



LOCAL GOVERNMENT SINGLE STATUS PAY AND GRADING REVIEWS
DEFINITIONS AND SIGNIFICANCE OF
GREEN, WHITE AND RED CIRCLES AND VARIATIONS OF THEM
A TECHNICAL NOTE

1. Background

1.1 'Red circling' is a relatively longstanding term for those needing 'personal protection' for loss of pay or other terms and conditions of employment as a result of organisational changes outside their control. Examples include internal reorganisations, changes to jobs resulting from the introduction of new technology, or new grading and pay structures.

1.2 'Green' and 'white' circles are terms of more recent origin. They refer to those who gain immediately as a result of new structures (green) or those who move across on the same spinal column point because that is within the range of the new grade (white).

1.3 Subsequently people have invented variations on the theme, such as pale or light green circles and pink or orange circles. These are used to describe employees whose present pay does not change with a new structure, but whose future pay expectations are affected because they stand to lose or gain 'headroom' in their proposed new grade. Here the maximum pay point of an individual's proposed new grade is lower or higher than the maximum pay point of their current grade.

1.4 The above terms have become used in different situations, sometimes rather misleadingly. This Note sets out to clarify the terms, how they are most accurately used and their significance in assessing grading and pay structure proposals. It is a technical note about what calculations provide the most useful tools for assessing the merits or otherwise of grading and pay structure proposals using Microsoft Excel procedures.

2. Green, White and Red Circles – Proposed Basic Pay

2.1 Terminology

(1) Strictly speaking, the Green, White and Red (GWR) terminology applies to PROPOSED BASIC PAY in comparison to current basic pay. (Total earnings, including working time premium payments, are considered below). Current pay is sometimes also called 'old', 'historic' or 'previous' basic pay. This Note uses 'current' for short.

(2) The comparison needs to take into account any payments in current pay which will be incorporated into the pay point used for assimilation on to the new structure and/or any which will cease to be paid as a separate payment. Examples include redundant bonus payments or attendance allowances and those payments which were paid to reflect working conditions or qualifications which will now be measured as a demand under the new job evaluation scheme.

(3) GWR data should exclude those payments which will be paid as separate payments in the future, for instance, labour market supplements or recruitment and retention payments. However, it is often difficult (if not impossible) to distinguish separately historic labour market payments which have been consolidated into current basic pay. If we know these payments have been previously consolidated or will be consolidated, the comparison should be between current pay including consolidated rates and proposed basic pay plus any new labour market supplements. This will not, however, determine whether affected employees are genuine green circles. That will only arise if the consolidated pay is below the new grade minimum.

(4) Green, white and red circles relate to those actually in employment, who are moving from the current structure to the proposed new structure. Some local authorities have carried high vacancy rates into their single status reviews, possibly to absorb some of the costs. Any vacancies expected to be filled should be included in the 'green' costs in pay modelling systems. However, they do not constitute green, white or red circles because no employees are actually in post. The new recruits will simply take on the new pay rate and will have never been subject to any pay transition.

(5) At all times, the GWR terminology relates to individuals in employment, whether full-time or part-time, as determined by contracts of employment. Those with more than one part-time contract should be treated as separate individuals. They may be red circles on one contract and green or white circles on another.

2.2 Definitions of Green, White and Red Circles

2.2.1 Bearing the above in mind, standard definitions are as follows:

- *Green circles* are those whose current basic pay is below the minimum of the proposed pay scale or range and who will need to move to at least the minimum of the proposed new pay scale or range
- *White circles* are those whose current basic pay is within the proposed pay scale or range and will usually move to the proposed new scale on the same salary (but see below)
- *Red circles* are those whose current basic pay is above the maximum of the proposed pay scale or range. Their new substantive pay rate is usually (but not always) deemed to be the maximum of the proposed new pay scale and

the remainder of their current salary is subject to protection on a personal basis

Current basic pay, as reported in the previous section, includes allowances which will be removed in the future or have been previously consolidated.

2.2.2 The above is relatively straightforward where the current pay points are the same as the proposed ones, for example, where the national spine is used by a local authority, albeit with different pay scales (see below). However, a few local authorities have developed their own new system of pay points or ranges.

2.2.3 In such cases, the accepted rule is that individuals move to the nearest relevant higher pay point on the new structure. This has no additional effect on green or red circles, but it means that most *white circles*, as defined above, are likely to see small (or not so small) increases as they move to the next higher point within the new scale or range. In such circumstances, there are often very large numbers of employees seeing increases in their basic pay and few or no white circles as defined above. But this does not change the white circle into green circles, as defined above, because their current basic pay was not below the minimum of the proposed new pay scale or range.

2.3 Significance of Green, White and Red Circles

2.3.1 *Numbers* of green, white and red circles can be analysed by grade and gender, totalling them by using the Excel count function and then calculating them as percentages of the males and females in each proposed new grade and overall. (You should subtract current pay from proposed new pay, if this has not already been done, and then sort by size of difference.) Green circles show as positive figures, white circles as zero figures and red circles as negative figures. The amounts lost and gained should also be averaged by gender.

2.3.2 These percentages are significant in two main ways:

(1) From an equality perspective, the general expectation in an exercise designed to move towards equal pay for work of equal value is that overall there will be proportionately higher numbers of female than male green circles and probably also of male than female red circles. This should also be true in most, if not all, new grades. This is consistent with grade and overall gender pay gaps narrowing as a result of the proposals. If this pattern is not apparent, explanation is required. For example, it could be:

- In a small district council the largest number of green circles were male refuse collectors who had never received bonus
- In a housing organisation, the largest number of green circles were male-dominated neighbourhood wardens who had lost bonus payments on transfer from the local authority

- In district councils and leisure trusts, the gender composition of leisure attendants and instructors may explain unusual patterns of green and red circles
- Where low paid private sector male jobs have been brought back in house

Such explanations may be acceptable as justification for the outcomes. However, disproportionate numbers of female red circles, especially around old APT&C scales 3-5, may indicate a lowering of the pay line. The Service Group has issued advice on identifying the causes of APT&C female red circling – see ULG/77/2007 dated 24 July 2007.

(2) From a negotiating perspective, the difference between the proportions of green and red circles will provide an initial indicator of the acceptability of the basic pay proposals. The expectation must be that the overall proportion of green circles will significantly exceed the proportion of red circles. Very roughly, where there has not been a previous JE exercise, up to 10% red circles may represent anomalies in the historic rank order. Red circle percentages greater than 10+% require investigation and may be indicative of problems with the job evaluation exercise, the drawing of grade boundaries and/or a lowering of the organisational pay line.

2.3.3 *Average* monetary gain/loss for green/red circles by gender and grade can be useful in identifying any disparate patterns between males and females. (The Excel calculation is green or red circle amounts totalled and divided by the number of green or red circles in each grade.) Significantly higher average male than female green circle amounts may indicate particularly large moves by male dominated jobs up the rank order of jobs and need to be checked for robust evaluation. This could contribute to a widening of the overall gender pay gap even where the male and female red circle percentages appear reasonable.

2.3.4 It is also useful to see the percentage of financial losses at the end of any protection period, using predicted pay increases over that protected period. It may be that there is a very high percentage of red circles, but the amount protected is low and grade pay annual increases will rapidly overtake the protected pay.

2.3.5 An Excel *sort by size* of green and red circles will identify the largest. The evaluations should then be checked or the size explained by other reasons – **for** example, significantly more responsibilities added to or taken away from the jobs in question. Note that some very large red circles on a full time equivalent basis have been identified among workers working very small numbers of part-time hours, for example, aerobics and similar instructors working one or two hours per week. The explanation appears to be payment at a ‘rounded up’ figure to compensate for the small number of hours available. Is there a case for a labour market supplement in

such circumstances to induce the individual to leave home? Alternatively, can the work be reorganised to reduce the need for such measures?

3. Light Green and Pink/Orange Circles – Future Basic Pay

3.1 Terminology

3.1.1 Where new pay scales are proposed, there may also be ‘headroom’ issues. Here changes to the pay scale ranges (whether designated in pay spine points or amounts of money) affect the *pay expectations* of individuals whose basic pay does not change in year 1, that is, the ‘white circles’, as well as those of the green and red circles.

3.1.2 The latter two groups have already been counted under the green and white circles. However, those white circles should also be measured against any gain or loss in headroom.

- **Light green circles** are employees whose current pay is within the proposed new pay range or scale and so move onto the proposed structure at the same salary, but their pay expectations/headroom are improved/increased because the proposed new pay scale has a higher maximum point than their current pay scale
- **Pale pink/orange circles** are employees whose current pay is within the proposed new’ pay range or scale, and so move onto the new structure at the same salary, but whose pay expectations/headroom are worsened/decreased because the proposed new pay scale has a lower maximum point than their current pay scale

3.1.3 An example of a light green circle situation would be where the maximum of new grade 4, broadly equivalent to old scale 3, is at SCP 18 or 19 rather than SCP 17. An example of a light pink circle situation would be where the maximum of new grade 4, broadly equivalent to old scale 3, is at SCP 15 or 16, rather than 17.

3.2 Significance of Light Green and Pink/Orange Circles

3.2.1 The main significance of light green and pink/orange circles is that they affect the *numbers and proportions* of employees who will experience benefit or detriment, immediately or in the future, in relation to their current BASIC pay. The light green circles can be added to the green circles and the pink or orange circles can be added to the red circles for this purpose and may affect the acceptability of the package from a negotiating perspective.

3.2.2 Analysis of the light green and pink/orange circles by grade and gender may assist in identifying any adverse features of the proposals from an equality perspective. For instance, disproportionate numbers of female pink/orange circles may indicate that the associated lowering of the pay line has had an indirectly discriminatory impact

4. Other Headroom Issues – Future Basic Pay

4.1 However, such situations are not always so easily identified, for instance, where the proposed pay scales are radically different from the current ones. Headroom issues can be identified by subtracting the old scale maximum from the new scale maximum and sorting on excel by size of difference. This should preferably be done by grade and gender. Where the national spine continues to be used, the calculations could be in terms of maximum scale points, rather than monetary amounts.

4.2 In looking at the *numbers*, if the negatives outweigh the positives when the current scale maximum is subtracted from the proposed new scale maximum, this indicates a significant lowering of the pay line. Conversely, if the positives outweigh the negatives, this indicates a raising of the pay line. It is also worth looking at whether the pattern varies from grade to grade. Do higher grades have positive headroom gains while lower grade jobs do not? If so, this represents a change in the pay line angle and/or curve and needs to be examined further.

4.3 *Average* headroom changes by gender and grade and overall may assist in identifying potential future disparities in pay and be relevant to what a post-implementation equal pay review will show. For example, if average headroom gains in a leisure-providing organisation were significantly higher for males than females because the largest gaining group was male-dominated, this could mean a future widening of the pay gap. If the relative pay changes appear justified, part of the solution might be to encourage the organisation to seek to increase the proportion of women in the job group in question, for instance, by reviewing working patterns or providing relevant training.

5. Overall Gainers and Losers – Proposed Total Earnings

5.1 Terminology

5.1.1 The GWR terminology is sometimes applied to total earnings as well as - or as an alternative to - basic pay, where the employer is also proposing changes to other terms and conditions, notably working time premium payments like overtime, weekend enhancements, shift payments and standby/call-out payments. This can mask contradictory movements such as basic pay gainers, who become overall losers because of removal of weekend enhancements, or basic pay losers who become overall gainers on account of receiving new or higher shift payments, which does sometimes happen.

5.1.2 To avoid confusion and to allow for disaggregation of different aspects of the proposals, it may be helpful to use different terminology and talk about overall gainers and losers. At the very least, it is necessary to distinguish 'overall' green, red and white circles from 'basic pay' green, red and white circles, i.e. those whose total earnings will be higher or lower respectively under the grading and pay proposals.

5.1.3 The identification of overall 'gainers' and 'losers' is based on a major assumption - that working patterns will remain the same as in the base period on which the comparative costings are based. Where there are significant changes to relevant terms and conditions, this may not hold good. Changes need to be looked at from an organisational perspective as well as at individual level. Changes which act to the detriment of some, may benefit the many.

5.1.4 While the overall 'gainer' and 'loser' terminology is useful for negotiating purposes, it is worthwhile remembering that an equality impact assessment should be carried out in relation to each proposed change to terms and conditions. So, for example, where Home Carers gain on proposed basic pay sufficiently to outweigh their loss resulting from the removal or reduction of weekend enhancements, they would still show as 'overall gainers'. However, the equality impact assessment of the removal of weekend enhancements will show them as losers in relation to that particular term. If the proportion of women disadvantaged by the change in that term is greater than the proportion of women in the workforce, then objective justification is still required for the proposed change.

5.2 Definitions

5.2.1 With the above qualifications in mind and assuming that working patterns remain the same in the costing period, definitions are as follows:

- *Overall gainers* are those whose proposed total earnings **are greater than their current total earnings**, taking into account any change to basic pay and other terms and conditions
- *Overall neutrals* are those whose proposed total earnings **are the same as their current total earnings**, taking into account any change to basic pay and other terms and conditions
- *Overall losers* are those whose proposed total earnings **are less than their current total earnings**, taking into account any change to basic pay and other terms and conditions

5.3 Significance of overall gainers and losers data

5.3.1 Numbers of overall gainers, neutrals and losers can be totalled and compared in the same way as with green, red and white circles. The same Excel procedures can be used, except using total earnings data rather than basic pay. This will assist in forming a view on the package.

5.3.2 In spite of the qualifications, the overall earnings data can be useful from both equality and negotiating perspectives:

(1) As with the basic pay data, the expectation must still be that there will be proportionately more female than male overall gainers and proportionately fewer overall losers. Comparisons with the GWR data may help in identifying particular aspects of the proposals that are contrary to equality requirements and groups who, for example, are particularly adversely affected by changes to weekend and other enhancements.

(2) Members are likely to form their view of a package based on the overall data and so this information is crucial from a negotiating stance.

5.3.3 *Average* overall pay gains and losses analysed by gender and grade and for all those covered by the package can be useful in identifying any disparate patterns between males and females. This is calculated by totalling overall gains and dividing by the number of gainers and repeating the same calculation for losers. It should be noted that national gender pay gap data is based on earnings (excluding overtime earnings) rather than basic pay, so the data for the whole single status workforce can usefully be compared with the national gender pay gap in average earnings of around 18%, although this relates only to full-time employees.

5.3.4 Again, as with the GWR data, an Excel *sort by size* of gains and losses can help identify individuals who are particularly adversely affected by the proposals, in order to understand the reasons for large gains and losses and where appropriate to try to mitigate the losses.

5.3.5. If you have any queries on the issues raised in this technical note please contact your Regional Head of Local Government or Regional equal pay team in the first instance. They will also have details of the training courses the Service Group provides to support regional and branch negotiators involved in collective bargaining on single status.