

NEGOTIATING PAY STRUCTURES

Levels of pay and how pay is distributed can have a massive impact on organisations and the relationship between employers and workers. It will affect efficiency and productivity rates, as well as the morale and motivation of the workforce.

This guide gives a basic overview of the different types of pay structures being used across UNISON's bargaining groups, and provides advice to branches on how to make them work best for you.



What is a pay structure?

Acas explains the difference between pay systems and pay structures:

“**Pay systems** provide the bases on which an organisation rewards workers for their individual contribution, skill and performance.

Pay structures are different - they are used to determine specific pay rates for particular jobs, usually based on the nature of the job, its content and requirements. A pay structure provides the framework within which the organisation places the pay rates for its various jobs or groups of jobs.”

So the logic behind a pay structure is simple - it allows an employer to assign a basic pay level or rate and a pay range or scales to a job role.

All pay structures will list a number of rates, grades or pay levels for the different roles within a workplace. How many there are and how narrow or wide the differences are between the levels will depend on how similar or varied the roles are, how the workplace operates, and on negotiations with the trade union.

As part of simplifying pay structures, more employers are now moving away from the more traditional hierarchical shape structures. Instead they are moving towards those that incorporate fewer bands or grades, and where job roles are more ‘harmonised’ within their pay system.

Employers will use different types of pay systems in order to manage pay increases and career progression. They can use the pay system to support the organisation’s strategic objectives such as by rewarding high levels of performance. Employers may offer pay progression through a pay range to reward long service or new skills that an employee has attained in the year. They may also adapt pay rates to job roles to mirror the local job market.

There are generally two types of pay systems that the pay structure will be based on:

1. A **basic rate system** where the pay does not vary in relation to performance or length of employment.
2. An **incentivised system** where pay can vary depending on results and performance (whether individuals or groups), and this includes the acquisition of skills or competencies.

Acas guidance recommends that pay systems and structures should be clear, simple and easy to follow so that workers know and understand how much pay they are entitled to.

Pay structures should be used to ensure that staff are paid fairly and equitably in a way which does not discriminate.

All pay structures have to comply with legal requirements such as paying at least the national minimum wage or providing equal pay. Women have the right to equal pay with men if they are doing 'like' work or work that is of 'equal value'.

The employer may also have a voluntary commitment to the Living Wage that should be taken account of within their pay structure.

Role of the trade union

Acas guidance identifies that it is good practice for employers to involve the recognised trade unions in any process of selecting and installing a pay system and structure. It also suggests that it is helpful for employers to form a joint working party with representatives of the trade unions.

Branch and workplace reps should consider issues such as:

- The potential pay levels within a role
- The relationship between the role's pay level and qualifications, training or skills
- The relationship between pay levels within the workplace and within the wider labour market
- Whether there is a regional variation to pay (such as paying a London weighting or recruitment and retention allowance)
- How workers can progress or be promoted and move up through the pay structure
- How performance is measured and whether pay is directly linked to this
- The job evaluation process to be used.

Types of pay structures

Spot rates / individual pay rates

Under this basic type of pay structure, employees are paid a single hourly or weekly or annual rate of pay which is linked to the specific job.

This type of pay structure is mainly found in smaller workplaces where there are fewer roles, and therefore a limited number of pay levels.

The biggest drawback of using spot rates to employ staff is that it leaves no scope for progression or incentive, which can lead to problems with morale and productivity in the workplace.

Sometimes the employer may include some incremental scales that allow for progression, perhaps as additional experience and skills are obtained.

However, use of this type of pay structure may lead to equal pay claims, especially if 'wage drift' is allowed to happen, where the actual salary paid to an individual has increased faster than the standard rate for the job. This may be because pay increases have been linked to their length of service, overtime or bonuses, which could result in a group of workers performing the same job role on different salaries.

UNISON's 'Bridge the Gender Pay Gap' bargaining guide

(<https://www.unison.org.uk/content/uploads/2019/03/25466-1.pdf>) states:

"Pay gaps can be caused by the effect of men staying in the full-time workforce for longer than women and so progressing up the pay scale further...

A strong contributing factor to this pattern is women stepping out of the labour force to have children and the tendency for women to take on the caring roles for family members, which extends their absence. On return to work, women frequently have to take on part time work to balance with caring responsibilities, which are often lowskill, low-paid jobs with little opportunity for progression...

Private and community / voluntary organisations engaged in delivering public services are much more likely than the public sector to have pay systems that are not based on job evaluation systems. For that reason, they are much more vulnerable to violating equal pay legislation.

Pay structures in these organisations can take a wide variety of forms but are often based on 'spot rates' or pay ranges that vary for each individual and are influenced by estimates of changes in 'market rates'. Equal pay audits are even more vital for these pay systems to address suspected Equal Pay Act violations...

In the longer term, branches should make the case to such employers that a pay scale structured around job evaluation is the fairest system that offers the greatest protection for the employer against equal pay claims."

Spot salaries are often based on a market-based pay system that links salary levels to those rates available in the market. Regardless of the performance of the worker, it is difficult for employees to progress if they are deemed to be earning the 'market rate' for their job. Pay increases for the individual worker would only ever depend on a general uprating of pay levels (usually at the annual pay review).

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. The potential for improved staff morale and productivity could be highlighted to employers if they adopt a pay range, as it would give workers the ability to progress through the range.

Pay spines

Pay spines are the most commonly used pay structure. In the public sector, they are generally used in local government and often also 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 sector, there has been an increase in employers using pay increments as a substitute for a cost of living increase.

Narrow-graded pay structures

This pay structure is also very common in the public sector and other large employers and consists of a large amount (sometimes 10 or more) of grades (or bands or levels).

For example, the NHS has about 500 different non-medical job 'profiles' and these have been allocated to nine nationally agreed pay bands, within a pay spine of 54 pay levels.

Most major public sector organisations have adopted job evaluation procedures that rate jobs according to their demands and difficulty as a measure of 'value' so that they can then be allocated against national or local pay scales.

Incremental rises are mainly due to length of service but the range of 'scales' within the grade is usually limited. Therefore pay increases for the individual worker would depend on moving up a scale, being promoted to another grade, or a general uprating of pay levels.

A downside of this pay structure is that many employees reach top of their grade within a few years. Some employees may request and be given a higher grade to incentivise them. But again this leaves the employer open to equal pay claims if there is some 'grade drift' within jobs whereby, gradually over time, the relationship between the pay for a group of jobs and the characteristics of the jobs is no longer considered relevant.

Although job evaluation procedures have been designed to reduce the occurrence of unjustifiable inequalities, they do not make pay scales immune to **equal pay issues**.

In these cases, **equal pay audits** offer a valuable tool to review job evaluation procedures and ensure that inequality has not crept into pay systems.

For more information, see UNISON's '**Bridge the Gender Pay Gap**' bargaining guide <https://www.unison.org.uk/content/uploads/2019/03/25466-1.pdf>

Broad-graded pay structures or broad-banding

This pay structure is made up of a small number of wider pay bands (usually just four or five) and is designed to give some flexibility in pay grades and also possibly with role definitions. Base rates for job roles are usually determined through job evaluation schemes but often the emphasis in a broad-banding structure is shifted on evaluating the individual, their competency, skills and career development.

A classic broad-banding structure allows for continual pay progression within each band getting rid of the need for frequent re-grading or promotion exercises. However again employers need to be careful over equal pay and other discrimination issues, should one protected group find it harder to reach maximum pay levels than others.

UNISON's '**Bridge the Gender Pay Gap**' bargaining guide (<https://www.unison.org.uk/content/uploads/2019/03/25466-1.pdf>) recommends:

- "Factors based on experience should generally avoid being defined in terms of continuous service;
- The number of pay points through which an employee must progress to reach the top of their pay band must be based on an accurate assessment of the time necessary to develop the skills and expertise to fully discharge the requirements of a job. Unreasonably long pay scales can leave women short of the top when they take time out because of pregnancy or caring responsibilities. Bands should not usually exceed four or five points and the same number of points should apply consistently across each band...

- Elements of pay based on reaching a competence standard should seek equality in access to opportunities for developing the required level of competence. For example, the timing and location of any training should accommodate part-time employees who may have caring responsibilities or those on maternity leave;
- Elements of pay based on performance should utilise criteria that are clearly defined and achievable, with targets consistently applied across all departments. Measurable, and objective criteria can help avoid bias...
- A single respected job evaluation scheme should be applied across all roles. [In local government, the NJC and SJC job evaluation schemes are recommended by the joint committees. In the NHS, Agenda for Change roles are covered by the NHS Job Evaluation Scheme] ”

Appraisal or performance-related pay is often used to link progression through a pay band with an assessment of an individual’s work performance during a particular reference period (often this is a yearly review).

In the **Acas guide on ‘Pay Systems’**

http://m.acas.org.uk/media/pdf/o/3/pay_systems-accessible-version-Jun-2012.pdf they state that “organisations often use a combination of systems to provide greater flexibility in the pay package to address particular needs. For instance they may have a basic rate for the job, with a top-up increase that is self-financing, and an element for individual performance. This has been particularly common in the public sector and the privatised ex-public sector/agencies.”

However, there can be lots of disadvantages to performance-related pay including 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 an expected or ‘automatic’ pay increase every year. But the increases in pay tend to be small amounts and therefore do not act as a good motivator for staff, especially those members of staff who have already reached the top of their grade.

For further information about performance-related pay, see the bargaining support guide www.unison.org.uk/content/uploads/2019/05/Performance-related-pay.pdf

Job families

A job family pay structure is a group of jobs with similar characteristics and involved in similar work, although with varying levels of competency and skill. This pay structure usually has six to eight levels. There are separate pay grades and pay spines for different families (for example one for HR staff, one for IT staff and one for sales staff).

Job family pay structures may be used by organisations that employ specialist groups of staff as they can assign higher rates for highly sought-after workers. However, UNISON has advised that “in local government organisations, the ‘market model’ of job families (with separate pay structures for different families) would invite equal pay problems. We would strongly advise against having separate ‘market rate groups’ in a job family structure. In roles or occupations where it is difficult to recruit or retain staff, there are other solutions available (such as the payment of labour market supplements).” [from: ‘[Keeping pay equal: Trade union side guide to local government pay and grading reviews 2017 Edition](http://www.unison.org.uk/content/uploads/2018/06/Keeping-Pay-Equal-%E2%80%93-NJC-Trade-Union-Side-Guide-to-Local-Government-Pay-and-Grading-Reviews-2017-edition.pdf)’ www.unison.org.uk/content/uploads/2018/06/Keeping-Pay-Equal-%E2%80%93-NJC-Trade-Union-Side-Guide-to-Local-Government-Pay-and-Grading-Reviews-2017-edition.pdf]

An example of a job family pay structure is below:

Job Family	A group of jobs in the same occupation		
Job Function	A more specific area within a family		
Job Category	Operational and Technical	Professional	Supervisors and Managers
	Level 1	Entry	Supervisor 1
	Level 2	Intermediate	Supervisor 2
	Level 3	Experienced	Manager 1
		Advanced	Manager 2
		Expert	Manager 3

Some organisations may also have a **career family** or **career-grade** structure, where a number of job families share the grades and pay structure, so potentially widening the opportunities for career development and making the path clearer for skill development and progression.

Case study:

Liverpool Women's Hospital and the national pay structure

UNISON has continually highlighted how many outsourced staff within the NHS do not get the same wage rises as in-house staff. This growing pay divide is affecting the smooth running of the NHS as these outsourced staff leave in search of better-paid jobs.

In April 2019, UNISON members at Liverpool Women's Hospital won their struggle to secure NHS rates of pay.

The domestics, porters, catering and security staff are all employed by a private contractor, OCS, which had refused to pay them the same rate for the job as staff employed directly by the NHS, who had seen their pay rise under last year's nationally agreed deal.

Now, the OCS staff will no longer be paid just the legal minimum wage, but will receive the higher NHS rate.

This is worth more than £1 an hour – over £2,000 a year for full-time staff. As part of a three-year deal, staff will now also get the same payments as their colleagues for working anti-social hours, overtime and weekends.

The pay increase is to be jointly funded by OCS and the hospital trust.

Staff took three days of strike action in February and March, with a further planned day of action on 1 April called off as a deal came close.

UNISON North West regional organiser Maria Moss said: "Justice had been done at last. All hospital workers are part of the NHS team and they should all be recognised for the important work they do.

"It is unfortunate that our members had to resort to strike action to get treated fairly, but the support from hospital colleagues and the public has helped staff to stick with it to the end.

"We hope that other privateers working in the NHS sit up and take note of what has happened at the Women's Hospital. Private contractors will be challenged where they are taking profits out of the NHS by underpaying hospital workers."

This case again 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. 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.

Checklist for branches not covered by national pay and grading systems:

For those branches not covered by national pay and grading systems such as Agenda for Change (NHS) or the NJC Green Book pay spines, it may be time to take stock of your current pay system and structure. 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 system and structure 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 as well as being part of the negotiations on any revisions made to an existing pay system.

2. Who is covered by the current system?

It's important to establish what pay systems and structures are used by your employer, and who is covered under each.

It is not uncommon for employers to use two forms of payment system, so it may be worth considering whether it would be fairer and more transparent if the employer was encouraged to harmonise two systems into one.

Also are part-time and fixed-term employees, as well as any eligible agency workers receiving their full entitlement and not treated less favourably?

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.

Pay rates may benefit from comparing them to the wider market (external benchmarking) but this could also lead an employer to use the comparison as an excuse to cut wages, regardless of whether staff are successful or productive. Any statistics used by employers of earning levels elsewhere should be analysed closely to see if they are truly comparing like with like, such as whether or not they include bonuses and other extras paid as standard elsewhere, and if there are actually out-of-date figures being used.

When branches are negotiating a new pay structure with an employer they should be encouraged to consider adopting a pay range structure rather than sticking to spot

salaries. This will allow for progression through the range and can help incentivise staff in terms of reward for career development.

Limited pay ranges can be problematic as staff are more likely to reach the top of the range very quickly. 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 cost of living increases should be considered separately from pay uplifts.

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 with employer and trade union representatives should ensure that the job evaluation scheme and any pay and grading outcomes used are impartial, gender neutral and reliable.

The job evaluation process should be a joint management and union exercise, with ground rules agreed prior to the introduction of the scheme, and with a fully representative and trained steering group to oversee it. The process should include an appeals procedure, monitoring arrangements and full disclosure of data for all posts to the unions.

A job evaluation exercise should set up a fair grading structure. However it can take some months to complete and do not determine the actual pay levels.

If your branch is considering going through a job evaluation process with the employer, contact your **regional officer** www.unison.org.uk/regions.

Also contact your **regional education teams and / or LAOS** to find out what training and resources are available to assist you with negotiating with your employer or promoting the issues in this guide with your members <https://learning.unison.org.uk/>

Further guidance on pay and other workplace issues is available from the bargaining support unit www.unison.org.uk/bargaining-guides.

Further Information

Acas:

Guidance on pay

www.acas.org.uk/index.aspx?articleid=1366

Acas guide '**Pay Systems**'

http://m.acas.org.uk/media/pdf/o/3/pay_systems-accessible-version-Jun-2012.pdf

Acas guidance on job evaluations

including the guide: '**Job Evaluations: Considerations and Risks**'

www.acas.org.uk/index.aspx?articleid=4670

UNISON:

'**Bridge the Gender Pay Gap**' campaign

www.unison.org.uk/our-campaigns/bridgethegap/

including '**Bridge the Gap, bargaining guide**'

www.unison.org.uk/content/uploads/2019/03/25466-1.pdf

'**Negotiating advice for college staff: Job evaluation, grading structures and equal pay**'

www.unison.org.uk/content/uploads/2013/06/On-line-Catalogue211603.pdf

Keeping Pay Equal: Trade union side guide to local government pay and grading reviews, 2017 Edition

www.unison.org.uk/content/uploads/2017/07/24309.pdf

'**Pay progression in the public sector**' - research report for UNISON from Incomes Data Services (IDS), August 2013

www.unison.org.uk/content/uploads/2013/09/Briefings-and-CircularsIDS-report-on-progression3.pdf

Equality and Human Rights Commission:

Advice and guidance on **equal pay**, including sections on job evaluation and job grading

<https://www.equalityhumanrights.com/en/our-work/equal-pay>