are additional conditions of service and benefits available to local government staff that make up the remuneration package which need to be considered when making comparisons with other employers.
7. Ideally the data should allow the NJC parties to analyse the composition of the remuneration package and to make comparisons with pay movements and distribution in the wider economy on a 'like for like' basis.

8. The data in particular should allow informed assessment of issues such as the degree of low pay, pay for professional and managerial staff, the gender pay gap, the position of full- and part-time employees, and the distribution of pay by ethnic group. As the Commission found when we attempted to explore such issues, at present the data are inadequate in these terms.

### **Available Data**

9. We now consider the available data sources, their suitability for NJC negotiations and how data are collected.
10. The EO conducts an annual census of *basic pay* under the NJC single status agreement. This provides data on the distribution of male and female full-time and part-time staff across the 'spinal column' salary range. In other words, it tells us how many employees are found on each spinal column point. This data is relatively reliable with a 70 per cent response rate. These data are supplied to both sides of the NJC.
11. *Gross earnings* data are available from two sources. The EO conducts a survey of earnings on a less frequent basis than its annual basic pay census. The last such survey was in 2002. The data can be analysed on a regional basis. In the last survey, the EO attempted to include a question on the distribution of ethnic groups according to salary point within the NJC (but this received a low response rate). This survey does not, however, provide a full occupational breakdown so it is not easily usable for analysis of, say, planners' or administrative officers' earnings.
12. The other major source of earnings data is the official New Earnings Survey (NES) conducted each April by the Office for National Statistics. This includes specific data on the NJC and on occupations found in local government. The great advantage of the NES is that it is a large scale national survey of earnings and has taken place every year since 1970. This also means that we can compare NJC earnings movements and distribution with those in the whole economy and make comparisons for specific local government occupations. The NES data also allow some limited analysis of regional earnings differences.
13. The NES was designed 30 years ago for a very different labour market. There have been attempts to remedy this problem with changes in the standard industrial and occupational classifications over the years but these have not really solved the problem. Because it is based on PAYE tax returns, the NES excludes those employees earning below the lower earnings limit. This particularly affects its representation of the earnings of lower paid workers, women workers and especially part-time workers. It is also problematic for the NJC group in that the single status agreement has only existed since 1997 (and hence integrated manual and non-manual NES data only exist from April 1998). Time series of data before that date are therefore fraught with difficulty. The EO has attempted to create a data series going back to 1988 (which was supplied to us by the NJC) by splicing together data from the published NES for the two previous bargaining groups, the manual workers NJC and the APT&C NJC. It recognises, however, that such a method provides data only on means. Our specially commissioned research project on earnings distribution

and changes overcame this problem to some extent by using panel data (i.e. creating a dataset of linked individual NJC employee records back through time).

14. A third potential source of earnings data for the NJC is the Labour Force Survey (LFS). This dataset is based on a survey of employees and, unlike the NES, should capture the earnings of all employees, irrespective of their level of earnings. Information on pay collected in the survey interview is verified by pay slip information in most cases. It has, unfortunately, a much smaller survey frame than the NES - the LFS covers some 32,000 observations on pay compared to 150,000 in the NES - and is prone to error through 'proxy' responses on behalf of respondents. It also does not identify those covered by specific agreement groups. It would not therefore be able to identify the NJC group with accuracy.
15. There are no official national surveys of *total remuneration* as such. Various commercial research organisations and management consultancies conduct surveys of the range of employee benefits but these are largely partial and small-scale surveys which bear no comparison with the large national earnings surveys conducted by the ONS. There are, however, national data sources on pensions from the Government Actuary's Office and from the National Association of Pension Funds but not for other benefits.
16. There are six main sources of data on *pay awards* or 'settlements' in the wider economy and for similar bargaining groups or occupations, all of which have slightly different survey methodologies. An amalgam of these surveys provides a fairly effective weather check on what is happening in the rest of the economy but there is scope for a dedicated and structured sample of comparator settlements (as provided by the Office of Manpower Economics for the Police) which would be jointly agreed by the NJC parties. This could provide comparisons most appropriate to the local government service and **the Commission recommends that the NJC give consideration to this.**

### **Resolving deficiencies in data**

17. From our discussion above, it is clear that there are some important deficiencies in the data available to the NJC. Most important is the under-representation of lower-paid workers and women part-time workers in the official sources. This general data problem has become manifest through the work of the Low Pay Commission where estimates of the coverage of the National Minimum Wage had to be progressively reduced as the data were refined. A splicing together of data from the NES and LFS was undertaken for the LPC to produce a 'central estimate' for measuring the extent of low pay. But this device has been acknowledged as unsatisfactory in the long term.
18. The ONS has recently undertaken a review of the distribution of earnings statistics, from which recommendations for change were made. We have been told by the ONS that some of the deficiencies in NJC data will be remedied as a result of these changes. The NES 2004 will be very different, including employees below the lower earnings threshold and including more small businesses and employers of lower paid workers. In addition there are plans to make the raw data more easily available to users for analysis via the internet. There is also ongoing work by the ONS to make

the provision of data by employers less burdensome so that data can be transferred directly to ONS by electronic means. The rapid development of electronic payroll systems in recent years means that there are now opportunities for transfer of data which did not exist before, reducing the burden on employers. We were told by the ONS that a pilot of this new electronic data submission system to the ONS is currently under way in the NHS. Clearly the compatibility of IT systems is a key to this development but **we recommend that the local government employers investigate with the ONS the possibility of electronic transfer for submission of local government earnings data for the new NES.**

19. A further deficiency in the current statistics is the comparison of job titles. Having the same or similar job titles and/or SOC classification does not necessarily imply the same job content. This complicates comparison of earnings levels. One advantage of the NJC agreed job evaluation scheme is that, in theory, it should allow more effective comparisons to be made of earnings levels across those authorities using it.
20. The different composition of the various industry level public sector bargaining groups featured in the NES also hampers comparisons. For example, the NJC consists of a large, heterogeneous group of occupations (from refuse collectors and home care workers to social workers, managers and architects), whereas other public sector groups tend to be much more homogenous in their composition (for example doctors, nurses, NHS ancillary workers, school teachers). Comparing the mean for such groups is therefore problematic, and medians, deciles and quartiles probably reveal a better picture of earnings differences than simple means. Given the wide range of occupations congregated under the NJC agreement, the comparison of NES occupational data would provide a clearer picture of the earnings differences between those staff employed in local government and those elsewhere in the economy. The analysis of NES data by Scotecon for us provides one such method of making clearer comparisons because it uses 'panel data', a matched sample of individuals over time. **The Commission suggests the NJC consider the use of this methodology to inform future negotiations.**
21. The deficiencies in the EO data generated by the local authorities themselves stem largely from the frequency of data collection, the level of detail and the amount of analysis. We are aware that increasing the frequency of surveys and the amount of information required might be counter-productive but there may be scope for fewer, more detailed questionnaires and deeper analysis of the data when they are collected. In particular it would be helpful to have more occupational analysis of the EO's NJC data. **The Commission welcomes the inclusion of a new question on the distribution of ethnic minority groups according to salary point and would like to see authorities encouraged to respond to it.**
22. Given the small sample sizes for the NJC in the NES and LFS, local authorities themselves must remain the major source of detailed data on earnings. A key aspect of improving the response rate of local authorities to such pay surveys, however, is ensuring that they appreciate the value to them of such data, for example in workforce planning and benchmarking, as well as in facilitating a better service from their national body and negotiators

23. More systematic analysis by local authorities of their total remuneration package (with some measurement of the value of the total package, including benefits) would enable councils to have a clearer picture of their total remuneration costs and would provide the opportunity for employers to issue current staff with annual statements to communicate the value of these benefits and to promote these benefits in the recruitment process. **The Commission recommends that they do this.**

#### **What data should be used and how should they be collected?**

24. A number of broad principles emerged from the Commission's technical workshop on pay and labour market statistics. We can summarise these as follows:

- Data should be collected from local authorities that can enable appropriate comparisons to be made. This implies use of the new ONS official distribution of earnings survey from 2004.
- There remains a need, nonetheless, for specific data to be collected by local authorities (i.e. because the Government statistical samples are too small for in-depth analysis) but demand for these should reflect the workload involved in collection and analysis.
- Datasets should (as far as is possible) be consistent over time.
- Occupational pay comparisons should be sensitive to the fact that the same job titles may disguise differences in job size or content. Clear job descriptions and job evaluation at local level would help this process.
- Councils should be encouraged to view the collection of pay and employment data as a vital part of their own budgetary and workforce planning. The collection of data at local, regional and national level should use consistent methodologies and avoid unnecessary duplication of effort.
- Data should be collected on basic rates, gross earnings and total remuneration.
- Priority should be given to collecting data that enables local authorities to fully meet their statutory obligations (e.g. tackling gender, race and other discrimination). We would draw the attention of the parties to the supplementary evidence to us from the EOC. The EOC argued that all local authorities should have to collect equivalent statistics to those collected nationally by the ONS - on the gender pay gap, low pay and employees by occupation and working arrangements. The EOC also argued that such data should be published annually.

25. **The Commission endorses these broad principles and we recommend that the database for NJC negotiations should remain the official survey of the distribution of earnings (currently the NES) produced by the ONS.** The new survey being introduced from 2004 should remedy many of the deficiencies in the current NES.

26. **We recommend that the EO should continue to collect pay and reward data but there needs to be a review of such activities to ensure consistency with local and regional activity, added value and to avoid duplication of effort.**
27. **We recommend that local authorities be encouraged to develop their own pay and reward analysis as a means to improved pay and workforce planning.**
28. At present the burden of data collection, for obvious reasons, falls on the employers' side. While these data generally are provided to both sides of the NJC by the EO, currently there does not appear to be a sense of joint ownership of the data nor the process of analysis. Our experience of convening the technical workshop on statistics, involving institutions independent of the NJC, suggests that such an approach to data analysis and dissemination is of potential value to the parties. While we recognise that each side may interpret data in different ways, we feel that shared ownership and a joint approach to analysis will assist a more informed discussion of statistical evidence during negotiations. The continued involvement of a third party (such as the role performed by the OME for the Police Negotiating Board) might be a useful means of facilitating this. **We recommend that the NJC establish a new mechanism for the collection, analysis and dissemination of agreed data.** (See also chapter 6 where this is discussed in the context of reform of the negotiating machinery.)

## **PART 2: How does NJC pay compare?**

29. Bearing in mind all the deficiencies in the data sources that we have identified above, we now consider the actual data and what they tell us. It is important to remember that the deficiencies create problems in analysing the extent of low pay, the gender pay gap and the pay of part-time workers. We begin by looking at the internal distribution and composition of NJC pay before going on to consider comparisons of NJC pay with the whole economy and with particular, relevant comparator groups. In doing this we draw on several sources of data including the EO data, the NES data and our specially commissioned analysis of the NES panel data. Finally we consider total remuneration, the whole pay and benefits package, and how the NJC compares with economy wide practice.

### **NJC Internal Distribution and Composition**

30. The latest NJC pay agreement increased spinal column points by 3.5 per cent, with an increase of 4.5 per cent for the lowest two points. This was the final stage of a two-year agreement which increased rates by 3 per cent from April 2002 (apart from the lowest rate which rose to £5 per hour). There was a further increase from 1 October 2002 which gave 1 per cent on most points but increased the bottom two rates by 2 per cent. The lowest spinal column point 4 is currently £10,278 per annum (£5.33 per hour) and the highest - point 49 - £35,934 (£18.70 per hour), although a number of authorities pay above this maximum point on their own pay structures.

## Basic rates

31. The pay structure at 1 April 2003 is as follows:

**Table 3.1: Pay structure at 1 April 2003**

Spine point	£pa	Spine point	£pa	Spine point	£pa
4	10,278	20	15,933	36	25,911
5	10,521	21	16,515	37	26,640
6	10,668	22	16,944	38	27,420
7	11,013	23	17,442	39	28,320
8	11,361	24	18,012	40	29,067
9	11,706	25	18,582	41	29,835
10	11,949	26	19,185	42	30,594
11	12,720	27	19,824	43	31,356
12	12,987	28	20,469	44	32,127
13	13,335	29	21,282	45	32,847
14	13,581	30	21,993	46	33,642
15	13,863	31	22,689	47	34,413
16	14,196	32	23,358	48	35,181
17	14,532	33	24,048	49	35,934
18	14,817	34	24,726		
19	15,372	35	25,245		

Source: IDS Report 879. April 2003.

32. To give some idea of the range of pay rates within the NJC we provide in table 3.2 the current national grade rates and job examples. The former manual workers' grading applies unless a new locally negotiated grading structure has been agreed under the single status agreement. The current manual grade rates with job examples are given below.

**Table 3.2: Manual Workers Rates of Pay (37 hours per week)**

Grade	Scale point	Job examples	£pa	£ph
M1	4	School cleaner	10,278	5.33
M2	5	Refuse collector	10,521	5.45
M3	6	Gravedigger	10,668	5.53
M4	7	Care assistant	11,013	5.71
M5	8	Home help	11,361	5.89
M6	9	School caretaker 2	11,706	6.07

Source: IDS Report 879. April 2003

33. Prior to harmonisation in 1997, councils had the discretion to employ staff using the general grading scheme except for a small number of defined grades. Under the single status agreement the general grading scheme and the defined jobs can be replaced by locally negotiated pay structures. Until new structures are agreed the former applies. The general grades and defined rates are given in Table 3.3, as at 1 April 2003.



**Table 3.3: General grading scheme and defined points**

General Grades	Spine points	Minimum £pa	Maximum £pa
Scale 1	4-11	£10,278	£12,720
Scale 2	11-13	£12,720	£13,335
Scale 3	14-17	£13,581	£14,532
Scale 4	18-21	£14,817	£16,515
Scale 5	22-25	£16,944	£18,582
Scale 6	26-28	£19,185	£20,469
Senior Officer 1	29-31	£21,282	£22,689
Senior Officer 2	32-34	£23,358	£24,726
Principal Officer	33-49	£24,048	£35,934
Defined Grades			
Nursery nurse	7-15	£11,013	£13,863
School meals supervisor, technician	11-17	£12,720	£14,532
Welfare Assistant	14-18	£13,581	£14,817
Senior technician	14-21	£13,581	£16,515
Day Centre officer	17-26	£14,532	£19,185
Staff in residential homes	20-23	£15,933	£17,442
Social workers	22-34	£16,944	£24,726
Day Centre manager	32-42	£23,358	£30,594

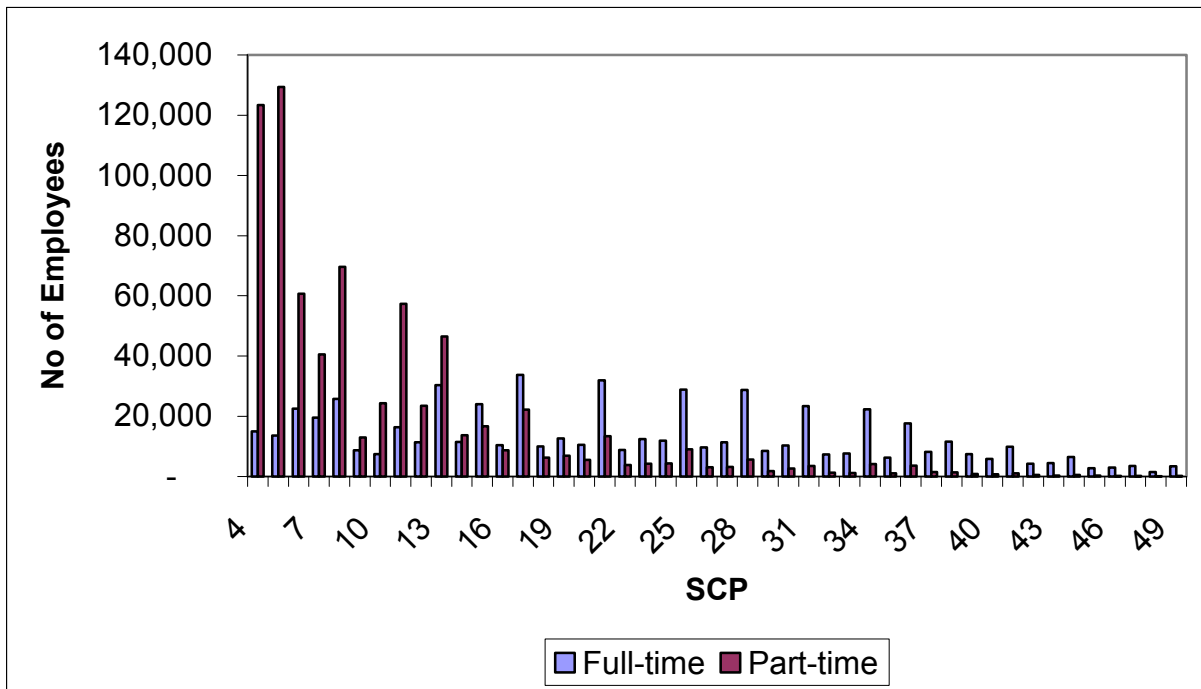
Source: IDS Report 879. April 2003

### Distribution of staff by spinal point (basic pay)

34. Each year the NJC conducts a census of the staff covered by each SCP. From this data we can analyse the distribution of staff within the pay structure by male and female, full-time and part-time.

35. Part-time working in local government is largely confined to manual jobs such as school support staff, home care workers and cleaners but it constitutes over 55 per cent of the workforce. Figure 3.1 demonstrates the over-representation of part-time workers in the lowest grades and their absence in the top spinal column points. There is a clear indication of clustering at the maxima of the old general grades 2 to 6, suggesting many staff have reached the maxima for their grades.

**Figure 3:1 Distribution of NJC staff by SCP: full-time and part-time**

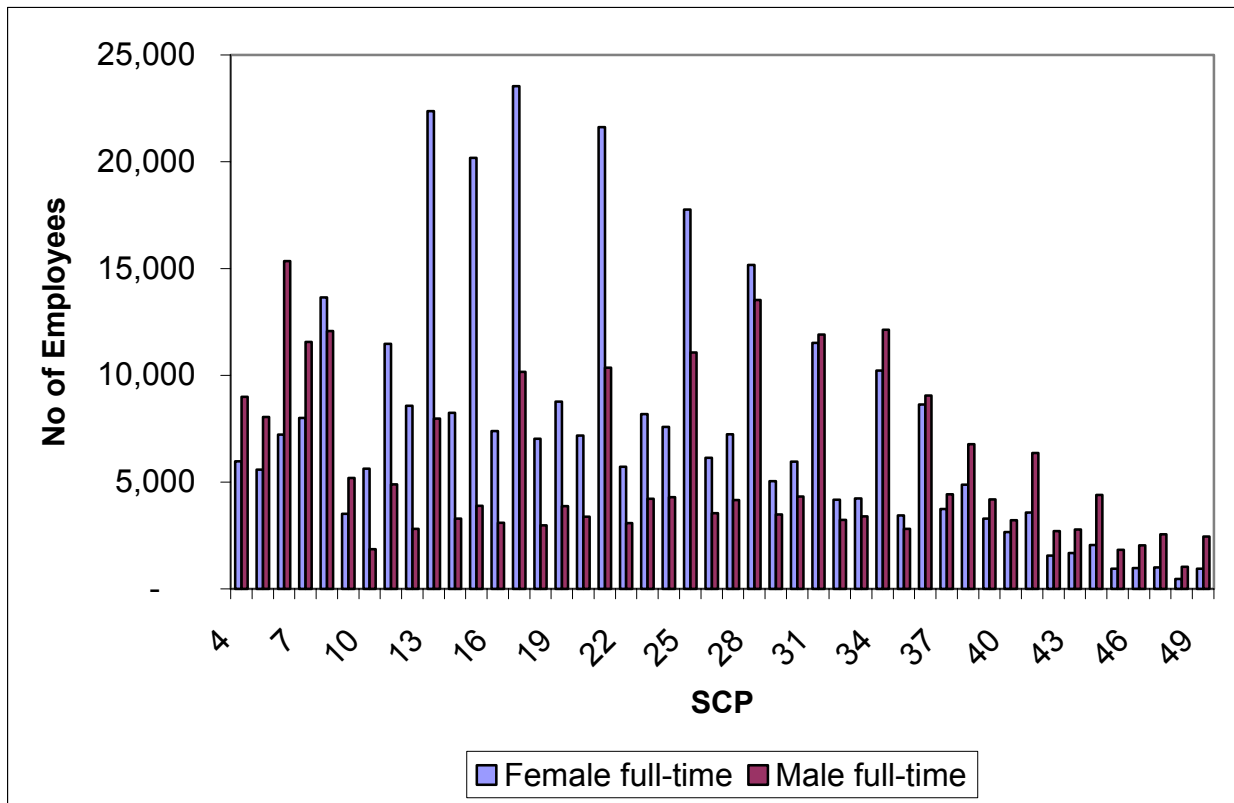


**Sour**

**ce: NJC Census 2002**

36. Figure 3.2 shows the distribution of full-time male and female staff by SCP. The distribution by SCP indicates that there are a greater proportion of male full-timers on the bottom SCPs 4 - 9 than female full-timers - around 24 per cent of male full-timers compared to around 13 per cent of female full-timers. This indicates that full-time females are more likely to be employed in office jobs, rather than in the old manual grades. Female full-timers predominate over male full-timers in the mid- range but men are over represented at higher points.

**Fig 3.2 Distribution of NJC staff by SCP: Full-time male and female**

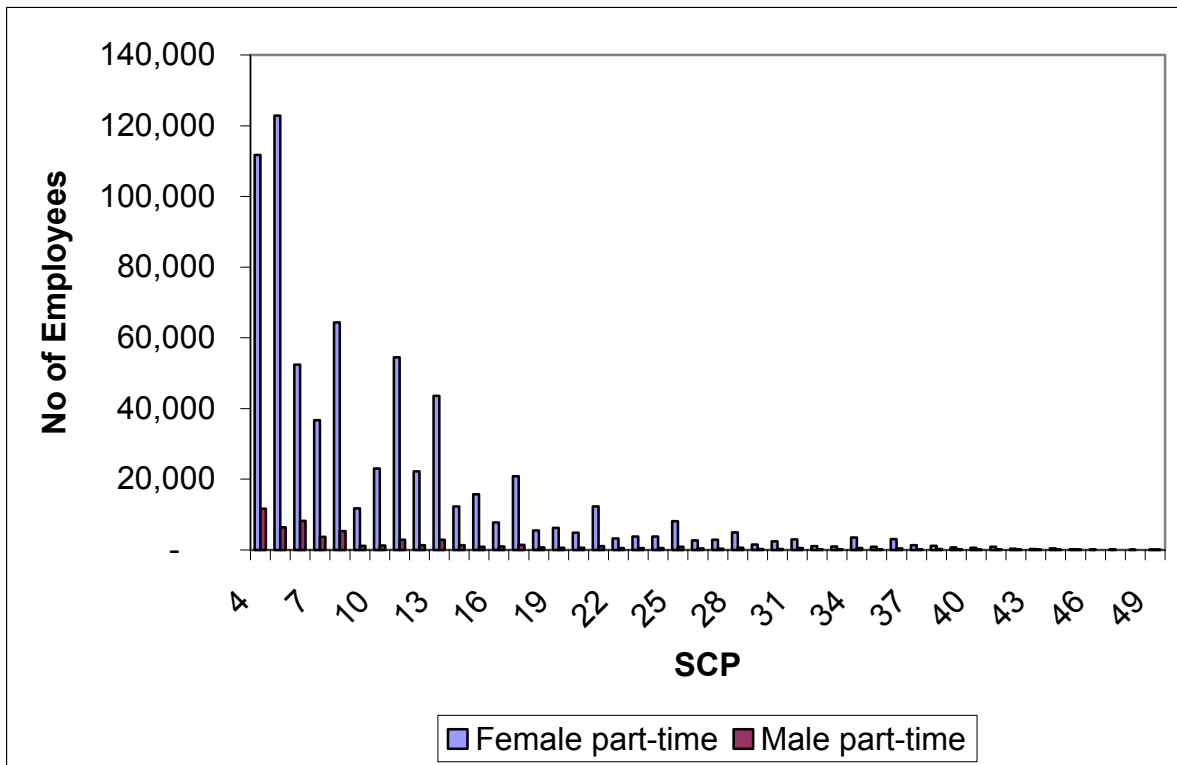


So

Source: NJC Census 2002

37. The distribution for part-time male and part-time female staff clearly follows a different pattern to full-time staff, as shown in Figure 3.3. Around 59 per cent of female part-timers are located on the bottom SCPs 4 - 9, of which 34 per cent are located on the two bottom points 4 and 5. The distribution for male part-timers is similar but there are comparatively very few male part-timers – 80,000 compared to 791,000 female part-timers. Female part-timers make up 50 per cent of the total NJC workforce; men just 5.1 per cent of the total.

**Figure 3.3 Distribution of NJC staff by SCP. Part-time male and female**



Source

e: NJC Census 2002.

### NJC Average Earnings Levels

38. In the previous section, we considered the current distribution of basic pay for the NJC. But employees may receive more than simply their basic salary through additional earnings from incentive schemes (or ‘payment by results’ as they are known), overtime and shift pay.. As mentioned earlier, the best current, although flawed, source of NJC earnings data is the NES, conducted every year since 1970.

39. In this section we consider the data for the NJC from the April 2002 NES. These figures exclude the effect of the April 2002 staged 7.5 per cent increase. In table 3.4 we show the mean weekly and hourly earnings for NJC male and female, full-time and part-time. Comparisons can be made using either weekly or hourly pay. As can be seen, in terms of weekly earnings, the NJC gender pay gap between male and female full-timers is 19 per cent. That is to say average female full time weekly earnings are 81% of the full time male average weekly earnings. The hourly comparison is more accurate, however, because it takes account of the fact that, in general, men work more hours than women. It also enables a comparison of part-time female and full-time male earnings. The gender pay gap using the hourly earnings comparison for male and female full-timers is 14 per cent while for female part-timers the gap with full-time males is much wider at 39 per cent. This reflects the fact, shown earlier, that female part-time workers are overwhelmingly located in the bottom of the pay structure whereas both male and female full-timers are spread more evenly through the whole pay distribution.

**Table 3.4. Mean earnings for NJC workers**

Average gross weekly earnings for those whose pay was not affected by absence	Average gross hourly earnings, including overtime pay	Average weekly paid hours	
		Total	Normal basic
<b>Full-time Males</b>			
<b>£420.3</b>	<b>£10.95</b>	<b>38.4</b>	<b>36.9</b>
<b>Full-time Females</b>			
<b>£343.2</b>	<b>£9.40</b>	<b>36.5</b>	<b>36.0</b>
<b>Part-time Males</b>			
<b>£133.9</b>	<b>£7.63</b>	<b>19.0</b>	<b>-</b>
<b>Part-time Females</b>			
<b>£120.6</b>	<b>£6.71</b>	<b>18.6</b>	<b>-</b>

Source: NES. Volume B, 2002

40. In table 3.5 we show the median earnings for the NJC. As can be seen, the median hourly earnings for a female part-time NJC worker were £5.70 per hour in April 2002. The gender pay gap using median hourly earnings is 15 per cent between male and female full-timers (similar to the mean) but wider for female part-timers at 42 per cent between them and male full-timers.

**Table 3.5. Median earnings for NJC workers**

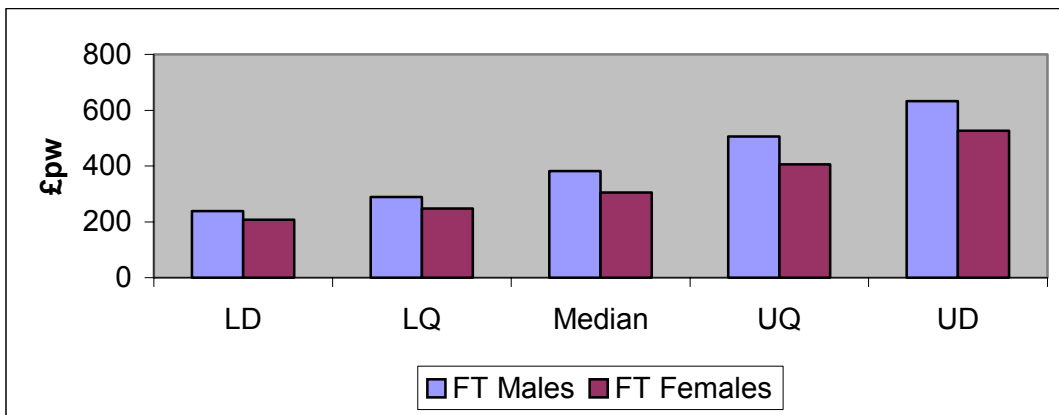
Median gross Weekly earnings for those whose pay was not affected by absence	Median gross hourly earnings, including overtime pay	Average weekly paid hours	
		Total	Normal basic
<b>Full-time Males</b>			
<b>£382.1</b>	<b>£9.86</b>	<b>38.4</b>	<b>36.9</b>
<b>Full-time Females</b>			
<b>£304.7</b>	<b>£8.35</b>	<b>36.5</b>	<b>36.0</b>
<b>Part-time Males</b>			
<b>N/A</b>	<b>£6.13</b>	<b>19.0</b>	<b>-</b>
<b>Part-time Females</b>			
<b>N/A</b>	<b>£5.70</b>	<b>18.6</b>	<b>-</b>

Source: NES. Volume B, 2002

41. Using NES data, in Figures 3.4 and 3.5 below we examine the distribution of gross weekly earnings within the NJC. At every quartile men's earnings exceed those of women. Examination of the NJC panel data by Scotcon shows that the gender pay gap between male and female full-timers has narrowed since the early 1990s.

42. When we consider hourly earnings (which as noted avoids the distortion of comparing weekly earnings when men work more hours than women), however, the gap at the bottom of the distribution is seen to be smaller than further up the distribution. This is explained partly by the fact that manual workers will tend to be on single 'spot salaries' or 'rate for the job', irrespective of gender, rather than incremental scales.

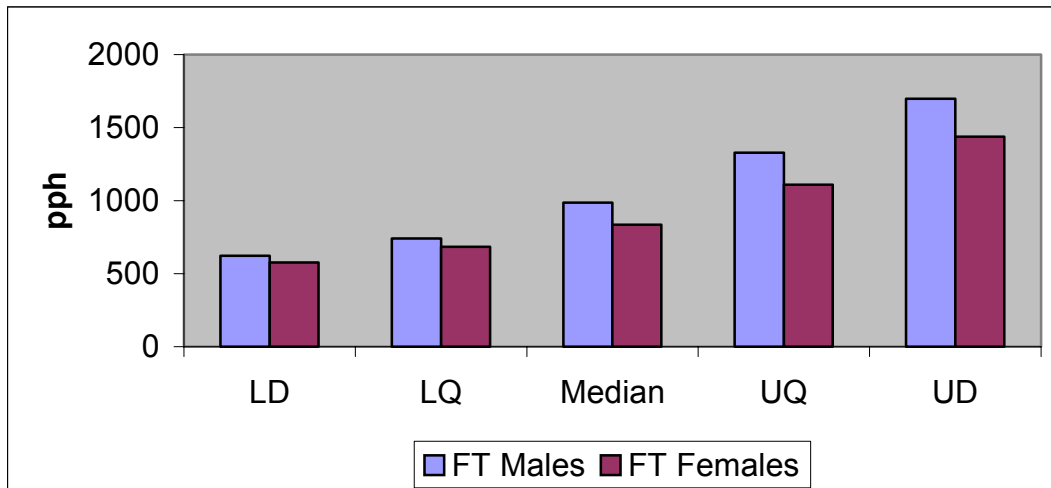
**Figure 3.4. NJC Distribution of full-time gross weekly earnings**



Source: NES, Part B, 2002.

NB. LD = lower decile, LQ = lower quartile, UQ = upper quartile UD=upper decile

**Figure 3.5. Distribution of full-time gross hourly earnings**



Source: NES, Part B, 2002

NB. LD=lower decile, LQ=lower quartile, UQ=upper quartile, UD=upper decile

### Composition of Earnings

43. Few NJC workers receive additional earnings on top of their basic salaries but, for those who do, these additions can form an important component of total earnings. There are also important gender differences in who receives such additions.
44. As Figure 3.6 below shows, 'total pay' is mainly accounted for by basic pay and some allowances ('all other earnings' in NES parlance). Additions to 'all other' pay (for example overtime, shift and 'payment by results' or PBR for short) play a minor part in average earnings for the majority of NJC staff.
45. Overtime constitutes just 3.5 per cent of NJC full-time male earnings and 1.5 per cent of full-time female earnings. Around 25 per cent of full-time males receive overtime pay, compared to 12 per cent of full-time females (see figure 3.7). Men work longer hours on average than women – male full-timers have average basic

weekly hours of 36.9 hours and average 1.5 hours of overtime per week. Full-time females have average basic weekly hours of 36 and average only a third of men's overtime hours (0.5 hours per week).

46. PBR (largely bonus) makes up just 2.3 per cent of full-time male earnings and 0.4 per cent of full-time female earnings. Only 13 per cent of full-time males and 2.8 per cent of full-time females receive PBR.

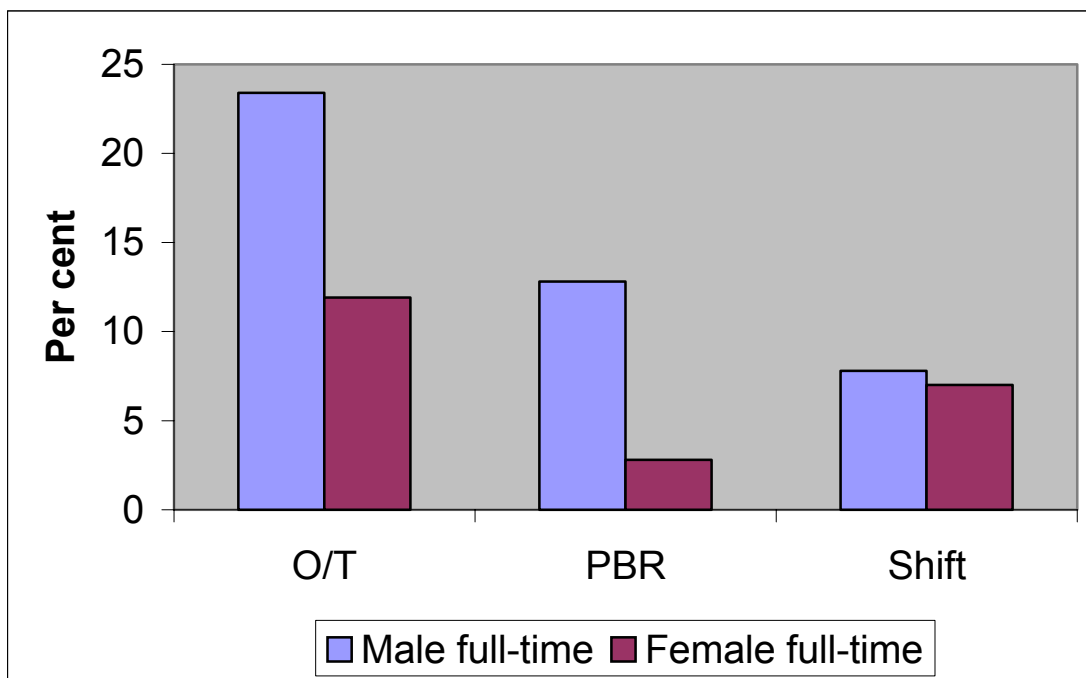
**Figure 3.6: Composition of NJC earnings by gender**



Source: NES. Volume B. 2002

**Figure 3.7 Proportion of NJC FT employees receiving additions**

Source: NES



47. Figure 3.7 shows the proportion of full-time employees covered by the NJC who receive additions to their basic pay. Such additions are much more likely to be found among male than female workers. Shift pay is negligible for most NJC workers. Below we look at the figures for those actually working overtime and receiving PBR.

### **Premium Pay**

48. The most common and largest addition to basic pay is overtime pay. The NES 2002 shows that, for those in receipt of overtime pay, the additional pay constituted 16 per cent of gross earnings for male full-timers and 13 per cent for female full-timers.

49. Research by the EO, using both the NES and its own single status earnings survey, confirms the fact that premium payments, mainly overtime and weekend/night payments, form a small part of the gross average earnings for majority of the NJC group. The EO figures correspond closely to the NES data and show that overtime made up just 2.5 per cent of full-timers' average gross earnings, weekend/night pay 0.6 per cent and shift pay 0.3 per cent (the last two categories are combined in the NES under the 'Shift etc' heading).

50. The EO data also confirms the fact that, where such additions are paid, they are concentrated among male, manual occupations. For most of these occupations, overtime is the dominant form of additional payment. Amongst full-timers, those with the highest proportion of weekend/night pay were home helps (8.5 per cent of the group); care assistants (7.3 per cent); security attendants (5.9 per cent); staff in residential homes (4.7 per cent) and housing caretakers (4.2 per cent). Drivers, cleaners and refuse collectors receive little or no weekend or night pay.

51. Where overtime payments are made they can provide a significant proportion of gross earnings – almost a third of earnings for cleaners (non-schools) in receipt of overtime and over 25 per cent for road workers. The same is true for weekend/night payments – these constituted 16.5 per cent of care assistants' gross earnings for those in receipt of such payments and 19 per cent for home helps. In some occupations a majority of the workers received overtime pay – such as drivers, refuse collectors and road workers.

52. EO data show that premium pay accounts for a higher percentage of gross earnings for part-timers than full-timers (6.1 per cent compared to 3.3 per cent). It is important to recognise, however, that part-time workers receive less money for their additional hours than full-timers. It is standard practice that part-timers only receive 'plain time' (e.g. the basic hourly rate) for additional hours, rather than a premium rate. Among part-timers, the occupations with the highest amounts of additional unsocial hours pay included registration officers (over 20 per cent of gross earnings); residential home staff (19 per cent); care assistants (over 15 per cent); cooks (not school or residential) (14.8 per cent); home helps (14 per cent); and leisure attendants (13.8 per cent). Four of these six groups are predominantly female.

### **Table 3.6: Premium payments for various occupations: full timers**

<b>Occupation</b>	<b>Predominant Gender</b>	<b>Percentage of gross earnings</b>
Security attendant	Male	21.4%
Cleaner (non-schools)	Female	20.3%
Refuse driver	Male	15.9%
Other driver	Male	15.4%
Roadworker	Male	14.0%
Care assistant	Female	13.2%
Roadsweeper	Male	13.2%
Home help	Female	13.0%
Driver (social services)	Male	13.0%
Housing caretaker	Male	10.4%
Refuse collector	Male	10.1%

Source: EO census of Single Status Earnings. 2002

53. UNISON commissioned a study by the Labour Research Department (LRD) of payslips from NJC workers<sup>8</sup> (mainly home care and residential home workers) to investigate the composition of earnings. This research - which collected 300 payslips, a third of which came from Wales - found that additions to basic pay averaged around 25 per cent. LRD argues that its research indicates that many such workers routinely work substantial hours above their basic contracted hours. For some workers in this survey, moreover, it found that premium pay constituted the majority of their earnings.

54. In conclusion, both the employer and union research indicates that premium pay is largely concentrated among specific NJC occupations and that, for those workers, it can constitute a significant proportion of total earnings.

### *Bonus Payments*

55. Bonus payments (shown as 'payment by results' or 'PBR' in the NES) are received by relatively few NJC staff but, again, for those who do receive them they can contribute a substantial addition to total earnings. Men are much more likely to receive bonus payments than women. As noted in Chapter 2, such schemes were originally introduced into local government in the late 1960s, following Report 29 of the National Board for Prices and Incomes<sup>9</sup> in 1967. Their aim was to tackle both the issue of low pay and low productivity. Many were seen, however, as devices simply to raise earnings in order to recruit and retain, rather than as mechanisms to improve efficiency and reduce costs. In 1996 57 per cent of full-time manual men received bonus, compared to only 6.9 per cent of full-time manual women and just 2.6 per cent of female part-timers. Of those receiving bonus, 25 per cent of full-time manual men had bonus earnings equivalent to 40 per cent or more of their basic pay. The most common groups receiving bonus pay were refuse collection and road workers (of whom over 93 per cent received bonus pay), gardeners (81 per cent) and drivers

<sup>8</sup> UNISON, *Your loss – their gain? Unsocial hours in local government*, LRD 2003

<sup>9</sup> Report 29 on Local Authorities, NHS, Gas and Water Supply Workers. National Board for Prices and Incomes. 1967

(42 per cent). The report of the NJC Bonus Technical Working Group<sup>10</sup>, published in 1998, revealed the problem of gender inequality in access to bonus schemes and recognised that such schemes would have to be reviewed to ensure that they did not discriminate against women. Both sides acknowledge that problems remain.

56. The 2002 NES indicates that, for those NJC staff who received PBR, it constituted 20 per cent of full-time male earnings and 10.5 per cent of full-time female earnings. Analysis of the latest 2002 Single Status survey by the EO found that only 6.4 per cent of full-time staff and 1.7 per cent of part-timers received bonus payments. Overall, bonus payments accounted for 1.4 per cent of total earnings of full-timers and 0.4 per cent of part-timers. In a limited range of NJC occupations, however, bonus accounted for around 20 per cent of total earnings. The occupations with the highest proportion of bonus earnings were the same as in 1996 and all male occupations – roadworkers, refuse collectors, refuse drivers, gardeners, roadsweepers and ‘other’ drivers. The incidence of bonus for part-timers was lower than for full-timers. It constituted just 0.4 per cent of total earnings for part-timers and less than two per cent of part-timers received bonus payments. Bonus was significant for just two part-time occupations – gardeners and ‘other’ drivers. Together these two occupations accounted for just over a quarter of part-timers in receipt of bonus. A number of non-school cleaners also received bonus but this constituted only 1.8 per cent of average earnings for this occupation.

### **NJC Earnings by Region**

57. There is substantial regional variation in NJC earnings. Analysis of the NES panel data shows that London male earnings were 29 per cent above national levels in 2001 and female earnings 32 per cent above. There has been an upward trend in the London differential in recent years. NJC earnings in the South East and East Anglia have also risen faster than elsewhere. In contrast, NJC earnings in the North have consistently lagged well behind NJC average earnings in other parts of the country. Regions outside London, the South East and East Anglia have either stayed at broadly the same level or drifted downwards relative to the national median. One exception is full-time males (but not females) in Wales, whose earnings have grown rapidly in relation to the national median in recent years. This variation in regional NJC earnings indicates the considerable flexibility of the existing local government pay and grading arrangements.

### **COMPARING NJC PAY EXTERNALLY**

58. In the first part of this second section we discussed the distribution and composition of pay within the NJC group of employees. In this section we use NES data to compare NJC earnings distribution and movements with the whole economy and selected occupational and bargaining groups. We also draw on our specially commissioned NES panel data research. We begin by making some general observations about public sector pay distribution and movements. We then go on to consider the distribution of earnings and increases in pay.

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<sup>10</sup> Report of the Bonus Technical Working Group, March 1998. National Joint Council for Local Government Services.

## Some General Observations on Public Sector Pay

59. One problem with comparing long-term pay movements for the public and private sectors is the counter-cyclical nature of public sector pay. During an economic upturn private sector pay increases tend to forge ahead of those in the public sector. In recession, however, the reverse tends to be the case, with public sector pay increases outstripping the private sector. This is partly explained by the fact that the public sector groups are often involved in significant 'catching-up' exercises to restore pay *levels* to those in the private sector, just as the private sector goes into recession.
60. Analysis of the NES indicates that there are some significant distinguishing features of public sector earnings when compared with the private sector. In general, the distribution of earnings in the public sector is narrower than in the private sector. This is particularly the case among female workers who have lower levels of (within-gender) inequality than males because of the much smaller numbers of high-earning women. This narrow distribution means that, in general, pay at the bottom of the distribution in the public sector is higher than in the private sector but conversely, earnings tend to be lower than the private sector at higher levels. For example, public sector cleaners are better paid than cleaners in the private sector but for accountants the position is reversed.
61. In terms of real earnings (weekly earnings deflated by the Retail Price Index), the gap between male earnings in the public and private sectors is relatively small over the period 1988-2001 but since 1997 a modest premium in favour of the private sector has emerged. In terms of female earnings, the earnings difference between the public and private sectors is very much in favour of the public sector (i.e. the public sector is ahead of the private sector), although it does narrow towards the end of the time series. The growth rate in real weekly earnings is consistently larger for females than males over the period. The real pay of private sector females has grown at a rate of 2.1 per cent a year since 1988, the fastest of all four groups (i.e. public sector males, private sector males, public sector females, private sector females), possibly reflecting a recent improvement in the employment of higher paid female workers in the private sector.
62. Public sector average *hourly* earnings (i.e. weekly earnings divided by basic hours of work) are significantly greater for both public sector males and females than the private sector, largely because public sector workers in general work fewer hours than private sector workers.

### *Distribution of Earnings Compared*

63. In Table 3.7 below we compare the distribution for full-time male and female NJC workers with the whole economy (WE) picture. As can be seen, at the bottom of the distribution, both NJC male and female workers have higher hourly earnings than the whole economy but from the median their earnings are lower. The gap between NJC and whole economy earnings is particularly wide at the highest decile for males (23 per cent), although it should be noted that the highest earners in local government management (chief executives and chief officers) are excluded from the NJC figures.

Furthermore, it should be stressed again that the occupational composition of the NJC is different to the whole economy.

64. The gender pay gap, measured in hourly earnings, is narrower in local government than in the whole economy (14 per cent compared to 18 per cent in the whole economy). Using weekly earnings as our comparator, in the wider public sector the gender pay gap is 16 per cent, compared to 29.5 per cent in the private sector. The gap for the whole of local government by this measure is 14.8 per cent and for the NJC 18.7 per cent. It is generally the case in Europe that the gender pay gap is smaller in the public sector than the private. One reason why the gap is smaller in the public sector is the absence of very highly paid male staff in the private sector.

**Table 3.7. Male and female full-time earnings: NJC compared to whole economy**

	<b>Average gross hourly earnings</b>	<b>Lowest decile hourly earnings</b>	<b>Lowest quartile hourly earnings</b>	<b>Median hourly earnings</b>	<b>Highest quartile hourly earnings</b>	<b>Highest decile hourly earnings</b>	<b>Average weekly earnings</b>
NJC full-time males	£10.94	£6.22	£7.41	£9.86	£13.27	£16.98	£420.3
All full-time males	£12.50	£5.77	£7.30	£10.08	£14.85	£21.94	£513.8
NJC full-time females	£9.40	£5.76	£6.84	£8.35	£11.08	£14.38	£340.1
All full-time females	£10.21	£5.12	£6.41	£8.60	£12.51	£17.40	£383.4

Source: NES Volume B.2002

65. In Table 3.8 below we compare the distribution for male and female part-time NJC workers with the whole economy picture. As can be seen, again NJC part-time workers are ahead of their whole economy comparators at the bottom end of the distribution. It is of note, however, that NJC male part-timers are not overtaken by whole economy earnings until the highest quartile whereas females are overtaken at the median.

**Table 3.8. Male and Female Part-time Earnings: NJC Compared to whole economy**

	<b>Average gross hourly earnings</b>	<b>Lowest decile hourly earnings</b>	<b>Lowest quartile hourly earnings</b>	<b>Median hourly earnings</b>	<b>Highest quartile hourly earnings</b>	<b>Highest decile hourly earnings</b>	<b>Average weekly earnings</b>
NJC part-time males	£7.63	£4.79	£5.17	£6.13	£8.51	£12.20	£133.9
All part-time males	£8.73	£4.15	£4.69	£5.76	£8.63	£ 16.60	£165.3
NJC part-time females	£6.71	£4.56	£4.88	£5.70	£7.11	£9.25	£120.6
All part-time females	£7.40	£4.27	£4.80	£5.85	£8.07	£12.32	£143.8

Source: NES Vol F.2002

### Comparing Movements in Earnings

66. If we compare movements in the level of average earnings for the NJC workers with the whole economy, it is clear that NJC earnings have run behind whole economy levels for the whole of the period from 1988 to 2002 (see Table 3.9 below). This table is based on data provided to us jointly by the NJC parties. In order to compare earnings for the Single Status agreement prior to 1998, the EO has spliced together the separate data for the previous manual workers NJC and the APT&C NJC by weighting the data according to the numbers covered. Full-time male NJC mean earnings have increased by 4 percentage points less than whole economy earnings; full-time NJC females by 16 percentage points less and female NJC part-timers by 4 percentage points less. Figure 3.8 shows the position regarding the level of average gross weekly earnings for full-time workers.

**Table 3.9. Whole economy and NJC earnings compared**

Full-time gross weekly earnings					Part-time gross hourly earnings per hour	
£ per week						
Year	Male full-time		Female full-time		Female part-time	
April	WE	LGS	WE	LGS	WE	LGS
1988	£245.8	£204.7	£164.2	£158.1	321.9p	297.8p
1989	£269.5	£224.2	£182.3	£172.0	359.2p	324.7p
1990	£295.6	£251.3	£201.5	£191.9	395.1p	359.0p
1991	£318.9	£282.4	£222.4	£215.6	440.6p	413.3p
1992	£340.1	£305.2	£241.1	£236.7	474.0p	447.6p
1993	£353.5	£325.9	£252.6	£251.5	496.0p	482.2p
1994	£362.1	£332.0	£261.5	£257.9	508.0p	493.6p
1995	£374.6	£334.8	£269.8	£262.9	535.0p	499.8p
1996	£391.6	£351.2	£283.0	£275.1	544.0p	518.6p
1997	£408.7	£354.4	£297.2	£279.9	577.0p	534.6p
1998	£427.1	£369.0	£309.6	£291.9	604.0p	567.0p
1999	£442.4	£382.5	£326.5	£303.7	645.0p	604.0p
2000	£453.3	£390.7	£337.6	£314.4	675.0p	618.0p
2001	£490.5	£408.0	£366.8	£331.0	702.0p	646.0p
2002	£513.8	£420.3	£383.4	£343.4	740.0p	671.0p

**Source: New Earnings Survey, gross weekly average (mean) earnings**

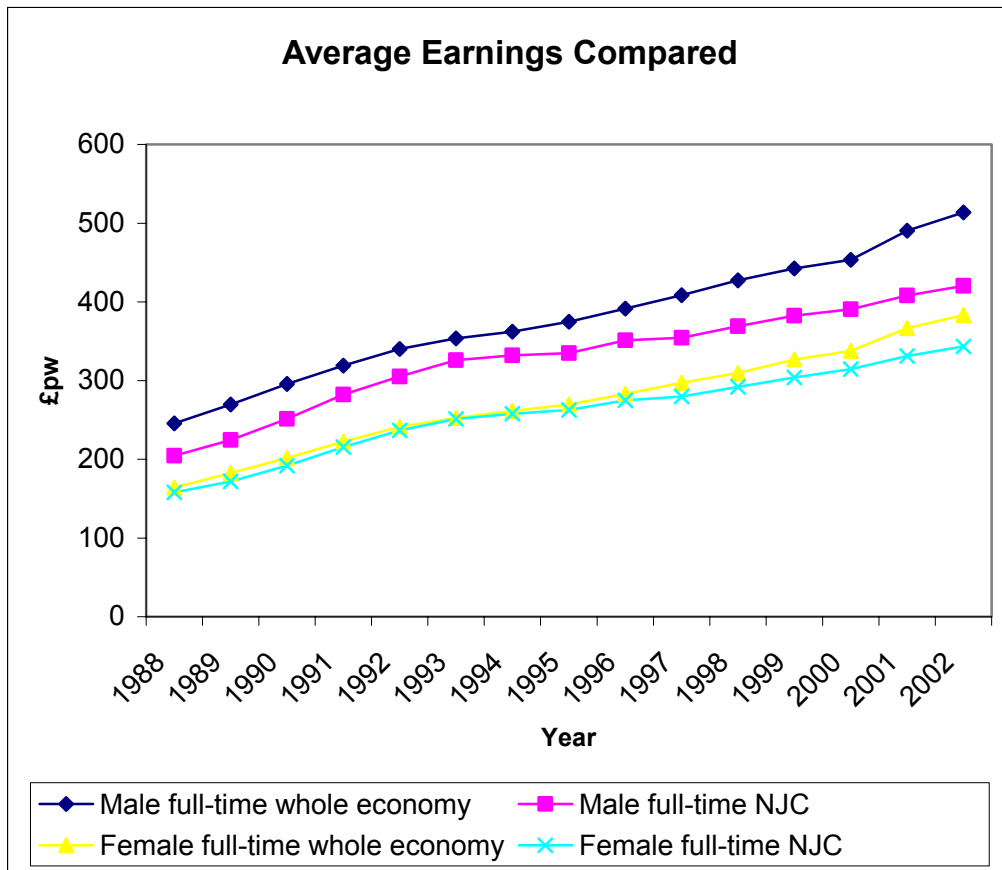
Notes: WE = whole economy

LGS = Local government services

Prior to 1998 the LGS figures are a weighted average of those published for the manual workers and APT&C groups.

The Retail Price Index is the headline RPI.

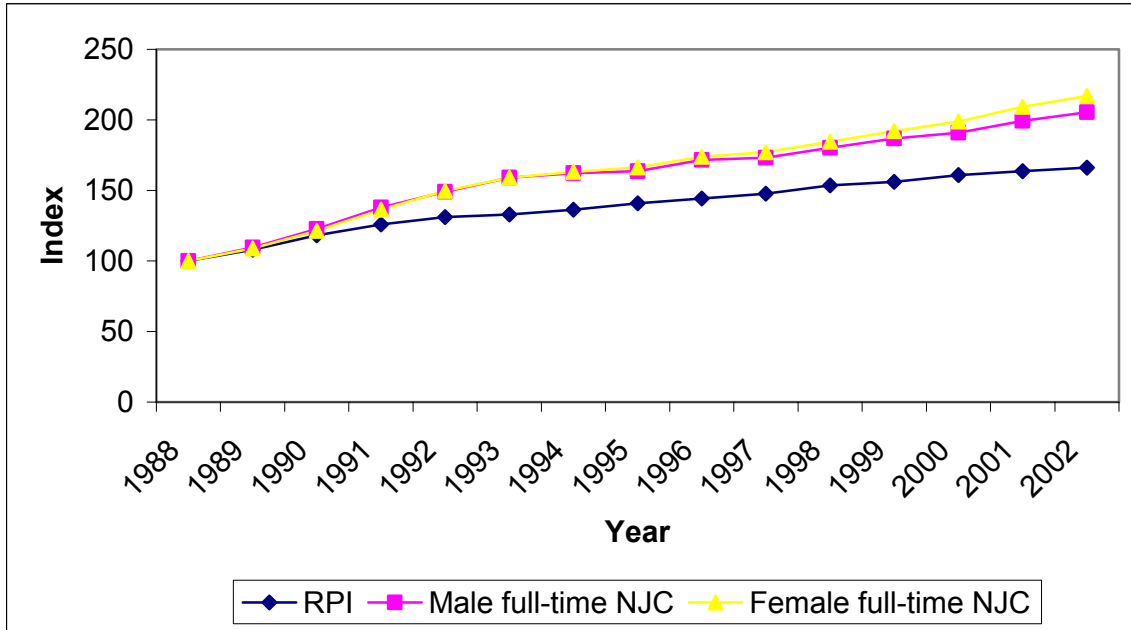
**Figure 3. 8. Average earnings levels compared 1988 - 2002**



Source: Based on NES data provide by the NJC

67. In Figures 3.9 to 3.12 below we provide indexed figures to show the increases in earnings over the period 1988 to 2002 (as opposed to simple levels). As chart figure 3.9 shows, increases in NJC full-time female earnings have outstripped male full-timers in recent years, although both groups have improved against inflation. If we take full-time male earnings separately (see figure 3.10), we can see that the NJC has had increases ahead of the whole economy for much of the period but recently has fallen behind. In the case of full-time females, the NJC group increases have fallen behind whole economy earnings for some years (see figure 3.11). Earnings increases for NJC female part-timers have more or less tracked whole economy movements (see figure 3.12).

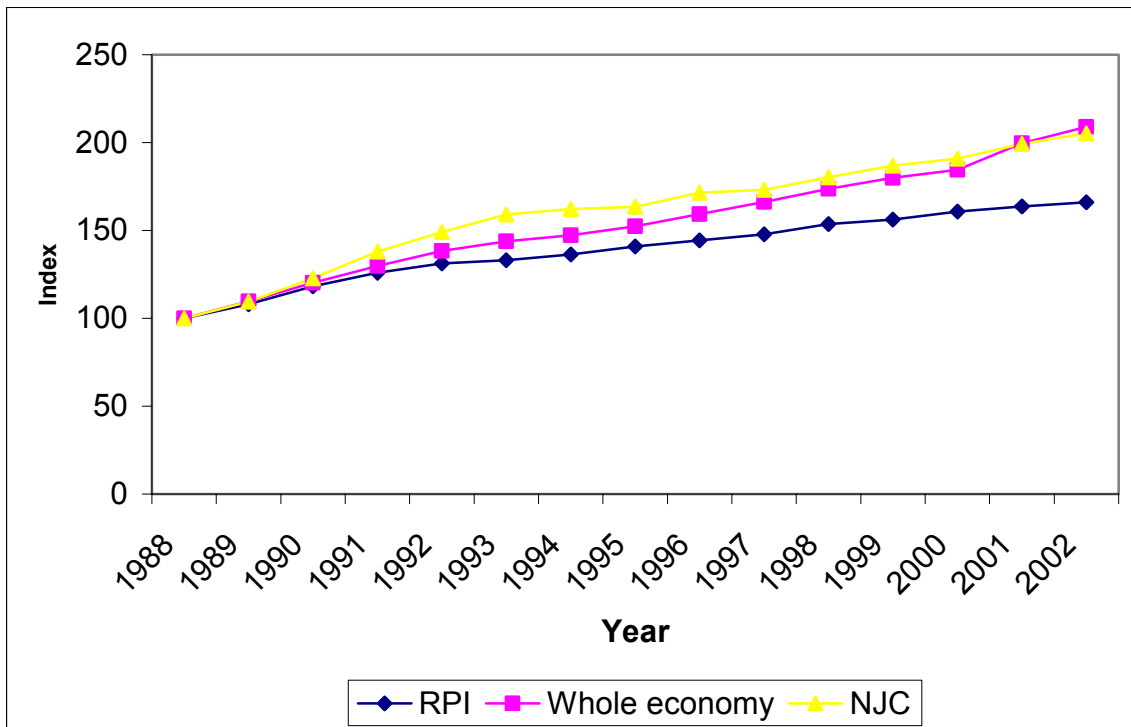
**Figure 3.9: Increases in NJC earnings, 1988 - 2002, full-time staff.**



Source:

Based on NES data provided by the NJC

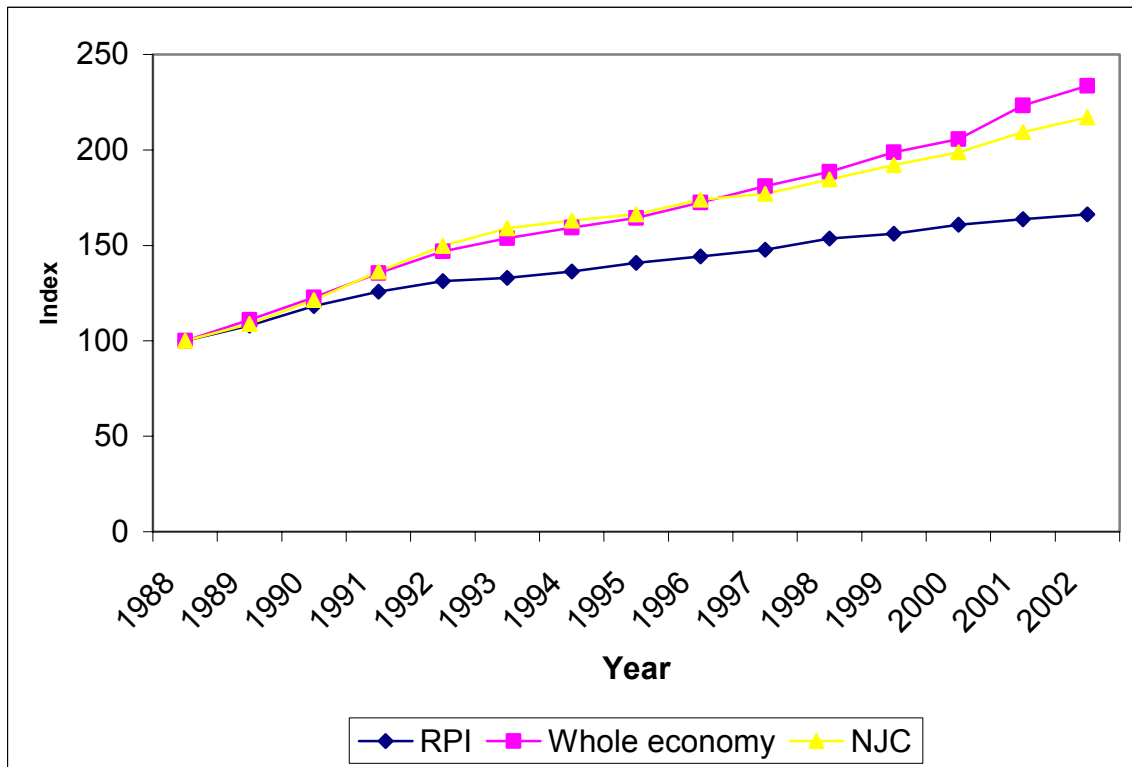
**Figure 3.10: Earnings increases for full-time males. 1988 - 2002**



Source:

Based on NES data provided by the NJC

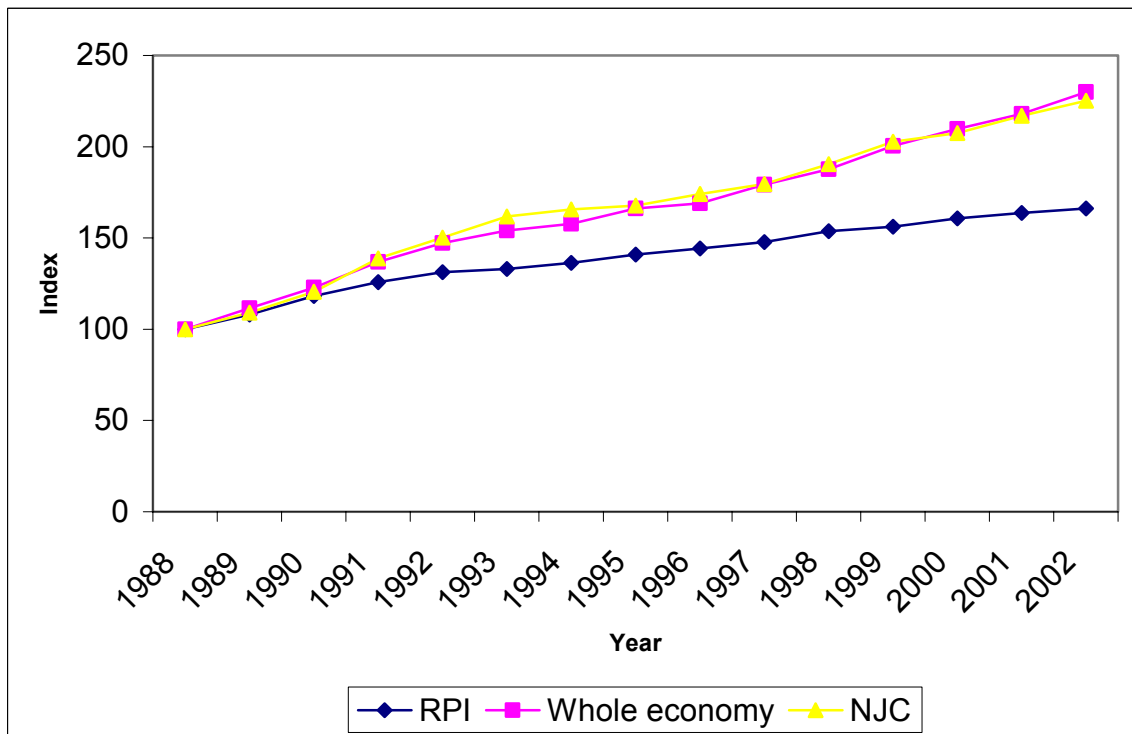
**Figure 3. 11: Earnings increases for full-time females. 1988 - 2002**



Source:

Based on NES data provided by the NJC

**Figure 3.12: Earnings increases for part-time females. 1988 - 2002**



Source:

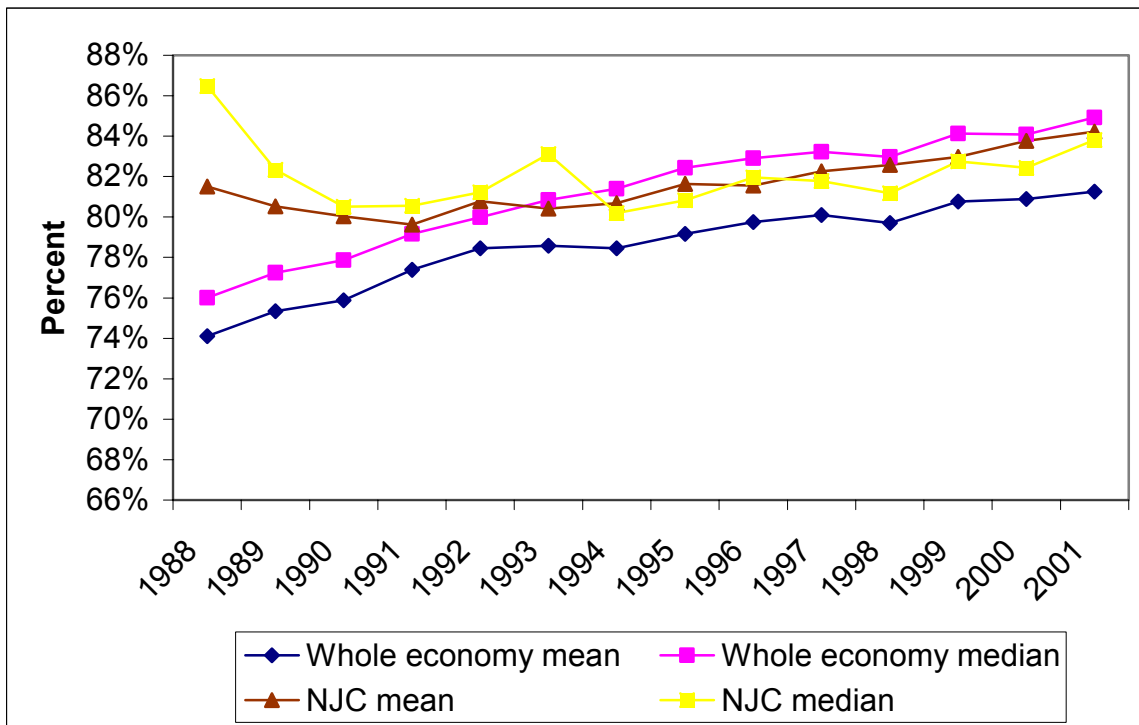
Based on NES data provided by the NJC

68. The earnings data shown above is based on published NES data. This reflects the changing composition of the sample (i.e. the population changes over time) and hence does not compare the same population each year. To overcome this problem we commissioned an analysis of the NES 'panel' data by Scotecon at Stirling University. This research links together NES employee records over time so that we have a 'matched sample' – in other words it looks at the same population over time. This provides a more rigorous method of comparison than simply using the raw published data. It also partly overcomes the problem of data before the creation of the single status agreement in 1997. The analysis allows us to compare NJC earnings movements and distribution with those for other public sector bargaining groups on a similar basis. It should be stressed, however, that the same health warnings apply to this dataset as to the earlier datasets in that the panel data still under-represent part-time and lower paid workers. These data are also only available up to April 2001 and exclude the April 2002 NJC staged award.
69. The panel data analysis shows that the average weekly earnings of those covered by the NJC Agreement are below the national average for full-time men and women but the median is about the same. The lower position of NJC average earnings largely reflects the fact that the earnings distribution in local government is narrower than in the economy as a whole and there are no very highly paid employees within the NJC data as there are in the whole economy data (Chief Executives and Chief Officers are covered by separate agreements in local government). The ratio between the lowest and highest paid NJC female workers has increased since 1988, in line with the economy as a whole, but the gap has widened less for NJC female workers than for their whole economy equivalents. The median hourly earnings of part-time workers in the NJC are little different to those in the economy as a whole. Both male and female part-time earnings are slightly greater under the NJC agreement than the rest of the economy.
70. The research shows that the growth rate in earnings for NJC full-timers has slowed since 1998, in comparison to growth in the whole economy. In the period 1988 to 2001, median hourly earnings for NJC male workers increased by an average of 5.1 per cent per year compared with 4.6 per cent for the economy as a whole. But the growth rate in median earnings declined sharply between 1998 and 2001, with the hourly rate for NJC full-time males increasing by only an average 2.6 per cent per year, compared with 3.4 per cent in the whole economy. Since 1998 median hourly rates for full-time females have also grown less - 3.7 per cent compared to 4.2 per cent for whole economy. This apparent falling behind for full-time workers since 1998, however, does possibly lend weight to the view that it is the middle and higher-paid full-time NJC workers who have not kept pace with their whole economy counterparts in recent years.
71. Earnings growth for NJC part-timers appears to have been larger than for full-timers for both the period 1988 - 2001 and the period 1998 - 2001. Between 1988 and 2001 NJC female part-time earnings grew by 5.1 per cent compared to 4.9 per cent for female part-timers in the whole economy. And between 1998 and 2001 NJC female part-time earnings grew by 4.0 per cent compared to 3.5 per cent in the whole economy. NJC male part-time earnings also grew by more than their whole economy comparators. Between 1988 and 2001 male NJC part-timers earnings grew by 5.8

per cent compared to 4.9 per cent in the whole economy. Between 1998 and 2001 NJC earnings grew by 3.7 per cent compared to 3.5 per cent in the whole economy.

72. The proportion of female full- and part-time workers in the bottom decile of earners under the NJC agreement is substantially lower than in the economy as a whole. In general terms, the bottom decile figure (i.e. 10 per cent earn below this figure) for the NJC earnings distribution is roughly equivalent to the second decile (i.e. 20 per cent earn below this figure) for the whole economy.
73. Average female hourly earnings have increased faster than male over the period 1988 to 2001. The gender pay gap in local government has closed in recent years but in 2001 the gap as revealed by the panel data was still 16 per cent for full-timers.
74. Although the panel data shows the gender pay gap to be higher under the NJC agreement than in the raw NES data (i.e. 16 per cent compared to 14 per cent), the differential remains smaller than for the whole economy (see Figures 3.13 and 3.14). However the median figure from the panel data suggests that the gender pay gap is slightly wider for the NJC than for the economy as a whole. The gap between the hourly earnings of part-time women and full-time men has improved since the early 1990s.

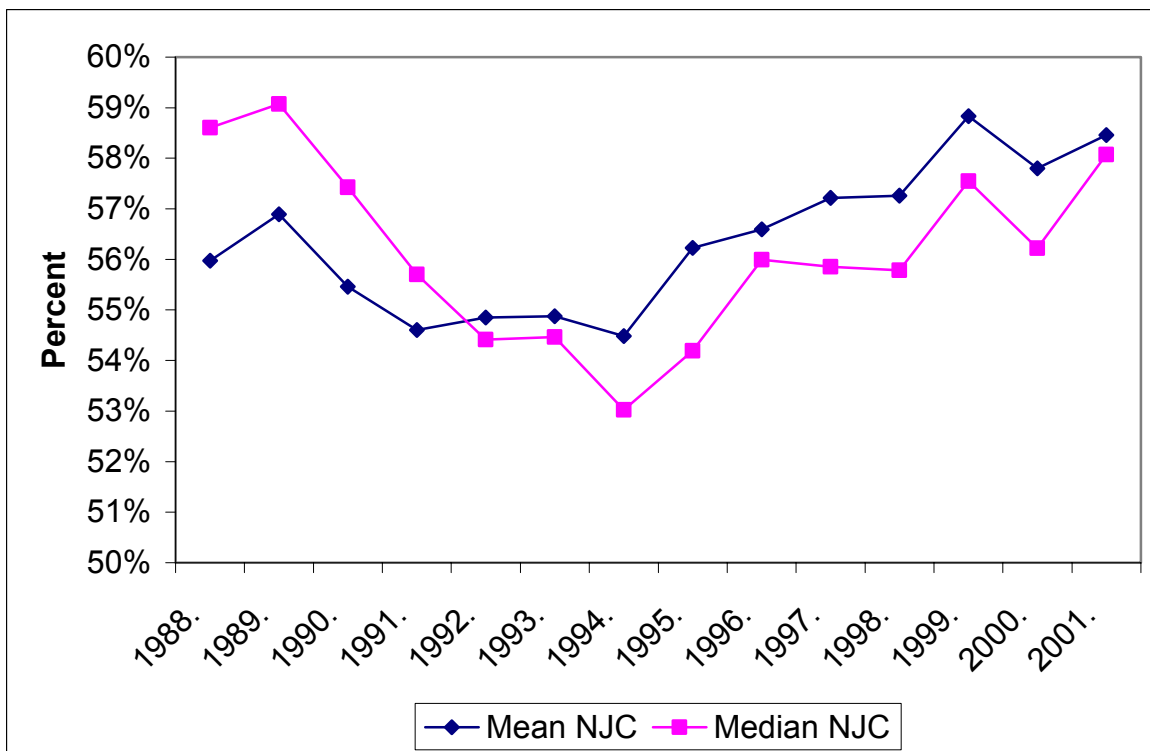
**Figure 3.13 Full-time female earnings as a proportion of full-time male earnings, 1988 - 2002**



Source:

NES panel data analysis by Scotecon

**Figure 3.14 Part-time female earnings as a proportion of full-time male earnings, 1988 - 2002**



Source:

NES panel data analysis by Scotecon.

75. The panel research also showed that full-time male workers covered by the Craft Workers' JNC have had smaller increases in earnings than males covered by the NJC for local government services staff in recent years.

### Comparisons with particular groups outside local government

76. Over the last ten years local government NJC headline pay increases have tended to be lower than for teachers, nurses, the police and the fire service (see Table 3.11 below). Average increases have been less over the period 1993 to 2002 than for these other groups.

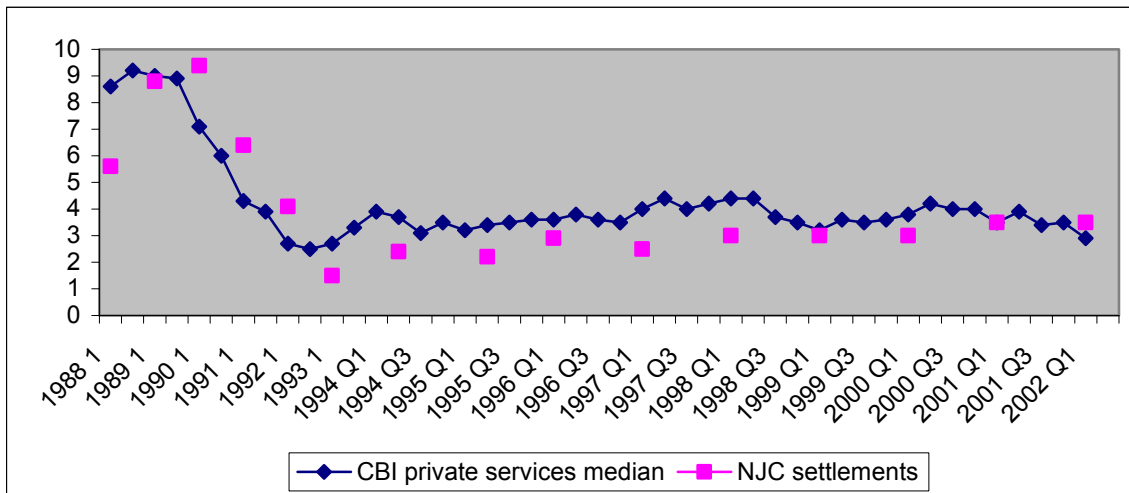
**Table 3.10. Headline pay increases 1993-2002 (%)**

	<b>Local Govt Services</b>	<b>Teachers</b>	<b>Police</b>	<b>Fire</b>	<b>Nurses</b>
1993	1.5	1.5	1.5	1.4	1.5
1994	2.4	2.9	3	2.2	3
1995	2.2	2.7	3	3.5	1.5
1996	2.9	3.75	3.5	4.4	2
1997	2.82	3.3	3.5	4.8	4.1
1998	3	3.8	4	5.6	3.8
1999	3	3.7	3.6	2	4.7
2000	3	3.3	3	3	3.4
2001	3.6	3.7	3.5	3.9	3.7
2002	4.0	4.0	3.0	-	-
<b>Average</b>	<b>2.8</b>	<b>3.3</b>	<b>3.2</b>	<b>3.4</b>	<b>3.1</b>

Source: Pay and Workforce Strategy for Local Government. ODPM/EO. September 2003

77. Using the APT&C group as a proxy for NJC settlements before 1998 (the manuals NJC settlement levels were virtually the same), Figure 3.13 shows that NJC pay settlements have fallen behind the median of private services sector settlements (as measured by the CBI Pay databank) for most of the period from 1988.

**Figure 3.15 NJC settlements 1988 - 2002**



Source:

EO and CBI pay databank

Note: Before 1994 the CBI private services series was only bi-annual. After 1994 it became quarterly.

78. Our panel data show that median hourly earnings of teachers, skilled health workers and the police have grown more rapidly than those covered by the NJC. For others, such as ambulance staff and firefighters the comparisons are more ambiguous. NHS ancillary workers earn significantly less on average than those covered by the NJC (because the NHS ancillaries group consists of only lower paid workers). The report of the Standing Commission on Pay Comparability in 1980 established a linkage between local authority manual workers, NHS ancillaries, NHS ambulance staffs and university manual workers. We therefore asked Scotecon to compare the earnings for the bottom quartile and bottom decile of male full-time NJC workers with those for male NHS ancillaries, male NHS ambulance staffs, and male university manual workers to see how the relationship had changed in recent years. The gap between the average earnings of NJC workers and those of NHS Ancillaries appears to have widened over the period 1988 to 2001 in favour of local government. NHS ambulance staffs have continued to lead throughout the period, followed by local authority workers, then university manuals and lastly NHS ancillaries. But we should remember the problem of comparing the NJC with more homogeneous public sector groups.

79. In terms of comparisons between local government and competitors for the same skills, health professionals (e.g. professions allied to medicine, etc) outside local government clearly enjoy higher median earnings than in local government. The earnings gap between the two groups, moreover, has been widening in recent years, reflecting the effect of above median settlement increases for nurses and professionals in the NHS. Median pay in the not-for-profit sector (e.g. charitable organisations) is substantially lower than in local government, the distribution is wider and the gender pay gap is wider.

80. The NJC panel samples are too small to make a comparison of those occupations employed within the NJC and those in the private and not-for-profit sectors. But we can compare public and private sector figures for those occupations where we know local government is a major employer. The private sector figures include not-for-profit organisations. Some caution is needed, however, as indicated earlier, in taking job

titles as a guide. The nature of work or the approach taken to it, by those with the same job title may vary as between the public and private sector (something both sides noted in their evidence to us). In terms of occupational differentials between the public and private sectors, gardeners are better paid in the public sector but there has been recent earnings growth in the private sector. Cleaners are also better paid in the public sector than in the private. Similarly, nursery nurses and care assistants enjoy higher earnings in the public sector than the private, although in both cases there has been a recent closing of the gap. Drivers are consistently paid more in the public sector than the private.

81. Both male and female public sector social workers earn more than their private sector equivalents. Male public sector care assistants earn more than their private sector counterparts but the gap appears to be closing. Female public sector care assistants earn below both their male public and private sector counterparts but more than female private sector care assistants. There is virtually no difference between the earnings of secretaries and word-processor operators in the public and private sectors.
82. Comparisons of the NJC gender pay gap with other public sector bargaining groups indicate that the gap among NJC workers is larger than for the police, nurses, teachers, NHS ancillary workers and ambulance staff, but less than for NHS administrative and clerical workers. This is largely explained by compositional factors – the NJC contains a much more heterogeneous population than the comparable public service bargaining groups. For example, the NHS ancillaries group is made up almost entirely of staff equivalent to those NJC staff on spinal points 4 to 11.

### **Conditions of service**

83. Comparisons of basic pay and earnings are important indicators of the pay picture but, as noted earlier, the remuneration package may be enhanced by conditions of service, or 'benefits'. In this section we consider the NJC conditions of service and how they compare with benefits offered by other employers.
84. It is a complex exercise to make comparisons of 'total remuneration' between employers. In order to compare both levels of entitlement and to estimate the value of particular conditions of service we commissioned new research from IDS. This research compares holiday entitlement, pensions, sick pay, travel and subsistence allowances, cars, private medical insurance and London allowances for a range of public and private sector organisations. Comparisons were made on the basis of provision in industry level and organisation level agreements. We also talked to Hay Management Consultants about their system for measuring total remuneration.

### *Pensions*

85. The local authority pension scheme (LGPS) is a statutory, public service, final salary scheme funded by employer and employee contributions which are invested in equities with pensions paid out of the returns. There is a single scheme but 87

separate funds. The pension builds up at 1/80<sup>th</sup> per year of service and maximum pension entitlement at normal retirement age is half final salary after 40 years' service (40/80ths). In addition there is a final lump sum payment based on 3/80<sup>ths</sup> per year of service (see Appendix 6). There are currently 2.7 million members of the scheme, including pensioners. School teachers and firefighters have separate pension schemes. Employees pay six per cent per annum towards the cost to their individual pension authorities (some protected workers continue to pay five per cent) but employers' contributions vary. The ODPM estimates a current average employer's contribution of 13 per cent of pensionable pay. The EO evidence suggested a figure of 13-14 per cent. Perceptions of the value of the LGPS have changed many times over the years. Currently, with many employers closing their final salary schemes due to rising costs, the LGPS is an attractive benefit, which is probably undersold by local government in its recruitment advertising.

86. IDS compared 15 local authority schemes with 14 large private sector schemes and the universities scheme and found little difference in employer contribution rates. However, the standard employee contribution rate in the LGPS was higher than the average for private sector final salary schemes. Comparing the various scheme benefits, the study found that the various local authority schemes examined were generally slightly below the median when it comes to a ranking of average pensions in payment. Due to the fact that the retirement lump sum builds up at a fixed rate rather than by commuting some of the pension entitlement, the typical private sector final salary scheme pensioner is between 5.9 and 8.5 per cent better off than the equivalent LGPS member who took the same lump sum entitlement on retirement at the same age. Despite this, IDS found that in the current low inflation environment the value of the LGPS is roughly the same as a 1/60<sup>th</sup> private sector final salary scheme. By the long-term cost measure, however, the LGPS is over three times as valuable as a typical private sector defined contribution scheme (i.e. so-called 'money purchase' schemes).

87. While the LGPS is undoubtedly a valuable benefit, many low-paid workers are not in membership and hence receive no benefit from the scheme. A survey by the EO of 20 authorities found that just over 50 per cent of male part-timers and 34 per cent of female part-timers were not in the scheme. For many part-timers the cost of membership while at work is not worthwhile. Low-paid employees may lose benefit from an occupational pension scheme by having their state benefits offset against any pension received once they have retired. Given that the state will provide a minimum retirement income anyway, they are no better off in retirement than those who have made no provision for old age. Both sides of the NJC agree this to be a major problem with the current tax and benefits treatment of pensions for lower paid workers. This point about the unsuitability of the LGPS for many workers was echoed in the recent ODPM discussion paper<sup>11</sup> on the future of the LGPS which stated:

*"While the LGPS is a reasonable pension scheme for career-serving employees able to put in 40 years' service, with a degree of salary progression, and so able to retire on a maximum of half their final salary, it is not so well focussed on the pension needs of part-timers, career-break employees, low paid workers, contract workers or*

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<sup>11</sup> Local Government Pension Scheme: Retirement Benefits Package Options. ODPM, September 2003.

*term-time employees. Employment trends are seen to be increasingly more fluid, changeable and fragmented between and within sectors”.*

88. The Commission does not seek to make recommendations on issues outside of our specific terms of reference, such as the tax and benefits treatment of pensions. We are aware, however, that both sides of the NJC are responding to the ODPM's consultation on the future of the LGPS. We trust that this issue will be addressed to the ODPM in their respective responses.

### *Holidays*

89. The Green Book provides for holiday entitlement of 20 days per year for a full-time worker and there are 2 'extra statutory' days. Entitlement increases with service, with an additional 5 days after 5 years' continuous service. In practice many local authorities provide leave entitlement above the NJC minimum entitlement.

90. A recent survey by the EO of holiday entitlement in 181 local authorities in England and Wales found that 48 per cent provide basic holiday entitlement of more than the NJC's 22 days (i.e. including the 2 statutory days). Some 19 per cent provide basic entitlement of 23 days and a further 19 per cent 24 days. Four councils provide 27 days or more. Supplementary evidence provided to the Commission by the EO indicated that (despite harmonisation of terms and conditions) enhanced basic entitlement for new entrants provided by some authorities is grade related. The average allowance for those authorities (number not given) who provided information to the EO and who did offer enhanced leave on starting ranged from 25 days at scale point 24 to 28 days at scale point 44.

91. Many other large employers also provide additional days' holiday on top of the basic entitlement given to all staff. Variation in practice from the provisions in agreements, and differentiation between entitlement at different grades, complicates any attempt at general comparison and this needs to be borne in mind in considering the findings of the research undertaken for the Commission by IDS.

92. This found that the basic starting holiday entitlement for NJC employees provided for in the Green Book agreement was less generous than for the great majority of employee groups in both the public and private sectors, even taking account of the 2 'extra-statutory days' granted in local government. Based on a survey of 500 organisations, IDS found that in 2002 average basic holiday entitlement was 24.5 days, compared to 22 in local government (20 days plus the 2 'extra-statutory' days). The average entitlement elsewhere for manual workers is 24 days and for non-manual staff 24.5 days. Where entitlement is harmonised, the average entitlement is 25 days. Between 80 and 90 per cent of employee groups outside local government have higher basic entitlement, normally 25 days.

93. Most civil service departments and agencies have a basic entitlement of 24/25 days although university manual staff and some NHS groups have only 20 days basic.

94. A sub-sample of 25 private sector organisations revealed higher entitlement for higher grades, ranging from 20 to 28 days for the lowest grades to 26 to 30 for the highest grades.

95. In terms of service-related entitlement, the research found that local government compares well in that the addition of 5 days after 5 years service is relatively fast in comparison with other organisations, but it noted that some organisations exceed this amount of leave over a longer period.

#### *Sick leave*

96. The NJC agreement provides for six months full pay and six months half pay after five years' service. In an employee's first year of employment, the entitlement is one month on full pay and two months on half pay. IDS found that the local government sick pay scheme was either equivalent to or more generous than the majority of schemes in the private and public sectors. In general, sick pay provision is less generous than the NJC in the private sector and equivalent to it in other parts of the public sector or privatised organisations.

## *Other benefits*

97. Local authorities make less use of non-essential user 'status' cars for managers and professionals than private sector organisations. Councils also tend not to provide actual cars but rely more on 'essential user' car allowances that reimburse staff for use of their own cars. This makes comparisons difficult. The relative benefit of a company car, moreover, has diminished in recent years as the tax advantages have been eroded. The fact that few NJC workers receive such non-essential 'status' cars may be important, however, when competition for private sector professional staff with transferable skills (such as accountants, IT staff, lawyers, personnel managers etc) is being considered.
98. The NJC agreement contains no provision on private health care. This is the case with most of the public sector. But some individual councils have decided to offer such a benefit (for example Buckinghamshire County Council, the Royal Borough of Kensington and Chelsea, and Waverley Borough Council) as a recruitment tool, particularly where local government is competing for professional staff with the private sector where such a benefit is more common.

## **Total Remuneration**

99. We wanted to estimate the value of a typical local government pay package in comparison to typical external packages but the IDS research made clear that the complexity of benefits packages made such valuations difficult and problematic. We also talked to the Hay Group about their methodology for comparing total remuneration but the nature of the Hay local government sample made it difficult to generalise about the sector.

## **PART 3: Some observations**

99. Data presented and discussed in this chapter inform the content of later chapters of our Report and, we hope, will also inform the discussion of the NJC. We conclude by commenting briefly on a number of points which emerge from this chapter. These relate to the collection, analysis and dissemination of data; the internal distribution of pay and rewards within the NJC; external comparisons, and the comparative value of the total reward package.

### **Pay data**

100. There is considerable scope for improvement in the data used by the NJC to inform its negotiations. As we have discussed, deficiencies in both the official data and the employers' data are particularly problematic when examining such issues as low pay, the gender pay gap and the pay of part-time staff. Given the importance of these issues it is vital that these deficiencies are addressed. We are pleased to hear that the ONS has already addressed a number of these problems in its planned new distribution of earnings and hours survey for April 2004. There is, however, still a need for improvement in the NJC's own data collection and analysis and we have made some recommendations about this above.

### **Internal distribution of pay**

101. There remains more wage solidarity among the NJC group than in the wider economy. This is because the group does not contain either very low paid or very high paid staff, unlike the distribution in the whole economy. On the other hand, the wide spread of manual and non-manual staff within the group means that it is probably more reflective of the wider economy than some other, more homogeneous public sector groups, which complicates comparisons with those groups. We are also aware that, while additional premium payments do not feature greatly for the group as a whole, for those in manual jobs at the bottom of the earnings distribution these payments can form a significant part of their overall earnings. Removing such payments for these workers could have a substantial effect on their earnings power.

#### Gender pay gap

102. Analysis of the internal distribution of earnings highlights the problem of gender differences in pay and access to pay opportunities. Even with the deficiencies in the data, it is clear that there are significant issues to be addressed. These include the valuing of female jobs, the composition of earnings for men and women (i.e. the greater likelihood of full-time manual men earning overtime and bonus) and the access of women, particularly female part-timers, to higher level jobs. We deal with this in more detail in Chapter 5.

#### Low pay

103. In seeking to comment on the issue of low pay in local government we face various problems. Some, such as problems relating to data (for example the undercounting of lower paid workers in the NES) have already been mentioned. There are also problems of definition. There is no agreed definition of what constitutes low pay. In their evidence to us the unions used various measures of low pay such as the Low Pay Unit Threshold (two-thirds of average gross weekly earnings) and the higher Council of Europe Decency Threshold (68 per cent of gross weekly earnings) to compare the position of local government workers. The employers noted that the minimum pay levels for local government workers were above the level of the National Minimum Wage, although they stressed that they did not wish to be seen as minimum wage employers. Certainly the last pay award, which was bottom loaded, was an important step in addressing the pay position of those at the bottom of the local government job hierarchy.

104. Although the National Minimum Wage provides a readily available benchmark it is not, and is not intended to be, a definition of low pay. The LPC told us that: "Although people on the minimum wage are among the lowest-paid workers, the minimum wage is not in itself a more generally applicable definition of low pay". But the other measures also have limitations.

105. The union evidence drew our attention to the fact that 'a large number' of NJC staff are in receipt of in-work benefits. The need to rely on benefits to supplement pay can be seen as indicating a low pay problem in respect of some workers. The employers' evidence noted the expectation - which it said was a view which carried

weight within local government - that good employers should pay workers enough to live on. We would concur with this statement.

106. The unions suggested a local government minimum hourly wage of £6.50 to enable workers to 'sustain an adequate living standard without resort to in-work benefits'. They proposed that savings which would be made by the Treasury on tax credits could be channelled into local government. The Commission is not persuaded by this argument for a £6.50 minimum and does not consider that its remit extends to making social policy/taxation recommendations as we were invited to do by the unions.
107. It is less problematic to talk about low pay as a relative rather than absolute concept, both internally and externally. Internally in local government we note that there is more pay compression than in some other sectors. This relates to the gap between earnings at the top and bottom of the occupational hierarchy. The bottom loaded pay deal of 2002 contributed further to this pay solidarity. Local government should be praised for such developments against the backdrop of rising inequalities in private sector pay distribution. There are, however, consequent issues for workers immediately above these levels, including certain skilled manual occupations and for some professionals. Some of these are looked at in the next chapter in the context of recruitment and retention.
108. It is noticeable that women and part-time workers are over represented in the lower grades. Their relatively lower paid position (coupled in many cases with fewer benefits because of the problems relating to take up of the pension scheme discussed earlier) may reflect undervaluing of their work in the absence of proper equality informed job evaluation (see Chapter 5) but will also reflect the nature of certain jobs. Local government contains a number of job categories which are generally low paid throughout the wider economy. It is important to untangle low pay of this nature from issues of pay equality. Better data collection and analysis of the kind advocated in this chapter will assist in this.
109. The Commission recognises that local government employers cannot get too out of step with the market but any comparison with the 'market rate' needs to be undertaken sensitively. That it may be possible to obtain labour at a rate below that being offered is not necessarily an indication that the rates on offer are too high.
110. The employers' evidence made comparison of NJC rates with the (lower) National Minimum Wage, but it is clear that local government employers do not wish to benchmark against 'minimum wage' or 'poor' employers. The Commission supports this approach, which is one in keeping with the desire for service improvement embodied in Best Value rather than simple undercutting on cost. It needs to be borne in mind also that the market rate is not necessarily a neutral or 'objective' benchmark independent of local government. In various occupations, the market rate will be, or will have been, affected by action taken by local government itself, notably in the CCT era.
111. Workers often obtain more than material rewards from their jobs. The Audit Commission has noted that the desire to 'make a difference' attracts and motivates workers in the public sector. This can be seen as part of what is sometimes called

the public sector ethos and is an extremely valuable resource in the delivery of high quality services. It is important, however, that it is not seen as legitimising lower pay.

## External comparisons

112. NJC average earnings have continued to lag behind the whole economy average throughout the period since 1988, although the relativity has generally been maintained. But deeper analysis of the data indicates that the picture is more complex. Those at the bottom of the earnings distribution are better paid, in general, than their whole economy counterparts while those at the top of the distribution are lower paid than their counterparts. As our commissioned research from Scotecon showed, this reflects the general pattern of public and private sector pay comparisons. Nonetheless, while local government pay levels do not appear to be greatly out of line with comparators for the same occupations, we are aware that compulsory competitive tendering and Best Value placed a downward pressure on the pay and conditions of the lowest paid and most vulnerable workers in local government and adversely affected the gender pay gap<sup>12</sup>. The recent two-tier code of practice, however, should act as some protection against further deterioration in the pay of staff when services are contracted out. Comparisons of average earnings are problematic because they are highly dependent on compositional effects (for example one group may have a small number of very high earners, distorting the general average, while the other does not). We therefore suggest that comparisons should dwell more on the distribution of earnings, particularly the median, rather than the mean.

## Total remuneration

113. The value of the various universal elements which make up the local government benefits package is generally as good, if not better, than the provision of other employers. While the pension scheme is clearly a very valuable part of the total remuneration package, however, we note that the unions, the employers and the Government recognise the particular problems for membership of the scheme among part-time, lower paid and temporary workers. We would urge all the parties to discuss jointly how these problems should be addressed.

114. We have been able to comment on various potential aspects of a package, but we have not been able to compare the value of total packages. As noted, some benefits improve with grade. Pension scheme membership, although universally available, has differential attraction and take up. Individual employees also are likely to vary in the importance they attach to certain benefits, and this may change at different life stages. This has led to the development of a cafeteria or 'flexible benefits' approach in some organisations (see Chapter 6). Our familiarisation visits suggested that those in lower paid jobs are likely to attach greater importance to disposable income to meet immediate needs than are those in higher grades, although even here it should not be assumed that a superior benefits package will necessarily be seen to outweigh lower basic rates than those

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<sup>12</sup> See for example, Escott K. and Whitfield D. (1996). The Impact of CCT in Local Government. Manchester. EOC.

offered by other employers. Assessing and communicating the value of total packages, however (as we suggest local authorities do in Chapter 6), would enable more informed choices to be made and could assist in recruitment and retention (discussed in the next chapter).

## Chapter 4

### STAFFING LOCAL GOVERNMENT PROVISION

This Chapter presents the Commission's findings on those terms of reference which relate to different aspects of staffing for the provision of local government services. In various terms of reference we were asked:

- *'to consider and advise upon the implications of the use of agency and temporary staff for pay and rewards in the sector'.*
- **'to consider and advise upon the pay and rewards for all patterns of work, including term-time working, giving particular attention to the need to encourage flexible working patterns to underpin service improvement and provide for a better work-life balance'.**
- **'to consider and advise on the implications of a mixed market in service provision on the pay and rewards of local government employees'.**
- **'to establish the extent and causes of recruitment and retention difficulties in local government, and to advise on their relationship to pay and rewards.'**

The chapter is divided into two main parts. The first part focuses on the first three areas, which relate to employee resourcing. In general, these terms of reference are concerned with the relationship between rewards and different patterns of work and forms of employment. In addressing this relationship, we explore forms of work and employment; their incidence and rationale; flexibilities available to employees; how pay and reward formally relate to different types of work and employment; and how this relationship operates in practice.

The second part of the chapter concentrates on recruitment and retention. We consider the measurement of recruitment and retention difficulties; the extent of these difficulties; their causes; and possible responses.

#### Part 1 Employee resourcing

1. Local government uses a wide variety of employment and working patterns, a reflection of the diverse nature of the services provided, the different needs of those providing and receiving them, and the broader public policy concerns of those seeking a mixed and more flexible approach to service delivery. In considering the relationship between these patterns and pay and rewards, the Commission felt that it was important to clarify and distinguish between different forms of work and employment; establish the incidence of and rationale for these forms across local government; consider how, if at all, the current national agreement and other regulatory mechanisms dealt with the terms and conditions of those working under these arrangements; assess how in practice employees are treated; and make some observations on how the issues highlighted in this presentation of the issues might be progressed.

#### Forms of work and employment

2. The Commission felt that terms were sometimes being used in a loose and vague manner in debate on flexible forms of work and employment both within local government and more broadly. In order to avoid confusion and to be clear about any implications for pay and rewards, we thought it important to ensure that all sides were referring to the same practices.
3. Forms of work and employment within any given local authority might be seen to vary along three dimensions:
  - the nature and status of the employer;
  - the permanence of employment; and
  - working patterns in terms of the number and distribution of the hours worked
4. In the context of our deliberations, the most fundamental distinction is between those employees employed directly by the local authority and those working in or for the local authority but employed by another organisation. Those directly employed by the local authority are covered by the NJC agreement while those employed by another organisation are not<sup>13</sup>. However, as implied by our terms of reference, there are important issues to consider which relate to whether the use of staff employed by other organisations has any consequences for the pay and reward of those employed by the local authority and covered by the NJC.
5. The overwhelming proportion of workers employed by the local authority and covered by the NJC are full- and part-time workers employed by the local authority on a permanent basis. However, local authorities do directly employ temporary staff.
6. Working patterns cut across these permanent and non-permanent forms of working in that they relate to the number and distribution of hours worked and the ability of the employer or the employee to vary those hours. In terms of the number of hours, the most basic distinction in working patterns is between full-time and part-time staff. It has been stressed already that local government is distinctive in terms of the number of employees working part-time. In the overwhelming proportion of cases, part-time working involves a given individual performing a particular job for a number of hours below the standard working week throughout the year. There are, however, other working arrangements which depart from this pattern. The first is job sharing which involves the standard hours associated with a given job being undertaken by two people. It is usually associated with white-collar or professional posts. Thus, the example provided by the NJC in its joint publication, 'Finding the Balance' (2001), is of two job-sharing lawyers working for Ipswich Borough Council. The second is more important in that, as already indicated, our terms of reference explicitly ask us to address it and that is term-time working. Term-time workers are often but not only found in schools and while they may work on a permanent or fixed term basis as part-time or full-time staff, they are distinguished by the fact that they only work those hours during the school term-time period.
7. The hours worked by full- and part-time workers may vary. In local government, there has always been scope to vary employee hours around overtime, weekend and shift working. This form of working has often attracted premium rates of pay, although employees including, in particular, part-time employees might work

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<sup>13</sup> Subject to TUPE Regulations.

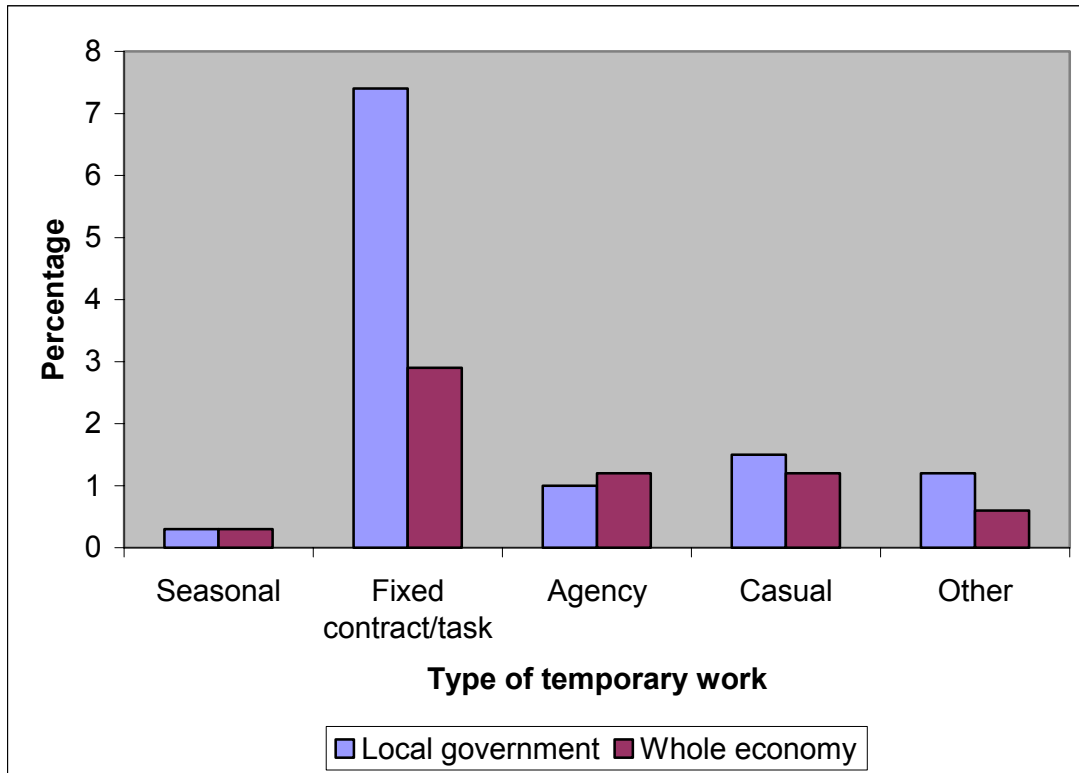
overtime without receiving an enhanced rate. The extent of premium pay for overtime, weekend and shift working was highlighted in the previous chapter. More recently, such arrangements for varying hours worked have been extended to include, for example, 'flexi working' providing some scope to vary hours worked at the margins of a core working day (for example flexitime) and averaged or annualised hours – involving a commitment to work a given average number of hours over a pre-determined period, often a year, but subject to variation in allocation of those hours within the period.

8. There are two main groups of employees working in and for the local authority but not employed by it: agency staff and staff employed by an outside contractor. Agency staff are employed by an external employment agency but often work in close proximity with in-house employees, Staff working for outsider contractors may also be working in close proximity to in-house employees as with certain cleaners or caterers. However, they are more likely to be working in self contained services units or areas outsourced to the contractors.

### **Incidence and rationale**

9. In the context of these distinctions, a number of observations can be made on the incidence of and rationale for the different forms of employment and working patterns outlined. Data on the use of these forms of employment, however, are uneven in terms of quality and range.
10. The starting point for any evaluation of the relationship between forms of employment and reward is a clear picture of scale and incidence in the use of these practices. Data on the use of agency, temporary and fixed-term employment across local government are available from the LFS.
11. While crude data from some service areas provide an indication of the numbers employed by outside contractors, they are not sensitive enough to provide many clues as to how many of these employees work closely with in-house employees.
12. Figure 2.1 shows the use of fixed-term, casual and agency staff in local government compared to the whole economy. Use of fixed term temporary work in particular is higher than in the whole economy. The LFS Spring 2002 indicates that use of these employment forms has fallen slightly since 1996. Fixed contract/task working has fallen from 9 per cent in 1996 to 7.4 per cent in 2002 while casual working has fallen from 2 per cent to 1.5 per cent. Agency working and other forms of flexible working have remained static at around 1 per cent.

### **Figure 4.1 Temporary working**



Source: Labour Force Survey 2002.

NB: This figure is based on LFS data supplied by the EO. The data relate to March-May 2002 and are for England and Wales only. The data exclude teachers, fire fighters and police but do include some non-NJC staff, such as chief officers and craft workers.

13. In the case of flexible hours working, it is clear that the local authority workforce has more diverse patterns of working time than many other parts of the economy. For example, there are areas, such as housing, social care, leisure and education, where the traditional 9 - 5 Monday to Friday working week is the exception rather than the rule. More detailed information on these working times arrangements is limited. However, the data available, mainly drawn from a DETR (2001) survey of 272 local authorities, suggest that while a significant proportion of these organisations are using some form of flexibility, the number and type of employees covered by such arrangements is at best uneven. The survey notes that almost all authorities (92 per cent) allow staff to vary their standard hours with the overwhelming proportion providing scope for job sharing (94 per cent) and flexitime (95 per cent). Term time work (52 per cent of authorities) and annualised hours (41 per cent) are less common. The high proportion of authorities using such practices masks marked differences in their availability to staff within authorities. In 63 per cent of authorities flexitime is open to over half the workforce. Limited access to flexible forms of working is particularly marked in the case of manual workers. The survey finds that only around a third (34 per cent) of authorities offer manual staff job sharing compared with 57 per cent for junior managers and 47 per cent for senior managers. More striking is the finding that only 9 per cent of authorities provide manual staff with flexi-time compared to 51 per cent for junior managers and 35 per cent for more senior management. We would also note that availability is not the same as take-up or use in practice.

14. Over the years, the use of contractors has been driven by a raft of national initiatives and by local policy choices on the nature of service delivery. In combination, these developments have undoubtedly led to a large number of employees now working for the authority rather than being employed by it. However, there does not seem to be strong evidence to suggest the ongoing 'casualisation' of the in-house workforce as reflected in numbers of workers employed on a fixed-term, casual or agency basis. At the same time, there were suggestions, albeit based more on impressionistic evidence, that the use of casual forms of employment was quite high in some authorities. We were also given examples, again not necessarily representative, of harsh flexible hours regimes.
15. These suggestions and examples raise three points. First, whether or not impressions adequately capture actual practice, they have a powerful impact on how employees perceive workplace developments. This suggests the need for transparency in the use of these practices and the provision of information to employees and indeed line managers on how and why they could and should be used. Second, they highlight the fact that the employers and the unions appear to be taking different approaches to assessing the evidence relating to the use of agency and temporary staff. The employers are focusing on data at the level of the sector, while the unions are concentrating more on practice at the level of the authority (often within a service area). Both perspectives are important. The sector level data places the use of these forms of employment in perspective, but case study data show that behind these general trends practice can vary quite considerably. The third point is closely related to the second. The degree of variation in these forms of employment, especially casual, fixed-term and agency working is unlikely to be great given the low absolute levels of use revealed by the LFS. However, issues are raised about the degree to which authorities vary in their use of such practices and if such variation is apparent why it exists.
16. There can be sound managerial reasons for the use of different forms of employment. However, it remains unclear from the information available whether in practice these reasons always underpin current use of different forms of employment in local government. The use of different forms of employment can be driven by very different managerial objectives and indeed, any given practice might be perceived in different ways by the various workplace stakeholders. For example, the use of casual forms of working might reflect sound management practice in say covering temporary staff shortages or peaks in service demand. But at the same time it can be perceived as a threat to employment security and, depending on the agencies used, to terms and conditions of employment. Where agency staff enjoy (or are assumed to enjoy) better terms and conditions than in-house workers this may cause resentment, especially if in-house workers feel their own work changes or increases as a result of the use of such staff.
17. Such issues need addressing even where the use of temporary agency staff is part of a coherent resourcing strategy. Greater problems are likely to arise where the use of such staff reflects or results in the absence of proper workforce planning and where use might be driven solely by budgetary considerations or perceived cost savings. It was suggested to us that continued use of agency and temporary staff may mask real recruitment and retention difficulties in some areas. Similarly there can be negative and positive perceptions of flexibility in working patterns. Such

flexibility may provide employees with a route to better work-life balance or, where the patterns pay no attention to employee needs, a threat to such a balance.

18. Given some uncertainty about why, how and to what extent authorities are using different forms of employment, **we recommend that the union and employer sides consider undertaking some joint work allowing them to map these issues on the basis of an agreed methodology.** The data generated would provide the basis for a more informed discussion on the value of these practices, establish examples of 'good' and 'bad' practice in their use, and help the NJC to develop joint advice for authorities on the formulation of coherent resourcing strategies. In conducting such work, the parties should be aware of related research activities being carried out elsewhere in the sector, for instance any work being sponsored by the DfES on the remodelling of the workforce in education, which might touch on such issues as term-time working in schools. Attempts should be made to ensure that the focus of different studies are complementary and methodologies compatible.

### **Flexibility for employees**

19. Flexibility in working patterns (number of hours worked and time at which they are worked) is one way in which local government employers may seek to develop modern patterns of service delivery. This can be seen as flexibility *by* employees. Combining this with flexibility for employees allows local authorities to reap other benefits, as shown by the DETR survey of local authorities in 2000. Positive impacts of work-life balance practices perceived by high proportions of local government employers included fostering good employment relations, retaining employees, reducing absenteeism, improving staff motivation and commitment.
20. An integrated approach to flexibility which considers customer, employer and employee needs for flexibility may enable a 'win-win' approach to be developed. Such an outcome is aided by a joint problem solving or partnership approach to the issue being taken by management and unions at local level, as demonstrated for example by the experience at Redditch Borough Council and Bristol City Council. New and alternative ways of working can be developed to better meet service needs and also the diverse needs of the workforce. Research evidence (for example the DfES work life balance survey) indicates that considerable proportions of employees in the economy generally would like flexible hours working. It is likely that this holds true for local government employees also. In the context of the employers' stated desire for greater flexibility this suggests scope for shared agendas. These could be explored when service reviews are undertaken.
21. In some cases the ability to work flexibly is restricted, whether formally or in practice, to particular jobs (for example part-time working is generally concentrated in lower level jobs), or to certain workers (for example part-time workers have fewer opportunities to work flexitime). Tackling these restrictions, for example by opening up higher graded work to part-time working, would help increase flexibility both for and by employees and also help address other issues, such as occupational segregation, discussed in Chapter 5. It is also necessary if local government employers are to comply with their obligations under the Sex Discrimination Act

1975 and the recently introduced rights to flexible working under the Employment Rights Act 2002.

22. Flexibility for employees is often expressed as a question of work-life balance. Various authorities have work-life balance policies and procedures in place but a recent NJC working party on this found that very few have the full range, and take-up is often quite limited. It felt that the full potential of different working times has yet to be fully explored. The report of the working party, entitled 'Finding the balance: work life policies in practice' (2001), provides much useful guidance as to the ways and means by which a positive approach to working arrangements can be linked with the improvement of services. **We support and echo its guidance and recommend that consideration be given to how to promote it further.**

### **Formal pay and reward practices and different forms of employment**

23. The implications of the different forms of employment for pay and reward are covered in various parts of the national agreement. Some aspects of pay in relation to flexible hours working are dealt with by Part 3 of the National Agreement. This is considered more fully in chapter 6. In relation to the other groups of employees, the situation is as follows:

#### Temporary employees.

24. Part 2 of the national agreement (paragraph 9.1) states: "Temporary employees shall receive pay and conditions of service equivalent to that of permanent employees".
25. Although the term 'temporary employees' is not defined in the Green Book, it is assumed that it covers casual and fixed-term contact workers employed by the local authority. These workers are also protected by the Fixed-term Employees Regulations 2002, which prohibit discrimination against them save where such discrimination is justifiable. It further provides that fixed-term workers, who are continuously employed for at least four years after 10 July 2002, will be deemed to be indefinitely employed unless their employment on successive fixed-term contracts is justified.

#### Part-time employees

26. Part-time workers are also covered by Part 2 of the Green Book, in this case paragraph. 8.1, which states:
- "Part-time employees shall have applied to them pay **and conditions** pro rata to comparable full-time employees in the same authority" (emphasis added).
27. Part-time workers are also protected by the Part-time Workers Regulations 2001, which provide that such workers are entitled to be treated pro rata with equivalent full-time workers. In addition, and given that the majority of part-time workers are women, discrimination in relation to part-time work may amount to sex discrimination. This is particularly important in regulating access to part-time work. At present, as described in Chapter 3, part-time workers in local government are

disproportionately concentrated on the lower points of the pay spine and part-time working at the upper pay levels is relatively unusual. To the extent that this is the result of barriers to part-time working in better paid jobs, it may well be the result of actionable sex discrimination.

### Term-time employees

28. Term-time workers might be part-time or temporary as well as permanent and full-time, and should therefore be covered by the appropriate parts of the Green Book. However, given that these employees only work during the school term, issues are raised about their holiday entitlement. This appears to be covered by Part 2, paragraph 7.2, on annual leave entitlement which states that:

“The minimum paid annual leave entitlement is twenty days with a further five days after five years continuous service... **For alternative working patterns an equivalent leave entitlement should be calculated**” (emphasis added).

### Contract and Agency Staff

29. Contract and agency staff are not employed by the local authority and therefore are not covered by the national agreement. However, it should be noted in relation to contract staff, that there is now a Code of Practice on Workforce Matters in Local Authority Service Contracts (the so-called ‘two-tier workforce code’) which is intended to ensure that contract staff, recruited to work on contracts awarded by local government after 13 March 2003 in England (and 2 April 2003 in Wales), work on terms and conditions which are in general no less favourable than those of local authority staff. This Code was introduced after the Commission’s terms of reference were established and we would expect it to address a number of the concerns about the development of a two-tier workforce in local government. **We welcome this Code and encourage local authority managers to acquaint themselves with its contents and to act in keeping with it.**

### **The practice**

30. Statistically robust data on the implications of different forms of working on pay and reward are not widely available. Although different authorities adopted different approaches in coping with CCT, as noted earlier, there is evidence to indicate that it placed downward pressure on the terms and conditions of employees in services confronted with the possibility of being outsourced. Indeed, there is sound evidence to suggest that this pressure was particularly acute in those service areas mainly staffed by female part-time employees<sup>14</sup>. Although the threat of moving to another employer is less direct under Best Value, there are grounds to suggest that it is exerting as much, if not more, downward pressure on terms and conditions<sup>15</sup>. However, firm evidence which allows us to consider questions such as whether term time and temporary staff are employed in line with the provisions of Part 2 and how the pay and rewards of agency and contractor staff compares to that of in-house

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<sup>14</sup> Escott, K. and Whitifield, D. (1995) *The Gender Impact of CCT in Local Government*, Manchester: EOC

<sup>15</sup> Geddes, M. (2001) ‘What about the workers?’ *Best value, employment and work in local public services*, *Policy and Politics*, 29:4, pp497-508.

staff does not seem to be available. This is something we later suggest be addressed by the NJC.

31. In general terms there is no firm evidence to suggest that authorities using different forms of employment are out of line with the requirements of Part 2 of the Green Book nor the new Code of Practice. In the case of Part 2, the parties will not need reminding that it sets out the “Key national provisions which are for application by **all local authorities to all employees covered by the NJC**” (emphasis added).
32. At the same time, however, instances were highlighted in our regional visits and in union evidence where the use of different forms of employment had negative pay and reward consequences both for those working under these arrangements and for those working alongside them. For example, our attention was drawn to issues of transparency when it came to term-time working with posts sometimes advertised indicating the full salary despite the fact that it would be paid on a pro rata basis; to permanent staff whose work had intensified and become less desirable as particular activities or tasks had been ‘cherry picked’ and allocated to agency staff; to employees working part-time but for very few hours in any given job, forcing them to ‘cobble together’ a number of small hours contracts to generate a meaningful period of employment and income; and to employees working significant amounts of unpaid overtime.
33. These examples must be placed in perspective. They may be confined to pockets of poor management practice in particular authorities or even within a given department or section of an authority. At the same time, and as noted in discussing the incidence of different forms of working, the impact of even isolated examples of poor practice on general staff perceptions of employment and their consequent morale, should not be underestimated.

## Conclusions

34. In the light of the above discussion we wish to make a number of additional points as a means of taking issues forward:
35. **Employees covered by the NJC working on casual, term-time, fixed-term contracts, part-time or on the basis of flexible hours should do so with no detriment to their pay and other conditions of employment.** The Commission feels that Part 2 provisions of the agreement (in line with statutory requirements) should ensure that this is indeed the case. For staff transferred to outside employers, statutory protection and the recent Code of Practice should also provide employees with the necessary protection in terms of pay and reward.
36. As for agency employees, the Commission recognises that the local authority cannot directly be responsible for their terms and conditions of employment. However, given that these employees will often work in close proximity with in-house staff, differences in their terms and conditions, whether better or worse, may cause disruption, anxiety and possibly a lowering of morale and motivation at the workplace. **The National Employers should continue to impress upon local authorities and their managers the need for them to consider carefully the**

**implications of different terms and conditions when approaching employment agencies.**

37. While current regulatory mechanisms should provide protection for the pay and rewards of employees under the various employment regimes outlined, it is important to guard against incidents of poor management practice in the use of these forms of employment. There is no reason to believe that these incidents are widespread but we feel it would be useful for both sides to consider taking a number of steps to ensure that these incidents are avoided.
38. On the basis of an agreed methodology, **the NJC should investigate issues of pay and reward for particular groups, exploring whether there are instances of widespread and systematic undermining of pay and reward for any given group**, for example the holiday entitlements of term-time workers.
39. Employers should recognise that impressions of poor practice, whether or not accurately reflecting general practice, can have a real and negative effect on staff morale and indeed the general attractiveness of local government as an employer. There is a responsibility to place such impressions in context but there is also a need to ensure that where they do reflect poor practice, strong advice from the centre addresses this.
40. The Commission remains uncertain as to whether or not the use of different forms of work and employment practice reflected planning or strategic thinking on the part of authorities. **We are of the view that, in line with the modernisation agenda, the use of such practices should be driven both by service user needs and by the well being and concerns of the employees** who clearly need to be able and willing to provide high quality services.
41. We are particularly keen to highlight the need for flexible forms of working to be sensitive to these twin and related user and employee needs. **The Commission strongly endorses flexible patterns of working at all levels as a way of helping to ensure that employees can maintain a work life balance while also acknowledging that such working will facilitate the provision of services in line with user needs.**
42. **Further consideration should be given at the national level to providing joint support and advice to local authorities on workforce planning and the strategic integration of different forms and patterns of employment in pursuit of better service delivery.** Such support and advice should stress that casual and flexible forms of employment should not be seen as short-term, cost-cutting measures but should be linked to the taking forward of the service delivery agenda. They should also be introduced on a no detriment basis when it comes to pay and rewards. The national agreement seems to support such a line and this should be emphasised. As we have indicated, in adhering to these principles local authorities will be better placed to respond to the pressures they face in improving services and modernising service delivery.

**PART 2 Recruitment and retention**

43. The Commission was asked: “To establish the extent and causes of recruitment and retention difficulties in local government, and to advise on their relationship to pay and rewards”.
44. In recent years, the recruitment and retention of employees covered by the NJC, and indeed employees in the public services more generally, have generated considerable interest and debate amongst a variety of public policy and practitioner stakeholders. This reflects consensus on the fact that the provision of high quality services is inevitably dependent on the ‘right’ employees being present at the ‘right’ place at the ‘right’ time.
45. We thought it appropriate to take note of this wider public service debate, partly because it touched on certain local authority employees but also because the labour markets in different parts of the public service interface and overlap in significant ways. Public service employers are often drawing upon similar labour pools with partnership working, and more integrated service delivery in areas such as health and social care reinforces this process.
46. At the same time, we also felt it important not to drift too far away from our term of reference. We were not explicitly asked to consider responses or solutions to any recruitment and retention difficulties highlighted. These are inevitably implied in discussing extent and cause, but they are for the parties to discuss in the light of our analysis. We were provided with various examples of imaginative initiatives being taken by different local government employers and at different levels. Such examples provide useful pointers for others and may provide the starting point for more strategic co-ordinated approaches, including at sector level. The Commission feels that some issues it identifies, such as supply side problems relating to professionals, call for co-ordinated action by local authorities, government departments and others (for example professional bodies), which so far has not been very apparent.
47. In addressing this term of reference, we were conscious of the need to distinguish between recruitment and retention. Clearly they constitute distinct phenomena, potentially varying in scale and cause. We also felt it necessary to adopt a fairly broad definition of ‘reward’, acknowledging that as well as pay, recruitment and retention issues are closely related to non-pay benefits, the kinds of work-life balance issues discussed in the previous section, job design, job satisfaction, reputation both at the level of the sector and the authority, as well as training and career development opportunities. We also take note of and comment on the quality of the information on recruitment and retention in local government, as well as discussing the substantive issues.
48. Bearing these points in mind, this section is divided into three main parts. The first considers the extent of recruitment and retention difficulties. The second assesses their causes and in particular how they relate to pay and reward. The third outlines our views on how issues in this area might be taken forward.

## The extent of recruitment and retention difficulties

49. It is widely recognised that the local government labour market is complex, reflecting its diversity and national coverage. As a means of understanding and discussing recruitment and retention problems in this complex environment attention has tended to focus on three main features of this labour market: occupation; service; and region.
50. Recruitment and retention difficulties in local government defy easy analysis, even according to these features. For example, the relationship between regions and recruitment and retention difficulties remains at best uneven and limited. Indeed, such difficulties are often associated not with regions but local 'hot spots' within a region which reflect the distinctive features of its local economy. Moreover, these three features will often overlap in that there may well be a recruitment problem for a particular occupation in a specific region. However, given the structure and tenor of past debate on these issues, the three features highlighted are used as the framework for this evaluation following a brief consideration of measurement issues.

## Measurement

51. A considerable amount of data on recruitment and retention difficulties in relation to these three features exists but it has often generated more heat than light, a reflection of different methodologies, inhibiting comparison and verification, and, perhaps more specifically, the weak measures used to identify and track these difficulties. These concerns were raised by the Audit Commission in their broader consideration of recruitment and retention in the public services and hampered its attempt to scope the extent of problems.
52. The limited quality of the data and the measurements which therefore emerge are fully apparent in local government. In the case of recruitment, attempts to assess the situation have often relied on asking local authorities to highlight 'problems' or 'difficulties'. This is the approach adopted by the EO in its regular survey on this topic and by IDS in research commissioned by the Union side. Yet there is an acknowledgement, even by the parties, that these terms are extremely broad and might cover phenomena which range from a slight disappointment in the number of applicants through having to re-advertise a post to an inability to fill a post at all. Designing survey instruments sensitive to the complexities around these issues, and that respondents are willing to complete, is problematic. **But we would recommend that consideration be given to the development of more precise and consistent definitions and questions in order to enhance the value of such surveys both to those receiving the information and those providing it.**
53. Other indicators fare equally poorly. For example, information on job vacancies, perhaps a more robust measure, is logistically difficult to collect. There is no government agency with this role, leaving the EO to rely on voluntary returns, inevitably generating patchy data. At a more fundamental level, there are even questions to be raised about what constitutes a vacancy. At a time of job re-design, in the context of developing new approaches to service delivery, it can be difficult to evaluate whether and for how long a post should be viewed as vacant.

54. Retention finds a 'harder' measure in turnover, although here as well there can be certain inconsistencies in definition. These inconsistencies limit the possibility of comparison as well as the scope for debate over what level of turnover constitutes a 'problem'. There is some unevenness in surveys as to whether forced departures – say dismissals, retirements and redundancies - are included in turnover figures. Clearly it is important to distinguish between voluntary and involuntary turnover in any attempt to probe retention issues. Not only does such clarity help in scoping the nature of the issues but voluntary and involuntary turnover reflect distinctive developments and generate different issues for organisations.
55. A certain level of voluntary turnover is generally seen as 'healthy' in ensuring that new blood enters the organisation and room is provided for internal 'talent' to progress. Problems arise when 'too many' employees leave an organisation – raising questions about the desirability of working there. However, the type of employee leaving may be as significant as the volume of staff turnover. A degree of involuntary turnover is also inevitable, such as when employees retire, but again problems can arise if it is too high. For example, a distorted age profile (as in local government) might well lead to many key employees retiring at the same time.

### **Mapping the difficulties**

56. While the quality of the data remains at best uneven, in the case of recruitment difficulties for particular occupations, much of it does appear to point in the same direction and we are in no doubt that local government does face difficulties in a number of areas.
57. As a means of mapping these difficulties, we found the distinction made between occupations where local government is the main, if not sole, employer and occupations of a more generic economy-wide kind, useful. There is therefore a considerable degree of consensus amongst stakeholders at national and local level, based on consistent evidence, that there are specific, national recruitment difficulties for some occupations where local government is the main employer. These include social workers, environmental health officers, planning officers and to a lesser extent trading standards officers and traffic engineers. In some areas these difficulties are severe and impact adversely on the ability of local government to deliver its services.
58. This consensus does not extend to general views on recruitment difficulties amongst non-professional groups located at the lower end of the pay spine. We had examples of shortages of such lower paid workers cited to us, however, including home carers, residential care workers, cleaners and caterers. These difficulties were sometimes seen as linked to the pay position of these occupations which, when combined with the particular nature of the job and working patterns required, were seen as unattractive relative to alternative opportunities in the private sector.
59. Our assessment of the evidence is that, while there are indeed geographical and occupational pockets where it is difficult to recruit amongst this range of non-professional employees at the lower end of the pay spine (see below), these difficulties are not universal and do not of themselves support the case made by the unions for a general minimum pay up-rating.

60. In terms of service area, there also appears to be some agreement that recruitment difficulties are more acute in certain service areas. Such difficulties, for example, appear to cut across a range of occupational groups in social services. While, as noted, they remain particularly acute in the case of social workers, there was evidence to suggest that they embraced home care workers, occupational therapists, and care managers as well<sup>16</sup>.
61. Traditionally, support service areas such as information technology, legal services and finance, have also faced recruitment difficulties. These are services which are more likely to employ staff with more generic skills marketable across a number of sectors. The Commission was presented with material that suggested that recruitment difficulties in these areas were reducing, although problems were still reported by some authorities in research undertaken by IDS for the unions<sup>17</sup>.
62. Any attempt to relate recruitment difficulty to region needs to be handled with some care. Clearly at a general level of analysis, there are regional variations in the tightness of labour markets reflected, for example, in differences in the rate of unemployment. The variation in house prices is also often highlighted as affecting labour mobility and creating recruitment problems where house prices are high. There was some consistency of view amongst stakeholders in local government that the recruitment difficulties for certain occupations were particularly acute in London and the South East, linked not least to the issue of housing cost. The payment of London weighting to NJC employees is a testament to the ongoing nature of the high living costs associated within this very particular labour market. However, it was apparent that although many public and private sector organisations had a similar allowance, a number, especially in the private sector, had a slightly more sophisticated series of often banded regional allowances centred mainly on the South East.
63. Equally striking is the variety in the ways in which employees are compensated for working in Greater London and the amounts which they are paid. The research we commissioned on benefits packages found that the pattern of methods includes free-standing flat rate allowances; separate higher salary scales for London; national broadband ranges with scope for location-related salaries; designated area or regional pay arrangements; various discretionary 'recruitment and retention' supplements or enhancements which can, in principle, be paid anywhere; and ad hoc local supplements.
64. Separate London pay scales were introduced under the Greater London Provincial Council agreement in 2000. These scales consolidated the three main levels of London allowance to create two new pay scales for Inner and Outer London. These were to be increased in line with the national agreement each year. In July 2001 the unions submitted a claim for a London weighting of £4,000 across the board. The current inner London 'differential' in local government is between £2,565 and £2,847 per annum. According to our commissioned research, this is close to the public sector median of £2,727 per annum (although less close for staff on the lowest grades). This figure does not, however, include the additional supplements for

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<sup>16</sup> Eborall C. and Garmeson. K, Desk Research on recruitment and retention in Social Care and Social Work, August 2001, COI Communications for Department of Health

<sup>17</sup> IDS Recruitment and retention, pay levels and use of agency workers in local government, March 2003.

recruitment and retention paid in some other parts of the public sector. The new harmonised allowances for NHS staff (£3000 minimum) will place many lower level NHS staff on a higher London allowance than that in local government. The median payment for all organisations, public and private, is £3,290 per annum. The combined London allowance for the Police is £6,165, for school teachers (above the performance threshold) in Inner London £5,334 to £5,943 per annum, and for the City Corporation £4,000.

65. Given that the relatively high costs of living and working in London are the same for all public service employees, it seems sensible to us that **consideration be given to aligning the different rates of London weighting across the different parts of the public sector with defensible rationales for any remaining variation in rates.**
66. There were also some instances where regional pressures were affecting recruitment amongst particular groups. For instance, we had evidence to suggest that the concentration of unitary authorities in Wales caused particular problems in the recruitment of social workers in the context of supply side problems and high demand in a concentrated area.
67. However, significant variation within region in terms of the state of the labour market for different occupational groups, as well as in needs and circumstances of recruiting local authorities, renders it far too simplistic to relate such difficulties to region. As already implied, difficulties were more likely to assume the form of occupational 'hot spots' within region. For example, despite an absence of evidence suggesting any general or widespread difficulty in recruiting cleaners and caterers, we were presented with material which suggested that in some parts of the North West local authorities were facing problems in recruiting to such posts
68. Finally, the Commission wishes to ensure that one element of recruitment which cuts across occupation, service and region is a central part of any consideration of addressing recruitment difficulties. This relates to the recruitment of a workforce which reflects the demographics of the local community. Diverse communities should be reflected in diverse workforces throughout the hierarchy, not least because such a workforce is more likely to be sensitive and empathetic towards user needs and able as a consequence to deliver better quality services. An inclusive recruitment strategy tapping into different groups on the labour market (including those with disabilities), can help widen the pool of potential recruits as well as serve equality agendas. Local authorities now have a duty to collect data on the ethnic composition of their workforce under the Race Relations (Amendment) Act, 2000. Few authorities have provided data of this kind and we cannot evaluate whether there is a problem in this area. We would, however, endorse the view which underpins this process, that recruitment is not only about acquiring the 'right' numbers of people but also about acquiring people with the 'right' background, in this case reflecting the community. To the extent that this is not the case it becomes a recruitment difficulty. **National initiatives (such as the graduate training scheme) need to be geared to diversity in the labour market and can be used positively to help promote diversity within local government.**

69. Turning to retention difficulties, we were interested to note that in the evidence and data reviewed little attempt was made to distinguish between voluntary and involuntary turnover. Given the ageing nature of the local authority workforce (indicated in Chapter 2) and the potential for quite high levels of involuntary turnover as employees retire, we found this a noteworthy and perhaps surprising omission. Our concern was heightened by recent SOLACE research suggesting that systems for succession planning were very poorly developed in local government. This reinforces our view, expressed elsewhere, **that there is a need for guidance and support for proper workforce planning.**
70. The information we reviewed indicated that, in relative terms and in a general sense, retention is not a major problem in local government. There are some occupations and service areas which have comparatively high turnover rates. This is the case amongst social workers, especially in childcare, and indeed amongst a number of occupations in social care. It was also clear that turnover is high in some non-professional occupations such as cleaning and catering. While turnover is high amongst these groups, there was a difference of view as between the parties about the extent to which this represents a 'problem' given that such employees are fairly easily replaced. While recognising that an ability to replace such staff lessens the negative consequences of high turnover, the Commission is less sanguine about the consequences of such turnover. Employing new staff at whatever level of the organisation always incurs cost both in terms of recruitment and initial training. Moreover, however apparently routine the task, tacit knowledge and skills are inevitably lost when staff leave the authority. This loss may well have an affect on the continuity and quality of service provision. Where personal service provision is concerned (as in home care) turnover can pose particular problems for service users.

## Causes

71. In outlining the extent of recruitment and retention problems, we are now in a better position to explore reasons for the difficulties and in particular the part played by pay and rewards. It is clear from the preceding discussion that recruitment and retention problems in local government have assumed a complex form, varying along the three dimensions distinguished. To re-cap, our reading of the evidence is that it indicated:
- a general difficulty in recruiting to certain key professions such as social worker and environmental health officer;
  - some general difficulty in recruiting to occupations in the social care area and perhaps also in support service area such as IT, finance and legal services;
  - no widespread general difficulties recruiting non professionals at the bottom end of the pay spine, although there are some local problem areas;
  - a need for local authorities to be more active or effective in recruiting diverse workforces reflecting their communities;
  - recruitment difficulties were not crudely related to region but there were suggestions that the recruitment of certain professionals may correspond to

region where demand is especially high. More typically, recruitment difficulties (including those at lower levels of the pay spine) correspond to local 'hot spots' within region;

- local government does not have a general retention problem in terms of significant levels of turnover but there was evidence to suggest that turnover at lower occupational levels is high and may pose problems in terms of costs and service delivery; and
- with an ageing workforce, involuntary turnover may be a problem in the foreseeable future.

72. In short, it is a picture which suggests some very particular recruitment and retention difficulties combined with some broader, cross-cutting issues affecting the sector as a whole. Any explanation, therefore, needs to focus both on specific labour market features as they relate to particular occupations and service areas and on more general features of employment in local government where difficulties appear more pervasive across the sector.

73. Initially, concentrating on the more particular issues, it is clear that pay and other rewards relate to the recruitment difficulties amongst certain professionals in a number of ways. First, in terms of the consequences of recruitment difficulties on pay and reward, we received some evidence to suggest that there was some upward pressure on the pay amongst these groups as authorities were forced into a 'bidding war' for their services. In parts of London, such pressures had encouraged authorities to combine as consortia employing social workers at a given and shared pay level. Second, in terms of the contribution which pay and rewards have made to these difficulties, the supply side shortages in a number of these professions cannot be completely dissociated from pay in that one might expect higher salaries to attract a larger number into the profession. As well as the important issue of pay, there are additional factors which may underlie these supply-side problems. These relate with varying degrees of directness to pay. A number of them concern the less tangible aspects of reward. For example the esteem and status associated with these professions (notably social work) has been eroded over the years by hostility from the media and public policy makers; the roles undertaken are hugely complex and difficult which, while a possible attraction, can generate uncertainty and imbalance in the risk-reward ratio; there are an increasing number of alternative careers in the public services, for example in regulatory bodies, the independent sector and indeed the private sector, for those who might otherwise have gone into these professions and even after training for those who initially chose the profession.

74. Finally, the professions themselves and their representative bodies have not always been proactive in developing career pathways by, for example, establishing technician roles. In the past, central and local government have not taken much responsibility for the development of career pathways towards professional status and competence in areas such as social work and environmental health. While centrally driven campaigns to recruit, for example, more social workers, are to be welcomed, these have not addressed the more profound issue of career ladders and the development of new roles within professional areas of work. This failure, particularly on the part of central government, is especially marked given the targets it has continued to set for the employment of increased numbers in these professions. The ODPM in its recently published **Pay and Workforce Strategy for**

**Local Government** lists a range of such targets including a call for more childcare workers, social care workers, transport planners and traffic engineers, environmental health officers and trading standards officers. These are precisely the areas where we have highlighted recruitment difficulties. Any centrally driven strategy has to address how such supply side issues are to be dealt with and the specified target numbers met.

75. Pay may well have been more directly and powerfully linked to some of the traditional recruitment difficulties amongst professions in support service areas such as finance, law and IT. What appears to be the more ready and widespread use of market supplements for these professionals is perhaps a testament to local government pay being out of line with rates for such employees across a cross-sectoral labour market. The use of such supplements is indicative of the discretion and flexibility available to employers to respond to particular labour market pressures. At the same time, we remained uncertain how exactly such supplements were being used. For example, questions were raised about the duration of supplements and whether their continued payment was reviewed in the light of shifting labour market conditions. Moreover, to the extent that such supplements might be associated with posts dominated by male employees, the continued payment of supplements raised equal pay issues particularly in circumstances where the labour market pressures, the original rationale for such supplements, weakened. The use of such supplements is not covered in the national agreement or indeed in any joint or employer side advice. **This is an area where the Commission considers advice could be formulated.**
76. It is perhaps significant that social care, the service area in which recruitment difficulties extend across a range of occupations, is the part of local government which is most obviously developing in close association with other parts of the public services, particularly the NHS. It was clear to the Commission that the perceived disparity between pay and rewards, particularly apparent in community care settings where employees from local government and the NHS sectors often worked side by side, was causing some discontent. There are grounds for suggesting that the apparently high level of resource devoted to pay in the NHS with 'Agenda for Change', and to training through what were perceived to be wide ranging development opportunities, was undermining the relative attractiveness of employment in local government where no such government resources were apparent. It is also important to note that problems with the nature of jobs in local government were perhaps most apparent in social care. Many of the examples of particularly demanding or onerous jobs involving high levels of responsibility and long hours were in this service area. Here pay was clearly not the only issue. As significant was the more general quality of working life which in these cases was sometimes perceived as poor. However, where non-pay aspects of a job are seen as poor the level of pay may tend to take on greater importance.
77. Our evaluation of recruitment and retention difficulties has highlighted three main cross-cutting or sector-wide issues: quite a high level of turnover amongst those in occupations at the bottom end of the pay spine; an ageing workforce which by implication reflects the fact that in the immediate past young people have not been attracted to the sector and foreshadows problems when older workers retire; and the workforce who may not be as diverse as the community to whom services are

provided. Certainly these difficulties are affected by pay in that relative rates affect whether people stay and whether young people and those from diverse backgrounds are attracted to the sector. However, a wide range of factors associated with rewards broadly defined also underpins these difficulties: reputation and esteem; the quality of working life; and the lack of effective HR systems. We deal briefly with each of these.

78. Reputation and esteem: The issue of reputation of employment in local government and the esteem or status which flows from working in the sector in the past have been perceived as problematic. Stereotypes of working in local government have endured, often reinforced by the media and national policy makers. The Audit Commission report on recruitment and retention indicated that 'not valued by government' came fourth in order of importance of reasons given by those who had left local government employment (higher on the list were bureaucracy and paperwork; lack of resources; and workload/hours). While more recently the tone of some pronouncements as they relate to the public services has changed, the range of local authority services and employees has often not been praised in this way.
79. Local government has not always been seen as an exciting place to work and this is reflected in past failures to attract young talent, resulting in the age profile described in chapter 2. The local government community is well aware of past failures in this respect and is responding through national initiatives such as the National Graduate Development Scheme. Indeed the positive response to this scheme suggests that if the 'right' opportunities can be provided in the 'right' way, young talent will be forthcoming. **We welcome this scheme and especially plans to double the numbers on it from just over 50 in 2003 to 100 in 2004. We view the support provided by central government from the Capacity Fund to facilitate this expansion as a particularly positive step. The Commission would also encourage individual local authorities to introduce or extend their own graduate development schemes.** There is scope to introduce and develop Modern Apprenticeships (MAs) across a range of areas in local government. This would help bring young people into local government and **we encourage greater consideration of MAs as part of workforce planning**
80. Quality of working life: Some of the general recruitment and retention problems, as indicated, appear to be affected by the quality of working life. This is partly about job design and the nature of jobs and how people are treated within employment. The findings from the Audit Commission report, albeit on the wider canvas of employment in the public services, stressed that unnecessary burdens associated with jobs adversely affected employees' willingness to stay. Interesting, empowering manageable jobs attract and keep people, ensure that they are motivated to perform and in so doing help to guarantee that high quality services are delivered. However, the quality of working life is also about work-life balance which, while overlapping with issues of job design, is primarily about employment arrangements. In this context, the preceding discussion of flexible hours working for work-life balance clearly assumes significance. The greater the extent to which working time can be arranged to maintain this balance, particularly where employees have important domestic responsibilities, the more likely employees are to join, stay and deliver.

81. Human resource systems: diagnosis and opportunities: A final possible reason for some of the general recruitment and retention problems highlighted above relates to systems at national and more particularly local levels. Systems emerge as important in two senses: as a diagnostic tool and as a means of creating new opportunities which encourage people to join and stay. There were signs that past problems may have arisen simply because HR systems were not developed enough to identify them in time. Attention has already been drawn to some of the problems associated with measurement at national level. At local level authorities are being encouraged to develop more sophisticated systems as noted in the case of diversity. But questions still remain about how well equipped local authorities are to diagnose potential recruitment and retention problems.
82. Once these problems are apparent, mechanisms clearly need to be devised to address them. One such system relates to the identification and development of career opportunities and pathways. This is an area where there is considerable consensus between unions and employers and work is currently being undertaken particularly at national level on the development of such pathways and opportunities. **We welcome and encourage these developments.**
83. The difficulties related to diagnosis and the creation of opportunities converge on the use of coherent and robust workforce planning. Although we were not presented with information on the use of workforce planning by local authorities, there are strong grounds for suggesting that the use of such planning is limited and weak. Thus, it is noteworthy that the Audit Commission, in drawing lessons from the Comprehensive Performance Assessment on the management of people, can only commend 14 out of the 150 councils assessed for “maintaining up-to-date intelligence on the skills they needed to deliver local services, the level of skills within the council, and what was needed to bridge any skills gaps or shortages”. We feel that workforce or HR planning is central to local government’s modernisation agenda. The development of new and better quality service depends upon developing a view as to future needs. It also depends on ascertaining whether the current workforce has the knowledge, skills and capabilities to meet them and then, to the extent that it does not, being confident that they can be generated by workforce development and/or the recruitment of staff. As this suggests, strategic planning on the basis of good quality data is essential, as is the capacity to train and develop staff as well as be competitive in external labour markets. **In encouraging local authorities to (re) consider the development systems for workforce planning, we would also call upon national support for this process in the form of guidance, advice and other resources.** In Chapter 6 we touch further on the issue of training and development in the national agreement.

## Conclusions

84. Although the Commission was not asked explicitly to discuss solutions to the recruitment and retention difficulties highlighted, we were asked to advise in the light of the analysis provided. Some suggestions on ways to take forward these issues have been presented as this analysis has unfolded. These and additional suggestions are presented below.

85. **The issue of measurement, evaluation and diagnosis of recruitment and retention issues at national and local government levels, and indeed across all parts of the public services, needs to be addressed.** While at national level in local government and the public services there is a considerable amount of information being generated by a range of bodies, the value of these data can be questioned. **Approaches to data collection need to be reviewed, tightened and rationalised.** As implied, given that local government shares labour markets with other parts of the public services, this process should cut across the whole of the sector and in this respect we are echoing similar suggestions made in the Treasury Cross Cutting Review of the Public Sector Labour Market.
86. Given the complexity of recruitment and retention difficulties, reflected in the variety and unevenness between service area, occupation, region and area within region, **we feel that local authorities should respond to their own local circumstances and needs within the context of the current national agreement.** Once evaluated, authorities do have some scope to develop grades which establish competitive local rates. Market supplements have also been used to address local issues. In the case of such supplements, however, **we feel that it is important that some national guidance be provided** to ensure that these are used in ways which reflect ongoing rather than cyclical problems, and do not create or perpetuate pay discrimination. There are some widespread problems as they relate to certain professions, particularly social workers. Even here, however, there is an unevenness which suggests national solutions are not necessarily appropriate. **We would encourage some attempt to share ‘good practice’** along the lines of the London Boroughs consortium approach to recruitment of social workers.
87. There are certainly local and service recruitment ‘hot spots’ when it comes to occupations at the lower end of the pay spine. However, **we did not feel that these were pervasive enough to justify a general uprating of the minimum rate of pay in local government.** However, labour markets may change and the current relative ease in recruitment may not continue, not least given government targets for service expansion in some areas which could lead to shortages. There were also some significant turnover difficulties at this level as well and despite the current relative ease of replacing such workers we did feel such turnover was problematic in a number of respects and should be addressed through the kind of developments outlined below.
88. We are aware that a wide range of initiatives are being undertaken to address some of the recruitment and retention difficulties in this section. These include efforts such as the National Graduate Development Programme, aimed at the recruitment of young people, and recruitment campaigns aimed at particular professions such as social work. **We welcome these initiatives, their expansion and the support provided by central government for them. We would also encourage local authorities to take forward their own graduate development schemes and to use Modern Apprenticeships.** However, given that a number of the difficulties affect many parts of the public services, **we would encourage a much more co-ordinated response across the sector.** This might include a shared and consistent message about the benefits of working in the sector and the values which underpin employment in it. More tangibly, it might involve opportunities for career movement

across these different parts of the sector through, for instance, extending the scope for secondment and establishing a public services graduate development scheme.

89. Pay is significantly related to the kinds of recruitment and retention problems highlighted. The supply of individuals willing to enter local government professions and young people prepared to embark on general careers in the sector are affected by relative pay rates. **In addition to concerns about pay, other issues need to be addressed** to encourage and keep quality employees including issues of esteem and status; quality of working life and workforce/HR planning. **Jobs and employment arrangements must be designed in ways which not only meet user need but which are interesting, satisfying, manageable and maintain a work-life balance.** This produces a win-win situation in that quality services delivery depends on the creation of jobs which excite and motivate employees.
90. **HR Systems need to be developed** which not only effectively diagnose and anticipate local recruitment and retention needs but help develop career opportunities, which will in turn address those needs.
91. The Commission is keen to emphasise the importance of robust and coherent workforce planning at the local authority level. **Authorities should be encouraged to develop such planning, supported and encouraged by the NJC.**

## Chapter 5

### EQUALITY ISSUES IN IMPROVING LOCAL GOVERNMENT SERVICES

This chapter relates to the terms of reference which require us:

**‘To consider and advise upon gender and race issues in relation to pay and rewards within the local government workforce’ and**

**‘To examine the barriers to implementation of the 1997 single status agreement, and advise upon action needed to ensure its implementation throughout local government’.**

**We look first at how to stimulate and support action on equality as an integral part of improving services, and then consider issues around the implementation of the Single Status Agreement.**

**Although asked to consider race issues as well as gender, the absence of data and lack of submissions to the Commission on this point means our main focus is on gender.<sup>18</sup>**

#### **Equality as an integral aspect of improving services**

1. Equality in local government employment is a necessity not an option. In terms of regulation, local government employers have legal obligations in this area over and above those placed on all employers which encompass race, sex, equal pay, disability and will soon extend to other areas including age. The Race Relations (Amendment) Act 2000 obliges local authorities to adopt a Race Equality Scheme, which sets out within a single framework, the arrangements the authority has introduced in order to be able to meet its general and specific duties under the legislation. The Equality Standard for Local Government has been developed with input from the Equal Opportunities Commission, the Commission for Racial Equality and the Disability Rights Commission providing a generic framework through which local government can address its legal obligations.
2. Compliance with regulatory requirements is an essential starting point and provides an imperative to action. However it is only a starting point. Councils have responsibilities for promoting the social and economic well being of local citizens and a commitment to fairness and equity is part of that. Central government is promoting its equality agenda through legislation (including enacting requirements of European legislation), soft law (such as Codes of Practice) and other measures (for example publicizing good practice, providing funding for initiatives as in the case of the work-life balance fund) which local government should reflect. Furthermore, there are

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<sup>18</sup> The CRE in its submission to the Commission noted that more research is needed relating to pay and rewards and race in local government and we agree (see also chapter 3).

particular business reasons also for local government employers to take action on equality and diversity as an integral part of modernising pay and rewards and the development of a highly motivated, well trained and flexible workforce contributing to improving public services. Equality and diversity are aspects of the performance indicators as measured by Best Value/CPA against which local government is assessed. Equality is part of improving local government services.

3. Larger private sector employers increasingly recognise the business reasons for going beyond mere compliance with legal obligations but it appears that the link between promoting equality and delivering on service improvement is not always perceived or articulated in local government.
4. The composition of the local government workforce (described in chapter 2), with high levels of women workers (71%) but considerable occupational segregation in the wide range of jobs, and high use of part-time employment, concentrated predominantly in lower grades, underlines the importance of equality issues in this sector.
5. In the past local government employers often have been ahead of private sector employers in terms of equality agendas and policies and the conclusion of the Single Status Agreement in 1997, designed to address concerns about gender pay inequalities in local government, was a major achievement. Whilst there are still some progressive developments, the evidence indicates that local government generally seems to have lost that earlier impetus to action. For example, in its report *Equality and Diversity: Learning from audit, inspection and research* the Audit Commission noted that forty per cent of councils had not reached the first level of the Commission for Racial Equality (CRE) Standard on Racial Equality. In its evidence (para 47), the EOC told us 'we frequently come across local authorities that are unaware of the existence of the (Equality) Standard...'. In our work and consideration of the evidence we have noted some lack of awareness, and of understanding of equality issues and requirements.
6. Equality is rightly part of the government's modernization agenda (as emphasised by the government's White Paper on Modernising Government published in March 1999) and, as the Audit Commission has stressed, is an integral aspect of improving services as equality in service delivery requires equality in local government employment. Equality is a cross-cutting issue which links to employee resourcing, including flexibility in working patterns and in service delivery; and to tackling recruitment and retention issues. These issues are discussed in other parts of our report. Equality measures can help address issues of low pay levels where work is undervalued and an equality perspective needs to be integrated into strategies for developing workforce, management and union capacity and elected member training.

### **More than just pay**

7. The EOC evidence notes that the gender pay gap figures for local government as a whole are very close to the national figures (of around 18%). The data discussed in Chapter 3 indicated that the full time gender pay gap in the NJC for local

government services was smaller at 14% (or 16% using the panel data analysis). As we saw, how this compares with the economy as a whole varied according to whether median earnings are used or not. This, of course, is an aggregate figure for local government and the size and nature of the equal pay gap needs ascertaining at local level.

8. The gender pay gap has to be addressed but there is a risk of equality being perceived narrowly as (simply) a gender pay issue and for the equal pay focus itself to rest on too narrow a perception of the nature and causes of gender pay gap, neglecting issues of occupational segregation and/or externalizing responsibility for action. We consider it is important that equality is seen as cross cutting all different aspects of employment, not only pay.
9. Equal pay is a major issue for the Commission in its terms of reference, but, as the EOC argued in its evidence to us, there are three main causes of the gender pay gap in local government: occupational segregation, the unequal impact of family responsibilities and discrimination in pay. Although the roots of some disadvantage and gender segregation (men and women doing different jobs at similar levels and being distributed differently in the hierarchy of jobs) can be traced back to societal issues, this does not mean that there is no scope for employer action. Action to tackle the gender pay gap requires attention to such areas as recruitment, training, contractual arrangements, job design, working patterns, and the combination of work and family responsibilities, which can help address occupation segregation, as well as addressing discrimination in pay and pay opportunities and the undervaluing of women's work. All these are areas where local government employers, and unions, can and should be proactive. As the EOC argues, 'redesigning employment structures, jobs and hours of work would not only achieve greater equality between women and men, it would also help local authorities to improve services and provide best value' (evidence para 14). We have made recommendations relevant to these areas in other chapters (see chapters 4 and 6). **These concern opening up part-time work at higher levels; undertaking a review of part-time workers and term-time workers terms and conditions and access to benefits; seeking win-win approaches to flexibility and ensuring equality of access to training and skills ladders.**
10. There is clear recognition in the employers' evidence that there is an equal pay problem in local government and that local government employers who have not addressed the issue of equal pay for work of equal value are particularly vulnerable to legal action. This vulnerability is confirmed by other evidence to the Commission from the Unions, the EOC, and others including the independent Hay Group. One particular area of concern is that of bonus schemes which have historically predominantly excluded women workers (see chapter 3). This remains an issue on which local authorities are vulnerable to legal challenge despite the attention drawn to it by the 1998 Technical report. The impression we gained was that, despite their vulnerability, many local authorities are not being proactive but, rather, are adopting a reactive (or inactive) stance acting only when faced with actual or potential legal challenges. There are dangers in adopting a firefighting approach, rather than developing and carrying through a more pro-active strategy.

11. The vulnerability of Councils which have not implemented an equality proofed pay and grading structure was illustrated by developments in the North East which occurred while the Commission was sitting. We were informed by the North East Provincial Council that three authorities in that area were the subject of multiple equal value claims being lodged at Employment Tribunals on behalf of workers by a regional law firm and that other authorities were expected to be targeted. As their letter states 'The situation in the Northern Region illustrates very clearly the dangers raised on failure to progress Single status'. The authorities and their unions are 'having to take immediate action at significant cost' and 'such action may not even resolve the equal value issues within existing pay and grading structures'.
12. *As the provincial council notes, reactive firefighting is not the most appropriate way to ensure the development of a rational, equality proofed pay system which fits with the needs of the particular employment context. It is also unlikely to deliver the benefits which more pro-active authorities have attributed to the implementation of SSA. These go beyond the important one of having an 'equality proofed' pay structure. Various authorities indicated other advantages accruing from having a transparent, rational job evaluated structure, including assisting in future facing job redesign. The process of joint implementation was also reported by some to have been of value in leading to improved relationships with the local trade unions.*
13. Other councils have been subject to equality claims since 1997 which have cost millions of pounds. In its evidence to us the EO noted the following: Cleveland County Council settled an equal pay claim for £4million in 1997; Durham City Council paid 400,000 to settle a claim by 28 carers; Bedfordshire County Council settled a claim by dinner staff of £1.5 million and £10million is being claimed in relation to 990 teaching assistants Lancashire. Clearly the threat or reality of costly legal claims constitutes an 'external shock' which provides a strong stimulus to action by the authority concerned. But it appears that the ripple effect of legal cases of this kind across employers other than those actually challenged has not been as extensive as might be expected, although such cases highlight the considerable costs of inaction, which then have to be met by sudden increased local tax burden or reduction in services rather than by planned for provision and budgeting. The mechanisms for achieving equal pay in local government exist; they need to be used.
14. *These considerations have led us to recommend other external levers to action, and a strengthening of existing (non-legislative) drivers. We nevertheless recognise that were it so minded, the government could introduce mandatory drivers.*

**We Recommend that:**

- **Government should consider what incentives it can provide to action by local authorities to ensure that equality (including equal pay) is treated as a policy priority and that central government's equality agenda is pro-actively carried forward as part of the modernization of local government service provision.**
- **ODPM exercise comparable leadership on this issue to that taken by the Cabinet Office in respect of government departments, by requiring pay audits**

**and action plans to be delivered to a specified timetable. <sup>19</sup> (The National Assembly in Wales has also taken action here in relation to Assembly Sponsored Public Bodies. <sup>20</sup>)**

- **More effort be put into promotion of the Equality Standard for local government and monitoring and publicizing progress.**
  - **Consideration be given to strengthening the equality and diversity aspect of BV/CPA performance indicators and including equal pay implementation as a performance indicator.**
15. A visible indicator of the importance attached to this issue and a way to encourage leadership, as well as sharing experience in grappling with tough issues, would be for the **Deputy Prime Minister to convene a closed summit of Chief Executives on the issue of equality in improving local government services.**

### **Single Status Agreement: equality and modernization of pay and reward**

16. We were tasked with examining the 'barriers to the implementation the 1997 agreement' and asked to 'advise upon action needed to ensure its implementation. As noted in Chapter 1, we commissioned a researcher to provide us with an overview of the relevant evidence submitted to the Commission and also secondary material (see Appendix 4). There are a large number of surveys and reports on this topic, including valuable work undertaken for and by the EO and the unions<sup>21</sup>, which have informed our considerations. The scope, comprehensiveness and quality of various surveys vary, however. The researcher concluded, in particular, that there is a lack of material available to enable a rigorous examination and evaluation of SSA in terms of outcomes and impact on services and costs, as well as pay and conditions. The small scale follow up work undertaken for the Commission to help address the information deficiency indicated that local authorities themselves do not appear to have undertaken a proper evaluation of SSA, something which they should be encouraged to do.
17. Addressing equal pay concerns was a major factor behind the 1997 Single Status agreement which, at the time, was seen as a major progressive development in the public sector (much as Agenda for Change in the Health Service is viewed currently). The SSA was also a means of modernizing pay structures. Equality and modernization of pay and reward remain key objectives for local government and the SSA provides a good basis for moving forward on these issues. A proper evaluation and ranking of jobs (which job evaluation provides) forms the basis for whatever pay system or arrangements a local authority employer wishes to implement and is

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<sup>19</sup> In March 2001 the Rt. Hon Tessa Jowell, Minister of Employment stated that government departments and agencies would be required to undertake and complete pay reviews and action plans within two years so as to close any equal pay gaps. The initiative, driven by the Cabinet Office set a deadline of 30 April 2003 for completion of the reviews and the preparation of any action plans.

<sup>20</sup> EOC Wales evidence to the Commission

<sup>21</sup> These include an independent academic study for the unions undertaken by Dr C.Thornley, Failing to Deliver, 2002.

needed whatever criteria for progression (contribution, time served, competence etc) is thought appropriate.

18. As described in Chapter 2, the Green Book National Agreement was intended to replace the previous separate agreements for white collar and for manual staffs. In broad terms, the Single Status Agreement had three aims: To remove the distinction between blue collar and white collar staff and place them on common terms and conditions; to ensure that staff were rewarded on a common basis which complied with equality legislation; and to introduce and establish a system of pay and reward which would facilitate the improvement of service delivery in local government.
19. Some councils have implemented all the various stages of the agreement (harmonisation of hours (mandatory), pay and grading reviews, implementation of a new pay structure) but they are in the minority. Others are somewhere in the process and continuing, yet others appear to have stalled, and others have completed pay and grading reviews but stopped short of implementation. The research carried out for the Commission drawing on the available evidence from various sources, indicated that the majority of councils have completed the harmonisation of hours and introduced the 37 hour working week for all staff; about half have pay and grading reviews in progress but only a few – some 25 – actually have implemented a pay structure. Forty seven councils, all of them English, have completed their job evaluation schemes although not all have implemented them. Implementers are mainly shire district and county councils although there are some larger unitary and metropolitan councils. Later information from the EO on the basis of its 2003 single status survey showed a marked increase compared to 2002 on the number of authorities who have completed reviews.
20. *It is clear that a combination of factors (the exact combination and the relative weight may vary as between authorities) has led some local authorities to delay the process, or has made progress difficult. Elsewhere they have led to delay in implementation or a decision not to implement. Among the major factors identified by those giving evidence and in independent reports and research, are the (actual, assumed or feared) costs of the process and of implementation; perceived complexity and time consuming nature of the process (especially where there are large numbers of workers involved) resistance, problems in obtaining agreement at various stages including choice of job evaluation scheme, and dealing with the 'winners' and 'losers'. While there may be reasons for authorities not having made progress, however, these are not justifications for continuing inequalities in pay.*
21. *We do not wish to underestimate the real challenges which full implementation of SSA can pose for local authorities, not least dilemmas in terms of use of scarce resources. Because of the composition of employment in local government equal value issues can assume much larger proportions than in some other kinds of organisations. This is particularly so where many services have not been externalized. Equality proof job evaluation could lead to pay increases being required for groups of employees whose pay is considered to be already competitive with market rates and decreases in the pay for other jobs which could create possible recruitment and retention difficulties without some kind of market supplement. Local authorities no doubt wish to fulfill their statutory obligations but*

*the challenge for them is to deal with this in ways which do not lead to service reductions or unaffordable cost increases. This may focus attention on issues of productivity, resourcing, job redesign etc.*

22. *It is important to appreciate that the implementation of the SSA is a major management of change task requiring time, resources and demanding particular skills and expertise. Lack of any of these can make progress difficult. Implementation can be a difficult issue because equality can upset the status quo (of inequality and undervaluing of women's work) which can generate resistance, and will involve costs which are more immediate and more readily quantified than are the benefits. It also appears that, not unreasonably, authorities embarking on the implementation of the SSA/equal pay take the opportunity to seek to bring about other changes. Obviously a major exercise of this kind provides an opportunity for wider reform of pay and associated arrangements, and it is important that the approach taken is forward looking in terms of job design and developments related to service improvement. However there is a risk of overloading and complicating what is an already difficult process, particularly if the rationale for wider change is not adequately articulated and shared, or is not perceived by those affected as valid.*
23. *The Commission felt that some of the difficulties which we were told arise around seeking to remove premium and additional payments (covered in part 3 of the national agreement) as part of the SSA implementation fell into this category of mixed or un-articulated rationales and a failure to achieve a shared understanding. There are various rationales which might underpin the removal or modification of such payments, including: part of a move towards equality (where current distribution of such payments or access to them is discriminatory); a move towards consolidated payment (with a higher basic rate and no premium rates) as a more effective means of compensating for unsocial hours working and normalizing the practice; removal of outdated and no longer justifiable allowances; a move towards 'cleaner' and administratively easier (and cheaper to administer) pay systems; a way of helping offset some of the costs of implementing the SSA; a symbolic target or symbol ensuring 'the unions give something in return' for equal pay. These suggested rationales, all of which surfaced in our enquiries, are likely to give rise to varying degrees of co-operation or resistance. We deal with the issue of Part 3 of the national agreement elsewhere (see chapter 6). Here we would note that in some authorities employers and unions have successfully addressed the issue of premium payments and allowances in the context of implementing SSA. Such success stories need broadcasting as their experience may provide useful pointers for others who wish to achieve this.*
24. *On the basis of the evidence before us, we make a number of recommendations designed to facilitate and maintain progress on SSA implementation. Our recommendations are aimed at a) stimulating, supporting and assisting action; b) tackling particular barriers to the implementation of SSA. We also make some recommendations designed to underpin equality as part of improving services.*

### **Stimulating, supporting and assisting action**

25. *We have already indicated a number of external levers which we feel should be used to stimulate progress, in part by ensuring greater accountability and leadership*

on this issue. Committed leadership at national and local level is essential to ensure progress. Here we deal with action to be taken within local government.

26. **Steps should be taken to increase awareness and understanding of the importance of equality and how it can be promoted through induction (and other) training for elected members and managers.** Equality needs to be seen as a core issue, a policy priority. As noted, this is an area where leadership is important and some of the effort around leadership development could embrace this.
27. **Every local authority which has not yet done so should undertake a pay audit (pay and grading review) and develop an action plan for implementing a pay structure embodying the equal value principles required by the SSA with objectives, a staged timetable and deadlines. This should form part of a longer-term strategic plan for addressing any gender pay gap revealed by the pay audit, including tackling occupational segregation.** Within such a plan there needs to be arrangements for data capture and analysis systems and means to ensure that such data inform decision making. Strategic planning to tackle the gender pay gaps needs to be integrated with the development of workforce/HR planning which we have encouraged elsewhere in this report (see chapter 4), and with developments in job redesign and workforce development (see also chapter 6). Tackling the gender pay gap is not a one-off personnel exercise. It has to be part of a dynamic forward looking process which considers the future shape of jobs linked to service improvement.
28. **The national and regional bodies should promote and support action by local employers in undertaking pay reviews and drawing up action plans for implementing SSA and should monitor progress with a view to being pro-active in providing support and expert assistance in case of difficulty or inaction. Guidance should be provided on tackling occupational segregation**
29. **Plans should be partnership plans, with buy in from employers and unions at local level. Employers should be required to present their outline plan for consultation with a view to securing agreement. Unions should build on their existing measures to increase the understanding of equality issues among local representatives and to ensure their capacity to be partners in developing, agreeing and implementing action plans.** This could build on the TUC initiative to train union representatives as equal pay champions. **Joint union-employer training at local level also should be explored,** as a way not only of providing the necessary understanding and technical expertise necessary for implementation of SSA, but also to foster joint approaches to problems and their solution.
30. Valuable guidance is available from a number of sources (e.g. EOC toolkit on undertaking pay reviews; guidelines issued to agencies as part of the civil service pay audit process) but we consider that **the national and regional local government bodies should provide tailored, pro-active support and assistance.** More work needs to be done to ensure learning from success in implementing SSA and to dispel what seems to be a general perception that it is too difficult. **Lessons should be drawn from the experience of councils where SSA has been fully implemented or where particular problems have arisen and been tackled.** Local government should develop structured mechanisms for

**sharing experience and expertise in this area, and for generalizing good practice, as in service delivery.**

31. The provision of affordable, good quality support and technical assistance in this process requires resourcing. Resources are also needed to establish structured mechanisms to facilitate co-operation and sharing of practice between authorities and to develop the necessary HR and line management capacity at local level to implement and manage equality in pay systems. **The Commission recommends the national parties develop a joint approach to central government for assistance. One appropriate source of funding is the ODPM Capacity Building fund and we recommend that this avenue be explored. Central government has been prepared to assist local government in learning from success in service delivery and we consider it appropriate that it should extend this to building the appropriate HR infrastructure necessary to support such service improvement.**

### **Tackling particular barriers**

32. The above recommendations are seen as helping to ensure greater commitment, accountability, leadership, capacity and support – all of which will assist generally in tackling barriers to implementation of SSA. Here we deal with the particular issues of managing and meeting costs, and those concerning the NJC job evaluation scheme.

#### *Managing and meeting costs*

33. Cost was a factor cited by both sides as leading to lack of progress or preventing implementation. Clearly, there are costs incurred in terms of both the process and implementation. A range of figures was cited but our commissioned research indicated that many of these appear to be little more than ‘guestimates’ and that the bases of calculations (where undertaken) vary. There is a lack of detailed information on costs, even where job evaluation and pay and grading reviews have been implemented. Where data do exist, there is no discernible pattern of costs across authorities or even between similar types of authority. Notwithstanding this, we accept that it is the case that many authorities have incurred high costs. It would be surprising (given the problem to be remedied) if it were not so and it needs to be borne in mind, as indicated earlier, that the potential cost of inaction is likely to be greater and less manageable. As noted earlier, some authorities which actually completed the job evaluation process appear to have then baulked at the high cost of implementation. The experiences of some other authorities which have implemented job evaluation however shows that there may be a variety of possibilities for offsetting or staggering the final costs incurred. Nonetheless some real commitment of funds is required.
34. The Commission does not feel that it is realistic in the current context to ask central government to directly fund the cost of implementing the SSA in those authorities yet to do this. We also feel that were it to do so it could risk appearing to reward past inaction; some authorities having taken steps to fund the process themselves. However, the Commission notes that the government is providing funding to help progress on equality in other parts of the public sector and in its evidence to us it

stated that above inflation increases could be justified on equality grounds<sup>22</sup>. **The parties should explore jointly the possibility of obtaining additional resources from central government to support the equality process in local government, even if direct funding for implementation is unlikely.**

35. **We consider it appropriate, for example, for central government finance to be sought for initiatives to help close the gender pay gap by tackling occupational segregation, and to facilitate progress in the implementation of the SSA, for example (and as indicated above) by assisting in capacity building, providing targeted training or in the provision of mechanisms facilitating co-operation between local authorities and generalizing good practice in this area. Also financial freedoms and flexibilities could be available for authorities who have developed and implemented modernized, fit for purpose pay structures which comply with equal value requirements**
36. **Any approach for funding would need to be based on well developed and well costed joint action plans (as recommended above) for implementing equal pay and tackling the gender pay gap. Such plans would also enable costs to be planned for and spread over a period of time.**

#### *Job Evaluation Scheme.*

37. Although pay reviews or audits (recommended above) are not the same as job evaluation, they are interlinked as pay reviews inevitably require consideration of equal value and a method of producing a fair ranking of jobs.
38. Part 4 of the national agreement contains a jointly agreed job evaluation scheme (the NJC scheme). Local authorities are required by the national agreement to review their local grading structures but are not compelled to use the NJC JES. Some local government employers have used other schemes but the majority have used the NJC scheme. However, as noted earlier, employers sometimes identify the NJC job evaluation scheme, and local union insistence on its use, as an impediment to the implementation of the SSA.
39. It is difficult to assess whether or to what extent some reluctance to use the NJC scheme rests on a lack of commitment to the principles it embodies (and fear of the consequent disruption to the status quo if women's jobs are re-valued), although this was apparent in some discussions during the Commission's regional familiarization visits. It also seemed to us that the Scheme had a negative reputation among some employers which did not reflect the reality. It is clear however that the NJC scheme does require considerable investment of time and resources. This is likely to be the case with any sound job evaluation scheme but other schemes may appear to offer easier and quicker progress.
40. The NJC scheme was jointly developed from basic principles and intended to be jointly implemented. It was designed to be suitable for all jobs within the remit of NJC, and is able to deliver both narrow and broad-banded stable structures with

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<sup>22</sup> The Government evidence noted that any increases above this level (i.e. inflation) should be sufficiently justified in terms of equal pay, recruitment and retention difficulties or modernisation and reform' (para 10)

identifiable grade boundaries. It complies with equal value principles and practices in both the design of scheme (transparency, choice of factors, weighting system etc) and in its implementation.

41. These are the reasons underpinning the Agreement's presumption that the NJC scheme will be used. **We recommend this presumption be retained but we also feel that more flexibility should be shown where the principles and safeguards which are found in the NJC scheme are demonstrably present in another scheme.**
42. The Commission is aware that there is sometimes union resistance to use of schemes other than the NJC, although we note that the 2003 EO Single Status survey indicates that this is currently reported less by local employers than in past surveys. Although there may be occasions where such resistance reflects an unwillingness at local level to engage in the process at all, it is important to recognize that such resistance is likely to have its basis in genuine concerns, namely: a) that other schemes may not embrace equality principles b) that they cannot cover all jobs and/or c) about local competence to undertake a process other than that provided for the NJC scheme.
43. **We recommend that there should be an onus on an employer proposing to use a scheme other than the jointly designed NJC scheme to demonstrate as far as reasonably possible that it is fit for the purpose in terms of its ability to cover all the jobs concerned and in terms of conformity to equality principles in design and implementation. If this is done then union representatives should not oppose its use (or insist on NJC scheme) on those grounds. We recommend that the Unions should give appropriate advice to this effect to local representatives. Such advice would be in keeping with the agreement.**
44. The EOC will not endorse any particular scheme but provides advice in this area (for example a job evaluation checklist is provided as part of the EOC Equal Pay Review Kit Guidance) and should be willing to help identify any equality issues/problems with a scheme proposed to be used instead of NJC JES in a particular local authority.
45. The third possible concern indicated in paragraph 42, relating to competence in implementing schemes other than the NJC scheme, raises important issues of training and support for the process which we dealt with above. Choice of a scheme other than the NJC scheme may involve an authority in the provision of additional union facility time and time for training.
46. The NJC scheme was intended as a tool or framework for local employers and union representatives, who would be able to interpret its wording and develop consistent local conventions to suit their own requirements, as long as they complied with the principles of the scheme and did not make changes to any of its essential elements. The diversity of employment in local government can make the process of job evaluation a particularly time consuming one but some authorities have made speedier progress than others. As in other areas, it is likely to be instructive for local authorities to share their experience, including on local conventions.

47. The EO suggested to us that most problems arise not so much from the NJC scheme itself but from the implementation process and that the implementation process could be improved by the use of benchmarks (evaluating a proportion of jobs rather than all being jointly worked through). Some authorities have used this approach and this experience could be examined.
48. **The Commission recommends that the NJC parties consider whether there are measures which could facilitate the implementation process of the NJC JES without undermining the principles of the scheme, and make such adjustments to the process aspects of the NJC scheme as might facilitate the progress needed in this area. Such consideration should be informed by the experience of local employers and union representatives.**
49. **Although some adjustments may facilitate progress, an important factor for success, as noted in the employers' evidence (6.22), is both sides working together to ensure workable outcomes.** This links to the Commission's general recommendations concerning the development of a joint problem solving approach and to our recommendation earlier in this chapter of joint action plans and joint training.

#### **Underpinning equality as part of improving services**

50. Equality is not a one off project but an ongoing requirement. To both build on and underpin the achievements of local government in implementing the SSA and equality more generally, **we recommend that**
- **an equality impact assessment be undertaken of any proposed changes to terms and conditions. Guidance on doing this should be provided. This is of particular importance in the area of payment systems, job re-design and workforce development (see chapter 6)**
  - **the NJC parties ensure that there is equality expertise at the national bargaining table (see chapter 6)**
  - **central and local government give consideration to ways in which progressive equality developments in local government can be spread to private employers providing local government services (and vice versa as appropriate).**
  - **Guidance be given on how equality can be mainstreamed in employment and service provision, and the interconnection between equality and service improvement be articulated and emphasised.**

#### **Summary**

This Chapter has located equality as an integral part of the modernisation and improvement of local government services. It should be pursued as a core objective, not sidelined as a distraction. This approach is in keeping with that

advocated by the Government in its modernization agenda and by bodies such as the Audit Commission. In this chapter we have made recommendations for external levers to be used to stimulate action and to promote leadership and commitment on equality. Our consideration of the implementation of the Single Status Agreement leads us to make a number of recommendations designed to facilitate and maintain progress. These recommendations are aimed at stimulating, supporting and assisting action and tackling particular barriers to the implementation of the agreement (including meeting and managing costs; the choice of job evaluation scheme and modifications to it). We also made recommendations to help ensure a continuing equality dimension in local government pay and reward.

## Chapter 6

### **THE NATIONAL AGREEMENT, FUTURE DEVELOPMENT OF PAY AND REWARD SYSTEMS AND REFORM OF BARGAINING ARRANGEMENTS**

**The Commission's terms of reference require us to 'advise on how current pay and rewards systems in local government should develop and the means to ensure the increased effectiveness of current bargaining arrangements'.**

**In this chapter we address this by dealing with the level of bargaining and pay determination in local government; the nature and content of the national agreement (including training and development); the future development of pay and reward systems, and the reform of bargaining machinery and arrangements.**

Level of bargaining/pay determination in local government services.

1. The Commission considers there is a continuing role for national multi-employer bargaining in local government services with a national agreement providing a framework for pay and conditions and employment relations at local level. However the national framework should continue to permit sufficient flexibility to address local conditions and the objectives of individual employers.
2. Various arguments may be made against national, multi-employer bargaining. These include the following:
  - It removes from the individual local employers some discretion over pay setting and some control over pay bill.
  - It can make pay/productivity trade offs difficult to achieve.
  - It risks imposing a unified set of conditions or pay rates which are insensitive and inappropriate to differing local conditions, markets and employment strategies.
  - It can operate at the level of the lowest common denominator constraining those employers who wish to operate above minima (in a number of industries employers abandoned multi-employer bargaining in order to go beyond the set national conditions).
3. However, the Commission identified from the evidence a number of currently accruing and potential advantages of multi-employer national bargaining in local government services. These include:
  - wage and employee relations stability
  - cost effectiveness. District councils in particular value economies of scale it provides
  - Usually produces broadly acceptable outcomes
  - Appropriate level for strategic view of issues such as training and development (and other areas where clear business reasons exist for it being part of national level discussion).
  - Prevents unhelpful wage competition and poaching of labour which pushes up costs
  - Isolates pay from effects of (local) political change
  - Provides way of tackling generic sector problems through coherent national strategy.
  - Facilitates appropriate mobility within the sector (through a shared scale).

4. It is also clear (and acknowledged in both employer and union evidence) that currently there is a lack of necessary capacity/expertise locally on both management and union sides to undertake bargaining at local level alone.
5. The employers' evidence stated that councils mostly still wished to retain a framework national agreement and the unions support a continuation of national bargaining. No support for regional wage bargaining or pay determination was expressed to the Commission from any quarter in local government, employers or unions. The Government evidence stressed the need for 'adequate flexibility at a local level' noting recent budget announcements on the need for stronger regional and local dimension to public sector pay. In fact, it appears to us that local government is already somewhat down the road which the government wants the public sector to take, an observation made in evidence by independent observers of the sector, including Hay Group. The figures produced in chapter 3, demonstrating considerable variation in earnings of NJC workers in different regions, testify to existing flexibilities being realized in practice.
6. A two level national/local system recognizes the inappropriateness of 'region' for local government services pay determination and the fact of intra-regional issues, which are highlighted in earlier chapters. Further, (as SOCPO notes in its evidence (at para. 43), previous regional agreements in local government were mostly abandoned as unworkable.
7. An exception is regional agreement in London, which has particular characteristics as a region and negotiates over London weighting. London weighting is an illustration of how location compensation may be accommodated within national pay bargaining. We address the issue of high cost areas as part of our consideration of recruitment and retention issues in chapter 4.

## **Membership and coverage**

8. The majority of local government employers choose to abide by the national agreement. It is a 'voluntary club' and the Commission does not seek to alter this. Around 10% of authorities have opted out of the national agreement. Most opt outs occurred a while ago within a particular period around the 1980s. In practice opted out authorities' terms and conditions tend to shadow (or improve on) the national agreement.
9. As noted in chapter 2, craft workers and so-called Soulbury employees are not covered by the Green book but each have separate arrangements. We did not invite submissions on this issue.
10. **The position of school based staff is anomalous in that local authorities are the legal employer but have little say over most of the matters relating to their employment. We feel this should be addressed.**

## The nature and content of the national agreement

11. It is important that the advantages of national bargaining are realised and the disadvantages minimized. Achieving the appropriate national/local balance is the key to this. The Commission considers the existing national agreement needs some minor reform to help achieve this end.
12. *As noted in chapter 2, the national agreement on pay and conditions of service (the Green book) is in four parts. Part 1 contains principles; Part 2 'key national provisions' which are basic provisions for application by all local authorities, providing a standard throughout the UK; part 3 contains 'other national provisions' which may be modified by negotiation; and part 4 contains joint advice giving agreed guidance on good practice.*
13. The Commission considers the principles set out in **Part 1** of the current agreement, to be worthy of reaffirmation.
14. The guiding principles are to support and encourage:
  - (a) high quality services delivered by a well trained, motivated workforce with security of employment. To this end local authorities are encouraged to provide training and development opportunities for their employees;
  - (b) equal opportunities in employment; equality as a core principle which underpins both service delivery and employment relations; and both the removal of all discrimination and promotion of positive action;
  - (c) a flexible approach to providing services to the community, which meets the needs of employees as well as employers; and
  - (d) stable industrial relations and negotiation and consultation between local authorities as employers and recognised traded unions.
15. Paragraph 3 of Part 1 states the NJC's 'strong commitment to joint negotiation and consultation at all levels'. To this end employees are encouraged to join and remain in recognized trade unions and local authorities are encouraged to provide facilities to allow for effective representation. In their evidence to us the employers noted that union membership was currently below earlier levels. The Commission wishes to underline the importance of having effective and representative collective voice mechanisms within local government. We consider it is in the interests of both parties to continue to encourage and facilitate membership of recognised trade unions which can provide such a mechanism.
16. We have noted the variety of types and size of authorities; the fact that they are separate employers, and the different labour markets in which they may operate. In this context, the Commission considers it is important that the national agreement for local government services staff, while providing minimum standards and provisions which are universally justifiable or which facilitate movement between Councils, is not overly prescriptive.
17. We feel this balance in local government can be achieved by a national agreement which:

- a) does not set specific national pay rates for particular jobs (as in education or health service) but determines the percentage basic pay award to be applied to scale points.
  - b) allows justifiable market supplements or other pay differentiation to reflect local conditions (and provides clear consistent guidance on this);
  - c) does not inhibit job redesign or pay system development to suit strategic objectives of particular authorities, or the adoption of varied approaches to improved service delivery
  - d) provides the essential core of conditions but does not go beyond this
  - e) seeks to regulate by principles where appropriate rather than detailed prescription, leaving the detail to the local employment context.
18. It is the assessment of the Commission that the current agreement conforms to (a). We were presented in evidence with examples of local authorities' ability to put people on different starting grades; payment of different rates.
19. The evidence (regarding authorities who follow the agreement) also shows that in practice the current national agreement does allow pay differentiation to reflect local conditions and markets (for example market supplements or adjusted starting salaries), as required by (b) and in practice does not prevent pay system development to suit strategic objectives of particular authorities (for example using competence based pay awards), or the adoption of particular approaches to improve service delivery (such as job or working pattern redesign), as indicated in (c).
20. In short, the Commission considers that current arrangements in practice recognize that a 'one size fits all' approach is inappropriate beyond certain minimum, standard conditions or universally justifiable or beneficial provisions. That some authorities have not sought to use the existing scope for local action does not mean there is none. However, it is the view of the Commission that some reform of Part 3 of the national agreement is necessary for it to better meet the criteria (d) and (e) above and we discuss this below.
21. **Part 2:** In chapter 4, we made some observations concerning the importance of ensuring part 2 provisions are adhered to in relation to temporary and part-time employees and others with so called non standard working patterns.
22. **Part 3** of the agreement contains provisions which can be modified or removed by agreement at local level but which apply unless and until they are. Among these provisions are those relating to Working Arrangements. Section 2 of Part 3 sets out premium rates for additional hours and other non-standard and 'unsocial hours' working.
23. It appears that some employers are not taking advantage of the flexibility the agreement provides, or feel unable to do so. It was suggested to us by the employers that the existence of Part 3 provisions on working arrangements often prevents local flexibility in working patterns being achieved as (some) local union officers will not negotiate on them. Therefore, the argument runs, the abolition of part 3 (particularly in respect of premium payments) would encourage such negotiation. The counter argument (made to us by the unions and some others) is that there is

sufficient flexibility in the provisions and that in practice part 3 conditions have been modified in many places.

24. A number of authorities do appear to have successfully modified these provisions. In some authorities Part 3 issues have been tackled as part of the SSA/JES pay and grading review exercise (e.g. Suffolk where for example there are no premium rates for extended opening hours). Elsewhere we have found instances of consolidated rates, premium payments lower than suggested in part 3, and the abolition of certain payments. Examples exist of successful negotiations around flexible working and modification of part 3 conditions and lessons can be drawn from them. More detailed work is required than we have been able to undertake to identify these lessons. This is something which we feel usefully could be done to help generalize good practice and ways of making progress in these areas.
25. The Commission was not convinced that the problem of inflexibility around part 3 is as significant as we are being asked to accept. It was not clear to us that local authorities necessarily had change agendas based on an analysis of customer needs and strategies for improved service delivery which were being blocked by problems in getting agreement to changes to conditions under part 3. We heard little of e-government and how technology may help with flexibility in service provision rather than extended or unsocial working hours.
26. On the basis of the information we have, the Commission considers that success is likely to result when negotiations over part 3 and flexibility in working patterns (a) are based on an analysis of requirements of consumers (within a service area); (b) start from the need to improve service delivery, rather than a general assumption that the so called 24/7 culture requires change; (c) when they take account of the needs of employees and employers, as well as customers, and (d) where win-win solutions are sought. Examples exist of where this approach has been taken successfully. Bristol was often mentioned to us but there are others too.
27. Resistance is more likely to arise where 'abolition of part 3 conditions' rather than being related to well grounded strategies for service improvement and/or a shared agenda for flexibility is (or is perceived to be) a way of cutting costs at the expense of staff, particularly relatively low paid staff. In this context the importance of premium payments in the composition of pay of certain female dominated groups (such as care assistants and home helps) described earlier in this report (chapter 3) should be borne in mind. We feel that resistance is also more likely where staff see themselves as victims of change rather than partners in it and success is more likely where there is a joint problem solving approach to improving service delivery rather than a confrontational or adversarial relationship. Such problem solving relationships may be absent currently and need building, something we address later. They are not likely to be fostered simply by the removal of the part 3 provisions.
28. The Commission view of the evidence available to it, therefore, is that problems of local 'rigidity' are not necessarily the result of the national agreement per se. 'Lack of flexibility' may be more perceived than real; may be a question of the ability to negotiate and manage change (and local capacity on both sides), and or vested

interest in the status quo, rather than the constraints of the national agreement. These factors would continue to hinder progress even if part 3 were abolished. The contractual terms would remain as contractual terms in individual employment contracts and abolition would not address the issue of local level capacity. Elsewhere we have recommended **capacity building in HR and this should include employee relations and management of pay and reward.**

29. This foregoing analysis however does not lead us to the view that there should be no change in this part of the national agreement. The detailed specification of overtime and other rates in Part 3 takes the form of a default option if an inclusive rate is not negotiated locally but it seems to provide an excuse for inertia or inaction. We feel that the barrier to change posed by nationally pre-determined premium rates is effectively a psychological or cultural one but – as we noted in respect of employees’ perceptions of the impact of use of temporary and agency staff in chapter 4 – perceptions may need to be addressed. **The Commission recommends that the NJC parties negotiate with a view to changing Part 3 of the agreement relating to premium payments to facilitate consideration of various ways in which particular working hours and patterns might be compensated.** The approach taken towards regularizing unsocial hours payments in Agenda for Change in the NHS, for example, may be of interest to local government employers and unions. **The Commission recommends that consideration be given to moving towards having agreed national *principles* on remunerating certain working arrangements in the national agreement to be implemented locally rather than, as now, having detailed national specification of rates which may be modified locally.** This could mean, for example, that the national agreement might embody the principle that unsocial or extra hours working should attract a premium unless an inclusive (higher) rate of pay recognizes this, acknowledging that there may be different ways in which this could be done, rather than stating the rate at which specified working time should be remunerated. This would allow local flexibility, for example, in jointly determining what constituted ‘unsocial’ working hours since these may vary for individuals. Such consideration locally would require a joint focus on service requirements, working patterns and employee needs for flexibility in working time.
30. The national agreement provides that where a request to modify the provisions is made but no agreement reached within three months either party may refer the failure to agree to the provincial joint secretaries (or other agreed persons) for conciliation. Thereafter it could go to Acas. It is assumed this will be done within three months. We have not been given evidence about the extent to which this mechanism is used and our impression is that it is not much used. Pending the outcome of any renegotiation as indicated above, **the Commission sees value in having an effective mechanism for unblocking stalled negotiations over modification of part 3 conditions and we recommend consideration be given to ensuring this.** There may be a role for provincial councils here, as now, but it seemed to us that currently these bodies varied in the extent to which they were proactive, or even active in assisting with progress in this area. Any ‘third party’ role here should be in the form of ‘assisted bargaining’, (i.e. conciliation or mediation) facilitating and assisting the parties to arrive at their own outcome.

## **Training and Development.**

31. *There are provisions on training in both part 2 and part 3 of the national agreement. We were surprised at the relative lack of emphasis placed on training in the main employer evidence to us (although more was said in supplementary evidence). This is a cross-cutting issue relevant to a number of aspects before the Commission (including addressing supply issues in employee resourcing; tackling (some) areas of low pay through improved skills; forming part of the non-pay element of reward packages; helping tackle the gender pay gap through addressing occupational segregation etc.). Investment in employee training and development has a key role to play in achieving and sustaining improvement in local government services. It is a clear example of where there is synergy in investing in staff and investing in service improvement. **It is an area where the Commission would wish to see greater investment by national and local government.***
32. *The local government workforce may not be as match fit as it should be for the modernization of public services. In times of financial restraint training budgets have been cut. Training spend in local government is relatively low and little comfort should be taken from the fact that it is also low elsewhere in the British economy. The People Skills Scoreboard 2002 (based on returns from 32% of local authorities in England and Wales who employed around one third of local government employees) indicated a training spend of £159 per employee per annum and an average of 1.5 days off the job training per employee (a decrease from the previous year). Furthermore, the distribution of this limited training is skewed. Just over 25% of training expenditure was on professional or management training/qualifications and 12% on vocational qualifications. Particular reasons can be forwarded for the distribution (for example the need to meet government requirements on training targets) but we feel it is important, for reasons indicated earlier, that lower level employees who are key players in delivering services are not neglected.*
33. ***The Commission welcomes the moves towards developing a national skills framework for local government, including the emphasis on front line staff and first line managers as an initial priority.** At the time of reporting the position regarding sector skills councils was not resolved. We consider that it is important that sector skills council arrangements recognize the special features of the local government sector.*
34. *The Commission felt that there was a tendency for consideration of pay to be separated off from issues such as training in terms of the operation and focus of the NJC. We feel this is not conducive to maximizing joint working, problem solving and agreement and would **recommend consideration be given to greater integration and connectedness across ER/HR issues rather than compartmentalization.** Similarly at local level, the Commission feels that engagement with local employee representatives in the design of training and development plans provides an opportunity not only for local authorities to attain strategic objectives through the development of employees but could help foster a shared problem solving, rather than adversarial, approach to employment matters.*
35. *A joint NJC working party was making some progress towards the development of a position paper on the national agreement and employee training and development*

*but this has stalled. **The Commission considers this an important development which should be re-started as a priority.***

36. ***The Commission recommends a broadening of the training aspect of Part 2 of the national agreement (along the lines the parties themselves were discussing) and the consequent removal of the current part 3 provision. Jointly agreed guidance under Part 4 should be issued** to assist the local development and implementation of plans for workforce development. Input from the Improvement and Development Agency is clearly valuable here. We think it important that such plans have clear objectives/ targets, allocation of responsibility for action, and that arrangements are put in place for tracking and reviewing progress towards those objectives. Equality of access to training opportunities needs to be ensured.*
37. *Workforce development plans need to be linked to workforce HR planning as they form part of an internal labour market strategy. As we indicated in chapter 4, when dealing with issues of recruitment and retention, the Commission sees a role for national guidance on workforce planning.*
38. *In keeping with our view explained in para 34 above, **the Commission recommends that local training and workforce development plans be developed in conjunction with local unions on a partnership basis.***
39. *Many local authorities have achieved Investors in People status. 176 have corporate IIP recognition, others have part recognition. **The Commission recommends that the NJC encourage the use of appropriate external benchmarks for training and development** such as IIP, Public Sector Excellence Model/European Foundation for Quality Management **and also the provision and sharing of data to enable cross-authority (internal) benchmarking.***
40. ***The Commission recommends that statutory Union Learning Representatives, as provided for under ERA 1999, are encouraged and supported by employers and unions** so they may play a full part in promoting and implementing local development programmes and in providing advice and guidance for employees.*
41. ***Part 4.** The Commission feels that more attention should be paid to ways of encouraging the adoption of advice and guidance issued by the NJC and ascertaining developments in line with it. We are aware, for example, of the valuable NJC 2001 publication on work life balance in local government (Finding the balance Work Life policies in Practice.) but it is difficult to assess the extent to which this is informing action at local level in this important area. Provision of information from local authorities to the EO would help identify possibilities for sharing good practice or problems enabling advice to be targeted to address problems and priorities as perceived by local authorities. Ideally, where national advice is given it should be supported with resources. Elsewhere we have stressed the need for structured mechanisms to facilitate learning from each other within the local government sector; such mechanisms could be used also to disseminate and foster adoption of NJC advice.*

42. *An important component of part 4 is the NJC job evaluation scheme which we deal with in chapter 5.*

### **Development of Pay and Reward Systems.**

43. We have already indicated that in our view the national agreement provides sufficient flexibility within which the individual local government employers can develop different approaches to pay and reward. The Commission does not seek to prescribe how 400 plus individual employers should develop their pay and reward systems, not least since it is important that any system demonstrates internal and external 'fit', that is to say it is appropriate for the particular organizational context and serves organizational objectives. There is no one best way and any pay system, however good, will decay naturally over time as circumstances change. In keeping with our terms of reference, however, we make some observations in this section on the future development of pay and reward systems. We would stress, however, that research indicates that how a system is implemented may be as important as the technical aspects of the system itself and that it is important that there is 'buy in' from employees, which requires involvement in the design and implementation process.
44. Without being prescriptive as to any type of pay system, the Commission considers that are certain principles which modern pay systems should embody. Involvement of employees in design and implementation has just been mentioned, others include: transparency and ease of understanding, equality proofed grading; pay progression criteria which are rational and defensible; benefits systems which allow flexibility but provide good employee protection; administrative efficiency in operation.
45. We are aware that the EO provides guidance to employers on the variety of remuneration practices; outlining their general advantages and disadvantages. We would suggest that there is scope for some informed guidance on how well these different practices fit with local authorities' needs and circumstances. The basis of such guidance could lead to more shared learning among authorities.
46. It was suggested to us in evidence from SOCPO and the EO that we should consider the future of the single pay spine. The single pay spine was part of addressing equal value concerns in 1997. There is some flexibility for employers on what they do with the pay spine (for example they need not follow the same number of grades; they can decide what salary level applies to which job and they can create their own local grades using selected spinal column points). Elsewhere in the public sector the move is now towards single spine (or parallel spines) and this is not seen as incompatible with local, even single employer, flexibility (e.g. in the NHS and in the new Universities pay structure). Rather it provides a clear manifestation of single status, provides a basis for helping deliver gender equality in pay and a common currency when valuing jobs. The Commission considers that the reasons for introducing a national pay spine in 1997 are still valid and argue against its removal.
47. In terms of grading structures, the most important issue is whether jobs are being valued correctly within the authority. The major way to ensure that this is done is through job evaluation, based on detailed job or role analysis. The Single Status agreement provides for this and our view is that use of an equality proofed job

evaluation scheme is the way forward to deal with many of the issues raised in our terms of reference. So-called 'broad banding', whereby employees are grouped within very wide pay bands, has become popular in some organisations in recent years, including the civil service. But broad bands still remain uncommon and, where such structures have been introduced, sometimes problematic because of their apparent lack of transparency. There is now some movement back towards narrow salary ranges and this is supportive of non-discriminatory pay systems. Some parts of the civil service have recently been reintroducing target points within their broad bands so that employees have some understanding of where they stand in relation to others.

48. **The Commission supports a move away from long, service based, incremental pay scales.** This move would support greater gender equality and other rationales. It has been found that long, service based incremental progression tends to discriminate against women. Service based progression does, nonetheless, have some positive features for both employers and employees which argue for its retention: as an aspect of pay progression it is transparent, simple to understand, predictable in terms of cost, easy to administer and often a proxy for experience in the job. It is also often less prone to wage drift than systems based on employee contribution.
49. An alternative to seniority or service based progression is some form of pay for contribution. This includes individual performance based pay, skills based pay, competencies based pay and progression based on achievement of qualifications (e.g. National Vocational Qualifications). We found little support from either employers or trade unions for individual performance based progression. Research in the public sector suggests that such performance based systems are not without problems. Such systems do not suit all types of occupation/sector and individual performance is often difficult to measure – for example care workers. It may also be unsuitable where team working is being encouraged. Performance rewards have to be significant to motivate over the long term and some public sector schemes have failed for lack of sufficient funding. Research also suggests that such progression systems may motivate the high performer but de-motivate the rest of the workforce.
50. Rather than seeing the issue of progression as service or contribution **we suggest consideration should be given to a combination of a limited number of service related increments followed by some form of contribution based pay progression.** This could include progression based on the acquisition of skills, competencies, qualifications etc. as appropriate. The complexity of local government suggests different approaches to progression may suit different authorities or even different groups of employees within individual authorities. The use of mixed approaches within an authority will need to be objectively justifiable from an equal pay perspective, however. If progression is on the basis of skills or competencies attention will need to be paid to equality issues in their definition and to equality of opportunities to acquire and demonstrate them.
51. Some competency based pay progression (e.g. where behavioural criteria are used) as with individual performance based pay systems, rests on assessment and evaluation usually undertaken by line managers. The capability of line managers is a

key issue here and training for such a role is essential. **The building of capacity in the management of pay systems is recommended.**

52. Incentive pay remains an important part of many organizations' reward strategies although it is worth noting that there has been a continuing decline in the use of payment by results for manual workers in the economy over many years. In chapter 3 we discussed some of the problems with bonus schemes in local government. The use of organizational or team based incentives may have a role in local government (and there are already some examples running) but careful consideration needs to be given to the appropriateness of such schemes for the group under consideration. In the NHS there have been some examples of group based incentive schemes and the civil service has been experimenting with schemes as well. There remains an important issue as to whether such bonus schemes may lead to further gender discrimination if those areas which appear most suitable for group bonuses tend to be male dominated occupations (e.g. refuse collection).
53. The provision of a good benefits package is increasingly seen as an essential part of reward strategy. Such benefits act as both a recruitment and retention tool. In general, as discussed in chapter 3, the local authority benefits package is good and, in some cases, the basic NJC entitlement is improved upon at local level, for example holidays. The value of such benefits needs to be communicated both to existing and potential employees. We also are aware that some organizations, but few local authorities, provide flexibility in the choice of benefits up to a given budget figure. So-called 'cafeteria' or flexible benefit systems allow employees more individual choice and provide the opportunity for employees to tailor their benefits to needs at particular stages in their life. Such systems however, can be administratively complex and employees may need financial advice before they begin to make their choices.
54. As we discussed earlier in this report, reward covers a much wider range of items than simply pay and conditions. A good working environment, pleasant work colleagues, sympathetic and supportive management, a feeling of involvement in decision making and recognition for one's efforts can be as, or even more, important as pay in achieving a motivated and committed workforce. Non-financial rewards also play an important part in sending positive messages to the workforce. Family-friendly benefits and good work-life balance are very important aspects in this respect (see Chapter 4), as are opportunities for training and development discussed earlier in this chapter.
55. A good reward management system should be part of a wider performance management system but other elements are as important. Pay, and the broader reward package, may help to facilitate improved performance but they are not a substitute for an effective performance management system. In particular, performance management is not simply (or even) about performance related pay.

## **Reform of Negotiation Machinery.**

56. In chapter 2 we outlined the current constitution and composition of the NJC. Both sides of the NJC in their evidence to us were critical of the operation of the current machinery. It was described as cumbersome and slow with ritualistic large meetings and limited scope for dialogue. There were seen to be problems of who is represented and of expertise. Others also expressed criticism: the South East employers who opted out of the national agreement told us that what they saw as the confrontational, cumbersome nature of national negotiations and questions over representation was the second reason (after their wish to have ownership over pay) for so doing.
57. Both sides have indicated a desire for reform of the bargaining machinery and consideration is already being given to this by the NJC parties themselves. **The Commission welcomes this move, which we agree is necessary. Consideration of reform in this area could usefully extend on the employers' side to a consideration of the relationships and interconnexions between, and the current and future respective roles of LGA (and its HR executive), EO, IDeA and how best to avoid fragmentation of HR and strategic leadership.**
58. The Commission does not wish to pre-empt the parties' own considerations of reform to the machinery but **we would recommend that, in their consideration of their bargaining arrangements, the NJC parties reflect on the following aspects of effectiveness:**
- **Size**
  - **authority, expertise and representativeness of body**
  - **speed of process;**
  - **ensuring acceptability of outcome (within and between the sides and in terms of relationship with constituencies);**
  - **quality of bargaining relationship and process;**
  - **how conflicts are resolved**
59. *We comment here briefly on some of these and then address conflict resolution in more detail. **We support the proposal from the employers to move towards a more streamlined body and to establish an executive to handle routine/normal business.** There is an issue concerning elected member representation via LGA which may require consideration given that most management responsibility in local government now rests with officers.*
60. Diversity is important and at present lacking, but there is a need to focus on the expertise of those present and not simply which group they come from. **The Commission has recommended (chapter 5) that there is equality expertise present to inform negotiations.** The parties need to consider how best this can be achieved.
61. As noted earlier, it is in the interests of both the parties that the unions are as representative of all employees as possible and **collective voice mechanisms at all levels should be encouraged and supported.**
62. The actual and perceived authority, skills and expertise of negotiators is important not least given its link to ensuring acceptability of outcome. It is important to have

people at the right level with the power to deal, avoiding what is sometimes called the 'second team' problem.

63. In public sector pay bargaining the government (as major funder) is often the 'ghost at the bargaining table'. As we noted in chapter 2, the government imposes constraints on the pay bill through decisions on funding which shape 'affordability'. Furthermore the government wishes its policies to be taken into account in local government bargaining but does not wish to be at the bargaining table. It seeks to draw a line between getting involved in pay and workforce reform (where ODPM has developed a strategy with the EO) and pay negotiations. The practical viability of separation needs to be carefully considered, not least given what the Commission has said about the need for a more integrated ER/HR approach.
64. In our discussion of training above we made observations concerning the integration of such broader HR issues within the core of the NJC activity. Bringing such non pay issues into the core of the NJC could help improve the quality or character of the bargaining relationship and process. The Commission is not wishing to imply that such relationships are poor currently at national level, rather that, to echo something said in the evidence, the broader the scope the greater the likelihood of agreement. This could also provide a model for relations within individual authorities where, as indicated elsewhere in the report, 'partnership' or joint problem solving approaches would assist in the delivery of the improvement agenda.
65. As indicated in chapter 3 **the Commission proposes that the parties establish a technical group or secretariat to 'sign off' data to inform negotiations.** This builds upon and emerges from the work already undertaken under the Commission's aegis in the Technical Statistical Workshop. There will still be disagreements over, for example, the weight to attach to data, but this will serve to remove disputes over which statistical sources are appropriate for the purpose from the negotiation forum and help ensure the effectiveness of bargaining arrangements. The composition of the secretariat or technical group should be technical experts from each side (statisticians and researchers) rather than negotiators and **we would encourage the NJC to consider the value of having an independent expert input (e.g. from ONS) and to also consider the possibility of an independent chair.**
66. The fact that there was a strike last year indicates possible problems with current dispute settlement arrangements although, as noted in chapter 1, it was a very rare event. The national agreement (at 1.7) provides that 'in the event of a dispute over terms and conditions of employment arising between the two sides of the Council the dispute shall, if requested by either side, be referred for settlement by arbitration. The arbitration award shall be accepted by both sides and shall be treated as though it were an agreement between the two sides'
67. EO (and SOCPO) in their evidence to us proposed pendulum arbitration to replace unilateral reference to arbitration in the current agreement. The Commission notes that there is nothing to stop the parties putting 'forced choice' terms of reference to an arbitrator under their existing procedure. We would caution against assuming pendulum arbitration would achieve the objectives the employers stated for it and **would encourage the NJC to consider other proposals for achieving a system**

**which minimizes the likelihood of strikes and other forms of industrial action, and which encourages the parties to come closer together in negotiation.**

68. A different form of arbitration may be seen jointly as desirable but our view is that the focus instead should be on stages before arbitration is reached. For example, a form (or forms) of 'assisted bargaining' (such as conciliation or non binding recommendations through mediation) could be provided for in the agreement to be used before any handing over to a third party for determination (arbitration). In practice such assisted bargaining can obviate the need for arbitration. **We would recommend that the parties seriously consider having a pre-arbitration, third party stage in the agreement.** This could involve the use of Acas or assisted bargaining could be built into the machinery. There are various ways of doing this. For example (and as in the Police Negotiating Board) the NJC could have an independent chair who could conciliate (or mediate, which would mean recommendations are made) when disagreement arose. An alternative would be to have a standing mediator or mediation panel to whom failures to agree could be referred with reference to arbitration being reserved for cases not resolved with the aid of recommendations from the mediator.
69. Ideally such 'third party' assistance should not be required and we would hope that recommendations elsewhere in the report designed to foster problem solving, shared and integrative approaches would contribute to making it unnecessary.

### ***Frequency of wage bargaining/term of deals***

70. The Commission was set up in the context of, and using the space provided by, a two year pay deal. The employers are in favour of longer term deals rather than annual wage negotiations. The unions do not oppose the principle of this, although their willingness to enter into such deals of course depends on their substance.
71. Longer term deals can provide some stability and predictability. Employers can know their cost profile. They might link to longer term budgeting in local government and less central government direction on how money should be used. Longer term deals can also allow a space within which agreed reforms (including those indicated by this Commission) may be implemented. Staging of settlements can be used to provide incentives to action.
72. **The Commission is sympathetic to the development of longer term deals in local government** but notes that they generally need stable economic conditions.

### **Summary**

73. In this Chapter we expressed our support for the continuation of the two-level (national/local) arrangement for pay determination in local government. We recommended the NJC parties work jointly towards a revised national agreement along suggested lines, and undertake reform of the bargaining and dispute settlement machinery. Observations were made on desired characteristics of pay systems and their development without seeking to prescribe what kind of pay system individual local authority employers should develop. We underlined the importance

of investment in training and development and recommended the parties develop a joint approach on this.

# CHAPTER 7

## CONCLUSION

The Commission has sought to address the pay and reward issues referred to it in order to facilitate the provision of high quality, improving public services, thereby contributing to the modernization of public services. This chapter provides some concluding observations on our approach and the outcomes of our work.

1. Local government is going through a period of significant change as authorities seek to modernise, providing higher quality services better able to meet user needs. It is recognised by both sides of the National Joint for Local Government Services and reflected in the principles underpinning the national agreement that central to this process of modernisation is the need for a well trained and motivated workforce. Giving effect to these principles and taking forward the process of modernisation on this basis, however, has proven difficult. These difficulties relate in various ways to the complexity of the sector. Indeed, such complexities are reflected in the nature, number and breadth of the Commission's terms of reference and have affected the way in which we have approached our task and evaluated the material presented to us. They have also influenced the kinds of recommendations put forward, the way we have put them forward and the range of stakeholders we have felt it necessary to engage with.
2. This Report is part of a process by which the NJC is seeking to deal with a wide range of issues as indicated in our terms of reference. It is not intended to be the final word. The complexity and heterogeneity of the sector described in chapter 2 indicates that in some areas it would be inappropriate for a body such as the Commission to seek to present definitive final solutions. We saw our task as informing future NJC deliberations; providing an independent perspective on difficult issues and stating the Commission's view as to how matters might be progressed.
3. Where we have been able to reach conclusions on the basis of evidence provided to us, or on the basis of research undertaken for us, we have made substantive or directive recommendations. In some areas the Commission's contribution relates more to providing a clearer identification of issues; more precise mapping of the current situation and identification of ways in which the NJC could take things forward. Here our recommendations relate more to process. This type of recommendation clearly fits with our terms of reference, which in many cases requested us to 'comment and advise'. Recommendations which require the NJC to consider our suggested ways forward allow the parties to own the process and the outcomes, which the Commission feels is likely to be more valuable in the longer run than imposed solutions from a third party.
4. Our comments, advice and recommendations are spread throughout the report, and not least because we wish them to be viewed in the context of our discussion of the issues to which they relate, we choose not to simply list them in this chapter. We make reference to some of our recommendations by way of example but this should not be seen as privileging them over others not mentioned here.
5. The Commission was struck by the way in which the complexity of the sector could make generalisation problematic. In Chapter 2 we noted the range of services provided, the diversity of occupational groups employed and the different types of employing

authority in local government while in Chapter 4 we highlighted the variety of employment patterns worked by staff. Such complexity also permits quite different but equally valid perceptions of what the sector 'is like'. For example, work, and how it is rewarded, in local government can look very different from the perspective of, say, a part-time home help to that of, say, an administrator or planner in the town hall. This variety needs to be further appreciated in discussion at national level within the NJC, where very different perspectives are presented by the two sides, as well as beyond it by other interested parties. As we have indicated at various points in the report, views can vary and conflict without necessarily being 'right' or 'wrong'. Moreover, these different perceptions can influence behaviour and so need addressing even if, from a different perspective, such perceptions are regarded as misplaced.

6. While the Commission was established by the NJC to address terms of reference which reflected the concerns of each side, it is clear that a range of stakeholders is involved and influential in the provision of local government services and in the management of those employees providing them. The nature and quality of relations between these stakeholders vary. It is important to stress that while the two sides of the NJC and others within the local government community had very different views on the issues we were considering, there were some key areas of agreement. It was clear to us, for example, that the NJC parties and others within the local government community shared the view that local government services are a comparatively neglected and undervalued part of the public sector. Given the crucial national, as well as community importance of the services it delivers, we share this view and feel that there should be pride rather than low esteem in the sector and we urge all stakeholders to work towards this. We consider the view that local government services are the 'poor relation' is unfortunate, counterproductive in terms of the modernisation and improvement agenda, and needs addressing. Investment in local government (for example in the training and development of staff at all levels) is just one way in which this can be done. The Commission sees no tension between investing in staff and investing in improving services. These should not be seen as alternative claims on resources; rather the former is a component of the latter.
7. We would also stress that while many of our recommendations are directed at the NJC parties, some are aimed at these other stakeholders. The role of central government as a source of various pressures (setting standards, measuring performance etc) and as main funder (constraining available resources) was indicated in chapter 2. Many different government departments have an interest in influencing the nature and delivery of local government services. The demands made of local government by central government are considerable and in our report we have indicated various ways in which central government could help facilitate progress on issues which we have been examining in order to help deliver on its own agendas but without impinging on local government autonomy. For example in providing leadership and external levers in the area of equality (chapter 5); by helping address some of the data needs (chapter 3) and helping coordinate action across the public sector (for example in areas of recruitment, chapter 4), and in providing resources. Examples here include resources for capacity building (as now); for establishing mechanisms for generalising good practice throughout the sector (as is done on service delivery); for progressing the process of implementation of the SSA.

8. A number of our observations and recommendations also have implications for individual local authorities, and more specifically managers, union representatives and councillors at this level. As explained in chapter 1, although our direct engagement with individual authorities during our inquiries was necessarily limited, we sought to get a feel for problems and practice at local level. This feel gave us an appreciation of the fine balance which needs to be struck between developing levers to action to be deployed centrally and respecting the autonomy of individual local government employers. We are convinced, however, that there needs to be strategic HR integration in part at the macro level, but more particularly at the local level, to ensure synergy between the people aspects and service improvement. We have argued that this better integration of HR/ER and service delivery issues has significant implications for capacity building at the local level. For example, managers, union representatives, and councillors need the skills, capabilities and resources not only to develop but also to operate HR policies and practices which support new approaches to service delivery. We have suggested that there is need for better workforce/HR planning. The importance of this has come up in our consideration of a variety of issues, including the use of temporary and agency labour, recruitment, pay and reward analysis, promoting equality through addressing occupational segregation, and workforce development.
9. While noting the importance of action at local level, we have been keen to stress the role of the NJC in supporting these developments. We are aware that there are exemplars of good practice and many success stories where authorities, often with their local unions, have tackled some of the issues we have been considering. In our report we have emphasised the value of, and need for, the NJC and other national bodies to play a role in spreading learning within local government. We also feel that the NJC could provide more advice in the area of strategic HR and in specific policy areas like workforce planning and workforce development (see chapter 6). Other areas where we have indicated that the NJC might formulate advice include the use of market supplements; tackling occupational segregation, and developing equality action plans. Certainly there is some advice in these, and other, areas but we have concerns about whether it is getting through to those who matter and having any meaningful impact on practice. We have been concerned to stress the need for mechanisms to improve the extent to which NJC advice gets disseminated and acted upon, and for resources to support the national advice provided.
10. Another common theme in our recommendations, which has significance at different levels in local government, concerns joint approaches. 'Partnership' in employment relations is fast becoming a word with particular baggage attached (and it also tends to have a distinct meaning in the public sector in terms of public/private partnerships) but the information-sharing, joint problem-solving, high trust relationship which the term implies is something the Commission has sought to encourage in various of our recommendations and suggestions for action. There are already good examples within local authorities of fruitful alliances between employers and unions but elsewhere these need fostering and supporting. Some legacies from the past (sketched in chapter 2) are still affecting current relationships adversely. Again this call for local partnership working has implications for the national stakeholders. Importantly the tone can be set at the national level, not only in the dealings between the national parties on the NJC (where we have made some recommendations designed to foster this type of approach) but also in how central government interacts with the various local government stakeholders, including the recognised representatives of employees. In the Report we

have recommended partnership approaches at various levels be taken in (but not limited to) such areas as equality action plans (chapter 5), workforce training and development plans (chapter 6) and in creating win-win approaches to flexibility in work organisation and working time to improve service delivery and meet the diverse needs of employees (chapter 4). We have also recommended a sharing of data and responsibility for their analysis (chapter 3).

11. The NJC's request for us to assist it in arriving at an agreed statistical base to inform negotiations can perhaps be seen as indicative of a shared interest in moving further towards joint approach. As noted in Chapter 3 we responded to this request in large part through encouraging a joint mechanism which (in chapter 6) we recommend continue in the form of a joint technical group or secretariat to sign off data to inform the pay negotiations. We see value in such a body having an independent input, and possibly an independent chair. We make a similar suggestion in relation to the NJC itself, namely having an independent chair who could mediate in the case of failure to agree, as one of a number of possibilities the parties might consider in reforming their bargaining arrangements and machinery.
12. The substantive issue of pay and rewards, rather than the procedural issues, and more particularly views on the absolute and relative levels of pay and reward, present one of the more significant challenges to a joint approach. We saw how views in this area differed radically between the two sides of the NJC. In keeping with our terms of reference, which rightly did not ask us to usurp the role of the NJC, we have not pronounced on the size or distribution of the next pay increase but, in chapter 3, we have provided detailed critique, exposition and exploration of available data on the pay and rewards of local government services staff, looking at both internal distribution and external comparison and have commented upon them. In chapter 4, we have considered the interaction of pay and reward with recruitment and retention, highlighting also important non-pay factors. We are keen to stress the focus on internal worth as means of improving the pay prospects of at least some local authority employees. Firstly, our comments, advice and recommendations on taking forward the single status agreement and particularly the pay and grading review elements of the agreement (see Chapters 5 and 6) should facilitate the proper evaluation of jobs and the development of structures which reflect employee job worth within the authority. Secondly, we have encouraged the development of career pathways based upon the acquisition of skills and capabilities (Chapters 4 and 6) which should provide new scope for salary progression. This is another area where there is some consensus between the NJC parties and we have again encouraged the parties to support local initiatives to develop new pay systems based upon these principles.
13. While the onus for development of such systems lies with local authorities, we felt that the national agreement continues to provide a firm basis for such work. Indeed, the Commission's general view is that the national agreement is successful in providing a balance between, on the one hand, discretion for local authorities to devise terms and conditions which meet local circumstances and, on the other hand a framework which gives a degree of transparency; facilitates consideration of sector level issues; facilitates employee mobility within the sector, and provides a cost efficient way for authorities of deal with many of these issues.

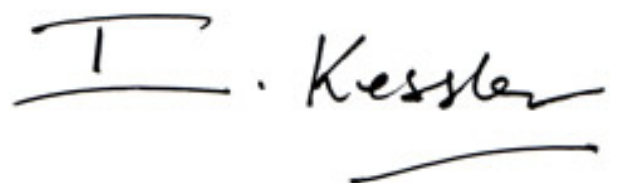
14. In general the Commission sees the agreement as one 'fit for purpose'. However, this is not to deny the possibility of fine tuning this local/national balance further. As indicated in chapter 2, the history of the NJC has been one of regular fine tuning in this respect, and we have further encouraged it with our recommendations on various parts of the agreement (Chapter 6). For example in relation to Part 3, dealing with premium payments and allowances, we recommend a move towards incorporating principles in the national agreement rather than detailed specification of rates, allowing different ways of addressing this issue locally. In relation to part 2, for example, we recommend further strengthening and broadening of the provision relating to training and development. It also clear that there is scope to streamline and improve the national bargaining procedures and arrangements and we have encouraged and built upon movements beginning to take place in this direction (Chapter 6). Responsibility rests very much with local authorities to give effect to the agreement. It is for this reason that we have directed some of our comments, through the NJC, to stakeholders at local authority level and have encouraged the NJC parties to support and resource advice as it relates to the implementation of the agreement at this level.



Professor Linda Dickens MBE  
(Chair)



Michael Greenwood



Dr Ian Kessler

A handwritten signature in black ink, appearing to read 'Aileen McColgan', with a long horizontal flourish extending to the right.

Professor Aileen McColgan

A handwritten signature in black ink, appearing to read 'Frances O'Grady', with a horizontal line under the 'y'.

Frances O'Grady

**15<sup>th</sup> October 2003**

## **Appendix 1**

### **List of Attendees at Regional Visits**

**(As far as we are aware this is a complete list of those who attended the various regional visits. In case of errors or omissions on our part, we apologise to anyone whose names have been misspelt or those who have been omitted)**

#### **East Midlands 25.04.03**

Alan Barber  
Alison Bridgewood  
Allan Farrell  
C Ledson  
D Heath  
David Bryant  
Fliss Haynes  
J S Brown  
J Taylor  
J Williams  
Jane Brinklow  
N Hughes  
P Cope  
Pat Warren  
S Atkinson  
S Halpenny  
S Scott  
Sarah Jane O'Connor  
Vera Bell  
Y Parker

Cllr K Armstrong  
Cllr I G Fleetwood  
Cllr K Joynson  
Cllr K Savidge

### **East of England 04.03.03**

Ann Vinden  
Bob Lucas  
David Church  
Glen Johnson  
Ian Johnson  
John Barratt  
Jon Sparkes  
Kevin O'Grady  
Lucy Ashwell  
Mike Mosley  
Peter Bailey  
Rita Burrage  
Robert Atkins  
Roger Whiting  
Shona Kent  
Val Rogacs

Cllr Michael Canavon  
Cllr Jim Ranger  
Cllr Ken Vale  
Cllr Sheila Wormleighton

### **Yorkshire & Humberside 18.03.03**

Alison Holt  
Anne Brown  
Christine Wade  
Dave Noble  
Donna McDermott  
Eileen Bosomworth  
Harold Mosley  
Heather Glenton  
John Harding  
Keith Allen  
Keith Watts  
Marina Turner  
Maureen Andrews  
Michael Taylor  
Mike Wooton  
Neil Revely  
Noreen Metcalf  
Pauline Button  
Phil Long  
Randall Brown  
Ray France  
Richard Lee  
Rob Batty

Rob Gascoine  
Sharon Linnell  
Steve Walmsley  
Tony Cairns  
Vicky Burns  
Wendy Backhouse

**London 26.03.03**

Chris Connelly  
Chris Morey  
Christine Bailey  
Clive Smith  
David Eggmore  
David Erridge  
Elaine Harris  
Esme Gittings  
Jackie Lewis  
Jean Geldart  
Jim Parrott  
John Reece  
Jonathon Close  
Julia Coleman  
Julia Vernalls  
Julie Marks  
Kevin Simmons  
Malcolm Campbell  
Margaret Greer  
Mark Maidment  
Michael Scorer  
Pete Denman  
Phil Evans  
Philip Bradley  
Roger Count  
Ross Wood  
Sarah Wickham  
Simon Pannell  
Ted Purcell  
Tod Heyda  
Tom Baillie  
Tommy Douras

Cllr Angela Harvey  
Cllr Ann John  
Cllr Ian Payne  
Cllr Lorraine Zuleta

### **North East of England 21.03.03**

Alaister Cowie  
Barrie Henderson  
Cath Purdy  
Colin Steel  
Denise McGuire  
Eve Cole  
Gavin Frazer  
Geoff Grace  
Glyn Roberts  
Jan Parkinson  
John Tiernan  
Joyce Melrose  
Keith Cleaver  
Kevin Wilkinson  
Kim Jobson  
Lesley Hanns  
Linda Maughan  
Lynn Dougan  
Lynn Stevenson  
Malcolm Williamson  
Maureen Ridley  
Mervyn Butler  
Mick Brodie  
Paul Boyd  
Peter Bowyer  
Peter Kennedy  
Philip Johnson  
Ray Moody  
Steve Kennedy  
Theresa Smails  
Viv Shingleton

### **North West of England 14.04.03**

Anne Bingham-Jones  
Dave Campbell  
Dave Chadderton  
David Fairclough  
David Winstanley  
Gaynor Coldrick  
Guy Berry  
Jean Cross  
John Booth  
Judith Morris  
Keith Holmes  
Lisa Hannan  
Mick Lovatt

Paul Sanderson  
Paul Whitney  
Yvonne Leathley

Cllr D Beckett  
Cllr J Hatfield  
Cllr Mrs R Kay  
Cllr T Martin

### **Northern Ireland 28.04.03**

Adrian Donaldson  
Albert Mills  
Bernadette Chambers  
Bill McIlwaine  
Brendan Currie  
Brian Campfield  
Carmel Connolly  
David J Fallows  
Jerry Laherty  
Joe Donaghy  
Joe Simpson  
John Dawson  
John McGrillen  
Jonathan Swallow  
Linda Leahy  
Paddy Casey  
Patricia McKeown  
Paul Magee  
Peter Sidebottom  
Roger Wilson  
Rosemary Aicken  
Sharon Currans  
Thomas McAfee  
Tommy Wright  
Trevor Polley  
Wendy Monson  
William Beattie

### **South East of England 14.03.03**

Alan Roberts  
Amanda Parker  
Andy Allen  
Barry Olsen  
Chrissy Brouder  
Don Payne  
Eileen Saunders

Emma Goodall  
Jesse Russell  
Madeline Sumsion  
Mark Chiverton  
Oliver Woodman  
Phillip Reynolds  
Richard Mills  
Richard Payne  
Sarah Baswick  
Steve Foster  
Steve Milford  
Tim Williams  
Trevor Sadler  
Tricia Palmer

Cllr Dr Lynne Hack  
Cllr Michael Tunwell  
Cllr Tom Stubbs OBE

### **Wales 25.04.03**

Alison Cade  
Alison Wood  
Allan Archer  
Arwel Wyn Owen  
Clive Lloyd  
Colin Crick  
Dai Lloyd Evans  
Dave Hughes  
David Harries  
Graham Davy  
Graham Jones  
Ian Miller  
Janet Oliver  
Jason Lewis  
John Frank  
John Mack  
Jon Toner  
Lawrence Bailey  
Lis House  
Mike Heffernan  
Mike Moriarty  
Pam Baldwin  
Paul Elliott  
Phil Jones  
Phillip McGreevy  
Sharon Jones  
Shirley Ford  
Sir Harry Jones

Steve Parker  
Tom Sexton  
Tony Garthwaite

**West Midlands 12.04.03**

Adrian Turner  
Andrew Packer  
Angela Notice  
Anne Lee  
Barry Briscoe  
Bill Fletcher  
Bill Pierpoint  
Christine Lynch  
Colin Walton  
David Benson  
Ellen Miller  
Hilary Baseley  
Jane Sutton  
Julie Black  
Linda Woods  
Margaret Brierley  
Paul Lankester  
Philip Hipkiss  
Richard Warne  
Rita Wilson  
Robin Hooper  
Steve Holland  
Tony Rabaiotti  
Tracy Morgan

Cllr Bransby Thomas  
Cllr Peter Seekings  
Cllr Roger Wright

**West of England 10.03.03**

Alan Boyle  
Dave McIntosh  
David Gladding  
David Long  
Gill Martin  
Hazel Jones  
Jerry Adamson  
John Bees  
John O'Connell  
Ken Baker  
Liz Bebbington

Liz Evans  
Liz Ring  
Lyn Jackson  
Mike Ellis  
Nick Olgard  
Nick Tregenna  
Pauline Stott  
Peter Chalke  
Peter Rowe  
Phil Martin  
Reg Hambly  
Richard Orton  
Richard Payne  
Richard Woodroffe  
Rob Britten  
Rowena Hayward  
Steve Barratt  
Steve Lamprey  
Steve Paines  
Sue Abraham  
Tess Green  
Tony Clark

## Appendix 2

### List of organisations submitting evidence

Association of Directors of Social Services  
Association of Greater Manchester Authorities  
Association of London Government  
Association of Teachers & Lecturers  
Aylesbury Vale District Council  
Bridgend County Borough Council – Association of Directors of Social Services (Wales)  
Brighton & Hove UNISON  
Bristol City Council  
British Association of Social Workers  
Business Services Association  
Chartered Institute of Public Finance Accountants  
Commission for Racial Equality  
East Herts Council  
East Midlands Regional LGA  
The Equal Opportunities Commission  
The Equal Opportunities Commission Wales  
Hay Group  
Improvement and Development Agency  
Lancashire County Council  
Lichfield District Council  
Local Government Information Unit  
Low Pay Commission  
National Employers' Organisation for Local Government Services (including Craft)  
NJC for Local Government Services  
NJC joint evidence  
North West Employers  
North West Leicestershire  
Office of the Deputy Prime Minister (on behalf of the Government)  
Pay & Employment Rights Service (Yorkshire) Ltd  
Pembrokeshire County Council  
Reigate and Barnstead Borough Council  
Rochford District Council  
SOCPO, East Midlands Region  
Society of Chief Personnel Officers (SOCPO)  
South East Employers for Local Authorities in the SE  
Trades Union Congress  
UNISON & BAOT - Occupational Therapists  
UNISON Local Government  
UNISON, Northern Ireland  
Waverley Borough Council  
Welsh Assembly Government  
Welsh Local Government Association  
West Midlands Local Government Association  
Wiltshire County Council  
Some personal submissions were also received

## **Appendix 3**

### **Participants at Academic Workshop held at University of Warwick on 27<sup>th</sup> March 2003**

Dr. Hazel Conley  
University of West of England

Professor Robert Elliott  
University of Aberdeen

Dr Damian Grimshaw  
Manchester School of Management

Dr Julian Gould-Williams  
Cardiff University Business School

Mr David Winchester, Industrial Relations Research Unit, University of Warwick

Professor David Marsden  
London School of Economics

Dr Ian Roper  
Middlesex University Business School

Professor Philip James  
Middlesex University Business School

Professor Lynette Harris  
Nottingham Business School

#### ***From the LGPC***

Professor Linda Dickens  
Chair LGPC

Dr Ian Kessler  
Templeton College, Oxford

Professor Aileen McColgan  
Kings College London

Mr Geoff White  
LGPC Research Advisor and  
Reader at University of Greenwich Business School

## APPENDIX 4

### SCOPE AND METHODOLOGIES OF COMMISSIONED RESEARCH PROJECTS

The Commission commissioned three research projects to inform our deliberations. These were as follows:

- 1) *Report on Public Sector Pay for the Local Government Pay Commission. Professor David Bell. Scotecon, Stirling University.*

This project was commissioned to investigate the distribution and movements in NJC pay and comparative data, using the panel data from the New Earnings Survey (NES) 1988-2001. The research covered comparisons of public and private sector earnings and new analysis of the data for the Single Status NJC group. The advantage of using NES panel data methodology is that 1) it provides a 'matched sample' of employee records over time (whereas the published NES data are based on a changing population each year as employees join and leave the group) and 2) because the data are assembled from individual pay records, this methodology overcomes the problem that the Single Status NJC agreement, which merged two previous local government bargaining groups, only dates from 1997 (and NES data from 1998). Unfortunately the panel data are only available up to 2001.

- 2) *Local Government and Elsewhere: Benefits Packages Compared. Incomes Data Services Ltd.*

This project was established to evaluate NJC terms and conditions in comparison to those in the wider economy – both public and private sector. The research examined a number of key employee benefits – holiday entitlement, pensions, sick pay, travel and subsistence and London allowances. The work draws upon IDS's own existing databank of organisational examples of such benefits in both the private and public sectors. Comparisons were made on the basis of minimum entitlements laid down in national and organisational agreements. The methodology consisted of comparisons of entitlements at various levels and more in depth analysis of 15 local authority pension schemes and 14 large private sector schemes. In the case of pensions, IDS also provided a view on the comparative value of the Local Government Pension Scheme to employees with other large schemes in the public and private sectors.

- 3) *Implementation of the Single Status Agreement. Jill Smith.*

This project was established to investigate the implementation and costs of the Single Status agreement since 1997 and was conducted by a free-lance researcher. The research methodology consisted of a literature review of all that had been published on the SSA a review of the relevant evidence and research studies submitted to the Commission and further detailed research with ten local authorities that had completed the SSA. The methodology for the latter stage of the research consisted of largely telephone interviews with human resources managers in the authorities, although there were also some face-to-face interviews. Documentation was also collected from the ten case study organisations to substantiate specific details. The objective of the research

was to flesh out the details of the process of implementation, the costs of implementation, the outcomes and the barriers that had to be overcome.

## **Appendix 5**

### **Schedule of meetings of the full Commission**

10 January 2003

31 March 2003

30 April 2003

27 and 28 June 2003 (weekend residential)

31 July 2003

8 and 9 August 2003 (weekend residential)

2 September 2003

23 September 2003

24 September 2003

15 October 2003

## Appendix 6

### MAIN FEATURES OF THE LOCAL GOVERNMENT PENSION SCHEME

Eligibility	All employees of local government and a number of associated employers. Active GB membership approximately 1.5 million.
Type of Scheme	Statutory final salary
Funded/unfunded	Funded
Actuarial assessed total cost of scheme benefits as % of pensionable pay (a)	17% of total salary
Employees' contribution	6% (5% for manual workers with right to pay at lower rate on 31/3/98)
Implied employers' contribution	11-12% (b)
Pension age: latest normal retirement age	65
Earliest normal retirement age	May retire on unreduced pension from age 60 if the sum of their service and age is at least 85 years
Rate at which pension accrues	1/80 <sup>th</sup> for each year of service up to 40 years.
Final pensionable pay (FPP) on which awards are based.	Pensionable pay in final year
No of years' service for maximum pension	40 years, maximum pension half of FPP
Lump sum	3/80ths of FPP for each of service
Death in service gratuity	2 x pensionable pay
Enhancements for ill-health retirement	With over 13 $\frac{2}{3}$ years service enhanced by up to 6 $\frac{2}{3}$ years service (subject to maximum service of 40 years in total); with 10-13 $\frac{2}{3}$ years, service enhanced to 20 years; with 5-10 years service doubled; under 5 years, no enhancement
Widow/ers' pension	Half of members' pension
Pensions increase	Increased annually in line with RPI (but members' normal pensions are not increased before age 55 – from when increase covers any period since retirement)
<p>Footnotes</p> <p>a) Government Actuary's Department's estimate of the value of benefits expressed as a level percentage of payroll payable throughout the career of a typical new entrant. The cost of the scheme is likely to have increased since the figures were produced, mainly because of increased longevity, by two per cent to three per cent of pay.</p> <p>b) Actual rate of contribution paid by the different employers to the various funds administered under the LGPS will vary from time to time depending on the assumptions made and experience of the fund – for example, because of surpluses and deficits arising. The actual contributions are re-assessed every three years.</p>	

**Source: This table was compiled by the Independent Review of the Fire Service. December 2002. p.141.**

## APPENDIX 7

### SOURCES OF PAY AND REWARDS DATA FOR THE NJC

This appendix enlarges on some of the issues discussed in Chapter 3 Part 1.

1. Changes in pay levels and distribution can be measured by a number of different methods. We can compare: a) differences in basic rates of pay, b) earnings (which include additions to basic pay such as overtime pay, shift pay and bonuses), and c) total remuneration (the whole pay and benefits package including base pay, additions to base pay and some estimate of the value of the benefits provided). In addition, pay negotiations are informed by other factors such as the level of other pay awards in the economy, the cost of living and other economic indicators, the state of the national labour market and employers' ability to pay. Public sector employers are also expected to adhere to Government guidelines on pay awards. Both the Government and employers' side evidence to us stresses affordability as a key criterion. At individual employer level the state of the local labour market often plays an important role in determining local pay initiatives.
2. In considering levels and the distribution of pay within the NJC, there are a number of sources available. The major statistical sources on pay are the Employers' Organisation's (EO) own data; the Government's official New Earnings Survey (NES) and Labour Force Survey (LFS); and various sources of pay settlement information. In addition, the union side conducts its own analysis of Government sources and has commissioned its own pay surveys in the past. But clearly unions have poor access to individual council data on pay distribution and movements and there is a strong reliance of employer-provided data in negotiations.

#### ***Employers' Information***

3. Each year the EO conducts a census of the NJC Single Status agreement. This allows analysis of the distribution of staff on the spinal column points (SPC) by gender and by full time and part-time composition. This survey also includes data on councils which have 'opted out' of the national agreement. In addition, on a less frequent basis, the EO conducts a survey of NJC gross earnings (including bonus pay, overtime pay etc) in a similar format. These surveys achieve around an 80 per cent response rate and the data are grossed up by authority type to provide a full census estimate. The EO informs us that there appears to be no particular pattern of non-response to these surveys. The last completed earnings survey was conducted in 2002. In the 2002 survey, the EO sought additional data by ethnic group and achieved about a 50% response rate to this new question. It should be noted that these are voluntary surveys and there is no statutory compulsion on councils to complete the questionnaires. There is also no occupational breakdown of the data.
4. These data are supplied by the EO to both sides of the NJC. While the unions consider the infrequency of the EO earnings survey a problem, the EO's view is that a more regular NJC earnings survey might be counter-productive in reducing the response rate and may also discourage employers from responding to the annual NES survey. The EO stressed to us that statistical data requirements should not impose an undue burden upon employing authorities, although it acknowledged that

there is scope perhaps for them to make clearer the advantages to councils of completing the NJC (and the NES) survey. The EO also provides a pay benchmarking service to members, which draws on a database of information about 40 local government occupations, but we were told that this information is not statistically robust enough to be used in pay negotiations.

### **Government Sources**

5. The information collected by the EO from local authorities is useful for examining the distribution of both basic pay and earnings (basic pay plus additions to basic) but on its own it cannot be used to ascertain whether pay levels and distribution are in line with comparable organisations and occupations or indeed with the wider labour market. In order to be able to make comparisons the NJC needs to use data which are collected on a consistent basis across the economy. The major source for this data has been, for the last 30 years, the Government's own national survey of earnings – the *New Earnings Survey* (NES). This is a major survey of employers' pay records, accessed through the Pay As You Earn (PAYE) system, which has run continuously since 1970. Another less useful source of pay data is the Government's *Labour Force Survey* which, unlike the NES, surveys employees. As we will see, there are particular advantages and disadvantages in using these datasets and neither is currently fully 'fit for purpose'. The data available for the NJC group do not include Northern Ireland. The survey relates in general to earnings for a defined pay period in April each year. Employers specify the length of the pay period to which the reported earnings relate, usually a week, a four-week period or a calendar month, and these are converted to a weekly equivalent.
6. The ONS is currently addressing some major problems with these official sources. For example, the NES is a one per cent structured sample of the national workforce with the data being collected via a survey questionnaire to employers. Although this survey is a mandatory requirement on employers, the survey response rate is only around 80 per cent. The ONS told us that in the past the local authority responses have not been good but there has been a recent substantial improvement. The NES also excludes those earners who earn less than the lower earnings limit for PAYE purposes, thereby excluding many workers who do not earn enough to pay tax or NI contributions. This creates particular problems in mapping the pay of low-paid workers and those part-timers who work few hours per week. The survey has been estimated to cover around 80 per cent of full-time workers and 70 per cent of part-time. It has been estimated that around nine per cent of employees earn below the PAYE threshold. To overcome this problem of under-representation of low-paid and part-time workers, the ONS has devised a central estimate of low pay for the Low Pay Commission which splices together both the NES and the LFS earnings data<sup>23</sup>. Another problem is the discontinuity in the time series caused by the merger of the manual workers and non-manual workers bargaining groups in 1997 under the Single Status agreement. The EO has created a time series back to 1988 based on estimates of the two agreements but they acknowledge that this is not ideal. The unions have in the past used occupational data from the NJC to overcome this problem but again this is problematic.

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<sup>23</sup> See Low Pay Commission Occasional Publication 1.

7. The strongest advantage of the NES is its longevity, so that long term trends and patterns in earnings levels and distribution can be observed over decades. Unfortunately, because the Government's statistical classification of industries and occupations (i.e. SIC and SOC Codes) has changed several times since 1988 there can be problems in creating disaggregated datasets. Moreover, there was a change in the method for assigning employees within the public sector in 1996, when a new 'not-for-profit' category was introduced. The data on collective agreements are also problematic as many industry-wide agreements have ceased to exist since 1970 and others have merged (such as the previous local government agreements for manual and non-manual staffs). The NES no longer publishes details of individual private sector industry-wide agreements.
8. While longevity is a strength for the NES, it is also its major weakness. The labour market has changed dramatically since 1970, with a large decline in manufacturing and a big growth in private services employment. Women's and part-time employment have both grown substantially and male manual workers have declined as a proportion of the workforce as manufacturing has declined. More importantly, collective bargaining covered a much larger proportion of the workforce in the 1970s and industry-wide agreements were the 'norm' for many sectors. The NES has been changed over the years to try to reflect these changes but, following a review of Government earnings statistics<sup>24</sup> in 2002, the ONS has now decided to introduce a completely new survey from 2004. The new survey will include workers below the earnings threshold and the sample will include more small businesses and employers of low-paid workers. The ONS told us that the new survey for 2004 will be very different and should be qualitatively much better and more representative of the whole workforce, especially part-time and low paid workers. The raw data will also be made more accessible to users via the internet so that specific datasets can be created by users if required. There is also on-going work by the ONS to make the provision of the data less burdensome on employers. One method may be to allow direct electronic transfer of data to ONS by employers, rather than manual completion of survey questionnaires. A pilot project is currently under way with NHS Trusts and this could be extended to local authorities. If such electronic transfer is possible, this might also be a possibility for transmitting data from councils to the Employers' Organisation.
9. The other source of earnings data is the *Labour Force Survey*. The LFS collects information from employees and should capture all workers irrespective of their levels of earnings, though both the NES and LFS probably under-represent younger workers because they tend to be more mobile. LFS figures are based largely on earnings data confirmed in the survey interview by payslip information but it is possible to make proxy returns (e.g. wife answers on behalf of husband) which can create errors. The key difference between the NES and LFS relates to the sample frames used by the respective surveys. The NES contains around 150,000

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<sup>24</sup> Following an ONS review of the distribution of earnings statistics in 2002, six recommendations were made for changes. These changes will be aimed at producing better estimates of the low-paid; improving earnings survey designs and outputs; assessing the feasibility of linking NES data with administrative records to provide better information on employees; improving the ways in which pay and hours data can be obtained in household surveys; development of short-term indicators of earnings movements; and the development of a comprehensive framework for earnings statistics to help users understand the concepts and data. An action plan has been drawn up describing how each of the recommendations should be addressed.

observations on pay while the LFS has only 32,000. In general, both sides are agreed that the LFS is not a good source of earnings data for the NJC.

### ***Total Remuneration***

10. In making comparisons of NJC pay and conditions with other groups, the NJC also needs to take account of the value of 'total remuneration' (i.e. earnings plus the value of benefits), including holiday entitlement, sick pay schemes and pensions. Estimates of another concept, 'total reward', would include less tangible rewards such as job security, job satisfaction and training and development opportunities but these are much more difficult to measure empirically. For this report we made attempts to collect comparable data on benefits and conditions of service as well as pay. We also talked to a leading pay consultancy, the Hay Group, about their methodology for measuring total remuneration. More systematic collection of data on this basis at local level would enable councils to have clear indications of the costs of their total reward package and provide an opportunity to issue staff with annual benefits statements which would communicate the true value of the benefits provided and to promote these in their recruitment materials.

### ***Pay Settlement Data***

11. Another major source of data used in pay negotiations is the level and range of other pay awards in the economy. Pay settlement data are provided by a number of organisations, including commercial research bodies, but each uses its own methodology. The CBI Databank is a postal survey of member firms but excludes public sector settlements. It collects data on private sector manufacturing and services companies. The Engineering Employers Federation conducts a similar survey for the engineering industry. Surveys of pay awards in both the private and public sectors are also conducted by the commercial research organisations, Incomes Data Services (IDS) and Industrial Relations Services (IRS), and the trade union funded Labour Research Department (LRD). These organisations collect their information direct (often in documentary form) from their subscribers. These last three cover private, public and not-for-profit sectors. Lastly, the Office for Manpower Economics (OME), which provides the secretariat for the six Pay Review Bodies and the Police Negotiating Board (PNB), conducts a structured postal survey of non-manual pay awards in the private sector for the PNB. There may be scope for a new jointly agreed survey of comparable pay award data designed specifically for local government, similar to the OME survey for the police negotiations.

12. Finally, there are the broader economic indicators used in negotiations. The employers say that they regard headline inflation as a key indicator for negotiators to consider. Unemployment and the average earnings index are of less direct relevance. The Government's GDP deflator used in its public spending plans is the main statistic used by the employers as a 'proxy' for 'ability to pay'.

## APPENDIX 8

### KEY EVENTS IN THE DEVELOPMENT OF NATIONAL PAY DETERMINATION IN LOCAL GOVERNMENT

- 1919 First attempt to create NJCs for local government. National Whitley Councils for APT&C and manuals established but by 1921 had collapsed, due to lack of support by local councils.
- 1944 National Collective Bargaining machinery established in local government. Fifteen negotiating groups, including NJC for manual workers and NJC for APT&C staff.
- 1947 Central employers' organisation for local government established – the Local Authorities' Conditions of Service Advisory Board (LACSAB).
- 1966 Code of Guiding Principles on incentive schemes agreed by NJC for manual workers.
- 1967 National Board for Prices and Incomes report No 27 on pay and conditions of manual workers in local government, the NHS., gas and water supply. Incentive schemes for manual workers NJC recommended to improve productivity.
- 1969 In January an interim productivity scheme agreed by the NJC. A study by the London Boroughs Management Services Unit, commissioned by the manual workers NJC, recommends job evaluation.
- In September the 'dustmen's strike' began. Industrial action by Hackney Council dustmen spreads to other councils. Settled by agreement in October.
- 1969 Committee of Enquiry under Sir Jack Scamp appointed by NJC to resolve dispute over pay for manual workers. Recommends 50 shillings a week increase, close to the unions' demand, to reflect long term decline in NJC pay.
- 1970 First movement to address equal pay problem. Manual women's basic wage rates raised to 82.5% of men's as first step towards equal pay. Equalisation of basic pay rates was required by 1975.
- 1978 'Winter of Discontent'. Industrial action by manual NJC workers. Report of the Standing Commission on Pay Comparability – the 'Clegg Commission' – on the pay of ambulance staff and manual workers in local government, the NHS and universities. Suggested that there should be linkage between local government, the NHS and university manuals for the three lowest grades.
- 1981 Agreement to reduce hours for manual workers from 40 to 39 from

November 1982.

- 1985 Commitment to introduce job evaluation for manuals.
- 1987 New Grading Structure for manuals introduced. Six new grades based on a job evaluation scheme jointly designed by the NJC under chairman Professor Kessler of City University. First attempt to tackle equal pay for equal value.
- 1988 Local Government Act requires local authorities to put a number of their services out to competitive tender. Some Conservative councils begin to opt out of national bargaining. LACSAB issues consultative document on the future of national bargaining.
- 1991 LACSAB merges with the LGTB and LAMSAC to form the Local Government Management Board (LGMB).
- 1993 Creation of UNISON from merger of NALGO, NUPE and COHSE.
- 1995 Publication of Audit Commission's 'Paying the Piper' report on people and pay management in local government. Recommended better management of pay through systematic job sizing; better tracking of regional and local pay markets; the dismantling of supplements to pay and non-pay benefits introduced in the 1980s to deal with recruitment and retention problems; local employer 'networking' to reduce pay leapfrogging; and tighter control of pay progression. Companion report entitled 'Calling the Tune' dealt with performance management in local government.
- 1997 'Single Status' Agreement to merge and harmonise the manual workers and APT&C national agreements agreed. New national job evaluation scheme developed to cope with equal value problems.
- 1998 Bonus technical working party endorsed by the NJC. Agreed that the issue of equal pay and bonus had to be dealt with positively as part of the wider Single Status agenda; a joint approach was essential to successful resolution of the difficulties; and that achieving equality would not be possible without appropriate levels of funding.
- 2002 Industrial action over pay. ACAS facilitated agreement includes establishment of an independent commission to look at issues surrounding local government pay and conditions.
- 2003 Local Government Pay Commission started work in March and reported in October 2003.

