NEGOTIATING PAY STRUCTURES GUIDE

Introduction
This guide will review the different types of pay systems being used across all UNISON’s bargaining groups and provides advice to branches on how to make them work best for you.

What is a pay structure?
A pay structure is a framework of pay grades in which employers implement pay for their employees. Employers use different types of pay structures in order to manage pay increases and career progression and they also use pay structures to ensure that staff are paid fairly and equitably in a way which does not discriminate (e.g. gender discrimination in pay). Levels of pay and how pay is distributed can have a massive impact on a business, including efficiency and productivity rates along with links to morale and motivation of the workforce.

ACAS guidance states that pay systems should be clear, simple and easy to follow so that workers know and understand how much pay they are entitled to. This might go some way to explain why more employers are now moving away from the more traditional hierarchical shape pay systems towards pay systems that incorporate fewer bands and job roles are more ‘harmonised’ within their pay system.

Different types of pay structure
This factsheet describes some of the most commonly adopted pay structures used by employers across the UNISON bargaining groups. The logic behind a pay structure is simple - it allows an employer to assign a pay rate or pay range to a job role. They can use this pay system to support the organisation’s strategic objectives (e.g. they can reward high levels of performance) and they can adapt pay rates to job roles to mirror the local job market and they can offer pay progression through a pay range to reward long service or new skills that an employee has attained in the year. All pay systems have to comply with the law on equal pay. Women have the right to equal pay with men if they are doing ‘like’ work or work that is of ‘equal value’.

For the purposes of this guide pay systems have been defined by two types:

- A basic pay system where pay does not vary in relation to performance or length of employment.
- An incentivised system where pay is used in relation to results and performance and this includes the acquisition of skills
UNISON branches can become involved in the negotiations around the selection of an employer’s pay system in conjunction with a job evaluation process. ACAS guidance sets out advice around selecting and installing a pay system, they also identify that it is good practise for employers to involve the recognised trade unions in this process and that it is helpful to form a joint working party. Further advice and links to more in-depth guidance on job evaluation can be found later in this guide.

**Spot rates / individual pay rates**

This is the most basic method of payment, used by around a fifth of employers across the economy. Under this pay system employees are paid a single hourly / weekly / annual rate of pay. UNISON has seen an increase in spot salary jobs within the Community and Voluntary Sector (CVS) in recent years.

These types of pay structure are often attached to a job and are mainly found in lower-skilled occupations and at the other end of the scale in senior positions and management jobs. The biggest drawback of using spot rates to employ staff is that it leaves no scope for progression which can lead to problems with morale in the workplace and productivity issues. Branches dealing with employers that are paying spot rates need to be aware that some employers are leaving themselves open to equal pay claims, especially if wage drift is allowed to happen. This is where an employee (over time) asks for and receives a pay increase, which may result in a group of workers, performing the same job role on different salaries.

A recent study by The Institute of Fiscal Studies identified that women, on average, earn 18% less than men mainly because of the time women take out of work to have a family. The study also highlighted that women on spot rates were more likely to earn 18% less an hour than their male counterparts. It is important that UNISON branches are up to date with new legislation on gender pay gap reporting and equal pay claims, as this is likely to become an issue in employers that use spot rates over the coming months.

Spot salaries are often based on market-based pay which links salary levels to those rates available in the market. Regardless of the performance of the worker it is difficult for employees to progress as they are deemed to be earning ‘market rate’ for their job. UNISON’s Bargaining Support has access to benchmarking data showing market rate salaries for different job roles across the economy. If your branch would like further information email bargaining support at bsg@unison.co.uk

**Individual pay ranges**

This is a similar pay arrangement to spot rates, but instead of having a single rate for the job employees are employed on individual pay ranges. This allows for some form of pay progression. If branches are negotiating pay systems linked to spot rate salaries, clearly guiding an employer towards implementing an individual pay range is more advantageous than keeping staff on spot rates. Some of the main points to encourage an employer to adopt a pay range include improved staff morale and productivity as it gives staff the ability to progress through the range.
**Broad-graded pay structures / Broadbanding**

This pay structure is made up of a small number of pay bands (usually just four or five) and is designed to give some flexibility in pay grades. A classic broadbanding structure allows for continual pay progression within each band, although employers need to be careful over equal pay issues. A broad-graded structure is slightly different and comprises of five or fewer bands.

Appraisal / performance related pay is generally used to link progression through a pay band to an assessment of an individual's work performance during a particular reference period (often this is a yearly review). There are lots disadvantages of performance related pay include inconsistency in some appraisal schemes and how they are managed by the employer, some appraisal schemes are viewed by employees as a tick box exercise with a pay increase that is anticipated once a year which may demotivate employees, and the increases in pay tend to be small amounts and therefore do not act as a good motivator for staff, especially those staff that had already reached the top of their grade.

**Pay Spines**

Pay spines are the most commonly used pay structure. In the public sector, they are generally used in local government and in the voluntary and community sector where pay mirrors the National Joint Committee Green Book pay spines. Pay spines allow for service-related pay progression, however anecdotally in the Community and Voluntary sector we have seen an increase in employers using pay increments as a substitute for a cost of living increase.

**Job families**

A job family pay structure is a group of jobs with similar characteristics and involved in similar work, although levels of competency and skill will differ—this pay structure usually has six to eight levels. There are separate pay structures for different families (for example one for HR staff, one for IT staff and one for sales staff). Job family pay structures are helpful to organisations which employ specialist groups of staff as they can assign higher rates for highly sought after workers. An example of a job family pay structure is below:

<table>
<thead>
<tr>
<th>Job Family</th>
<th>A group of jobs in the same occupation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job Function</td>
<td>A more specific area within a family</td>
</tr>
<tr>
<td>Job Category</td>
<td>Operational and Technical</td>
</tr>
<tr>
<td>Level 1</td>
<td>Entry</td>
</tr>
<tr>
<td>Level 2</td>
<td>Intermediate</td>
</tr>
<tr>
<td>Level 3</td>
<td>Experienced</td>
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<tr>
<td></td>
<td>Advanced</td>
</tr>
<tr>
<td></td>
<td>Expert</td>
</tr>
</tbody>
</table>
Narrow-graded pay structures

This pay structure is very common in the public sector and consists of a large amount (10 or more) of grade structures with jobs slotted into each grade. Incremental rises are mainly due to length of service, however a downside of this pay structure is that many employees reach top of their band within a few years. This leaves the employer open to equal pay claims as employees can request upgrading and there could be a certain amount of grade drift within jobs.

Case Study: UNISON branches can deliver improvements where private companies are outside of national collective bargaining pay rates

In a recent case it emerged that UNISON members providing domestic and portering functions at Tameside Hospital were being paid below Agenda for Change pay rates under a contract with private company Mitie.

After a union campaign at the hospital which involved a successful demonstration outside the hospital and a petition signed by staff and service users submitted to the Chief Executive at the hospital, the Trust took on board the concerns of UNISON members and made the decision to take the services back in-house. The Trust also gave written confirmation that this group of staff would, under the new arrangements, be paid Agenda for Change pay rates.

This case highlights that where branches are negotiating pay structures and rates outside of national collective bargaining with private companies, there is a strong argument that it is important for staff morale and productivity that pay rates have parity with the national pay structure and that staff should receive the same conditions in terms of pay uplifts, annual leave, sickness pay and career progression opportunities as staff on national terms and conditions, in order to halt pay drift within certain job groups.

Next steps for branches:

For those branches not covered by national pay and grading systems like Agenda for Change (NHS) it may be time to take stock of your current pay system. Once a grading structure has been designed an employer will need to assign spot salaries or ranges onto each pay grade. An employer can do this by initiating a benchmarking exercise – As pay arrangements can often be very complex it is always good practice to evaluate the current pay system in order to help avoid any sex discrimination.

1. Review the existing pay system

If branches are aware that a pay system isn’t working as well as it could and that employers are leaving themselves open to equal pay claims, it may be advantageous to set up a joint working party to discuss reviewing the existing pay and system to see if it is still fit for purpose. UNISON branches should have an important part to play on a working party and
be part of any reassessment strategy or be part of the negotiations on any revisions made to the existing pay system.

2. **Who is covered by the current system**

It's important to establish what pay systems are used in your employer and who is covered by each pay system. It is not uncommon for employers to use use two forms of payment system, so it may be that the employer would like to discuss harmonising two systems into one.

3. **Advice on spot salaries - pay progression issues v. cost uplifts**

Clearly pay progression is an issue for those members on spot salaries as their pay remains, for the most part, static unless they are able to negotiate a pay rise locally. Therefore when branches are negotiating a new pay system with an employer they should consider adopting a pay range structure rather than sticking to spot salaries. A pay range system allows for progression through the range and can incentivise staff in terms of reward for career development. Short pay ranges are problematic as staff are more likely to reach the top of the range very quickly and at that point the only uplift they are likely to receive in their pay is a cost of living pay increase (if these haven't been frozen). Employers are increasingly using the annual cost of living increase as a substitute for a pay rise; therefore it is important that it is made clear to the employer early in the negotiations that these two pay related costs are separate and one should not replace the other.

4. **Job evaluation**

UNISON supports the use of equality proofed job evaluation schemes as a way of establishing fair pay and grading structures. A working party set up in the workplace between the employer and union representatives can act as a conduit to review pay and grading as the scheme would need to meet equality and human rights commission requirements. Job evaluation should be a joint union and employer exercise, with a trained steering group overseeing the process to ensure that JE pay and grading outcomes are equality proofed. An appeals procedure and equality proofed arrangement should be put in place. A job evaluation exercise sets up a fair grading structure however it can take some months to complete and does not determine actual pay. If your branch is considering going through a job evaluation process with the employer, you should contact your region for advice and support.

**Further Information**

- ACAS Guidance – Job Evaluation: Considerations and Risks
- ACAS – Job Evaluation: An Introduction
- ACAS Guide to Pay Systems
- UNISON in Colleges – Job Evaluation, grading structures and equal pay (Oct 2012)
- IDS Research – Pay Progression in the Public Sector (Aug 2013)