

## **EMPLOYMENT MATTERS COMMITTEE**

**18 APRIL 2013**

### **PAY AND GRADE REVIEW**

Report from: Tricia Palmer, Assistant Director, Organisational Services

Author: Sandra Steel, Organisational Change Officer

#### **Summary**

To update the Committee on the principles and progress of the Pay and Grade Review Project.

#### **1. Budget and Policy Framework**

1.1 The staffing implications of pay and grading are a matter for this committee, which can decide on the policies and processes supporting any changes in staffing.

#### **2. Background**

2.1 The current pay and grading scheme was implemented in 2002 as part of Single Status, an initiative which intended to create a unified employment framework for all employees within a local authority. Single Status had a number of important effects for local authorities nationally. First, it produced pay increases for many groups, including some of the lowest paid public sector workers. Second, it removed unjustifiable subdivisions, such as between manual and administrative staff or different career groups, so that pay, terms and conditions could be the same for people doing work of equal value. Third, it improved fairness and reduced the risk of challenge on grounds of equal pay.

2.2 However, whilst these outcomes are very important, Single Status is not a modern approach to reward where the gains which organisations generally look for from reward improvements, such as better cost control, talent management or performance are missing. These benefits are more important now than ever as the public sector strives to get more for less during challenging economic times.

2.3 The council implemented Single Status in 2002 at the same time as harmonising terms and conditions of employment following Medway becoming a unitary authority. Employees from the council's three predecessor authorities were being paid using a number of different pay scales. In order to

minimise the negative impact on staff salaries when transitioning to the new scheme the grades within the new structure were extended to up to ten incremental points and these grades overlapped each other. (see appendix one).

- 2.3 Whilst the current structure served its purpose in 2002, there was an understanding that at some point this would need to be revisited and replaced. The reasons are highlighted in paragraph 3.1.
- 2.4 Section four of the report outlines details of a proposed replacement pay scheme, with shorter grades that will not only enable improved budget control but will also provide a framework to improve performance management and support staff in their career development.

### **3. Options**

- 3.1 The current scheme has become progressively more strained as time has progressed, contributory factors of this include:
- a lack of internal equity in pay for those at the top versus those at the bottom;
  - the large number of heavily overlapped pay bands;
  - Insufficient differentiation between those on Principal Officer grades and those on the main NJC scheme;
  - Significant numbers of staff at the top of their band;
  - The risk of equal pay claims;
  - movement through each grade is by automatic annual increment. There is no link to an individual's performance in their role, an annual increment is paid whether or not the employee is doing well or needs to improve.
  - the increased requirements for transparency and openness brought about by the Localism Act means that the council needs to be sure its reward policy is appropriate and reflects the intentions of the organisation;
  - to support new ways of working resulting from the *Better for Less* transformation programme with a requirement for a more performance focused culture;
  - A commitment to review the current pay and grading structure by 2014 when the current freezing of increments ceases.
- 3.2 Liaison has been ongoing with the Local Government Association and The Hay Group to look at different approaches that the council could take to improve the situation.
- 3.3 Initial work, including an audit of the current pay structure has been undertaken with The Hay Group, who have recommended the council adopts a 'job family' framework to underpin a new reward system to provide a robust tool for pay and grading that will support a more performance focused culture.

## 4. Advice and analysis

4.1 Following these recommendations further work has been undertaken to scope a job family pay scheme that is linked to performance through a contribution based pay approach.

4.2 Job families group together jobs whose essential nature and purpose are the same. It is therefore possible to group together a lot of roles, even from different service groups. Within each job family, work is carried out at different levels of responsibility. These different levels are described as role profiles.

4.3 Contribution based pay combines elements of both performance and competency and relies on the regular review of an employees' competency through target setting and performance.

4.4 The initial work has now been completed for non-school posts and a project plan produced. The main steps of the project being to:

- (i) agree a job family framework;
- (ii) allocate current posts to job families;
- (iii) agree new competency frameworks for employees below Service Manager level, with different frameworks for Social Workers and school-based staff.
- (iv) make adaptations to the e-source recruitment system to accommodate the new job profile style.
- (v) produce a set of generic job profiles for each job family.
- (vi) evaluate the job profiles using the NJC job evaluation scheme incorporating those posts currently evaluated under the Principal Officer Scheme. Work has been undertaken with the Local Government Association to look at assimilation of these posts onto a main scale so there will be only one scale in future.
- (vii) undertake pay modelling.
- (viii) develop a communication plan.
- (ix) develop a contribution-based pay scheme.
- (x) undertake formal consultation and Implementation.
- (xi) undertake appeals process.

4.5 Work has started on a number of the above points, this is detailed below:

### 4.6 Job Families

4.7 A set of job families have been produced. The categories used within the 'Better for Less' model were used to formulate the job families as below.

- (i) **Corporate Core** – posts that deliver corporate services to support council business and strategy
- (ii) **Organisational Support** – roles that deliver administrative support.
- (iii) **Customer and Engagement** – roles that provide assistance, instruction and information to groups and individuals using council services and facilities.
- (iv) **People (Social Work and Professional)** – roles that are registered with the Health Care and Professions Council (HCPC).
- (v) **People (Social and Environmental)** – roles that support and assist the well-being of individuals and groups to assure their protection, security and development.

- (vi) **People (Learning)** – roles that develop people to build their personal capability in skills and knowledge.
- (vii) **Place (Regulation and Technical)** – roles that include monitoring and enforcing regulatory areas and those providing services of a technical nature to customers.
- (viii) **Place (Property)** – roles that deliver on-going service activities requiring specialised and vocational expertise.

4.8 A 'desk-top' exercise has been undertaken within HR Services to allocate posts to each job family. Currently there are a total of 1484 non-school posts that need allocating to job families. There are a total of 3938 employees assigned to these posts.

4.9 Work has started on producing the set of generic job profiles within families. It is envisaged that there is likely to be approximately 100 generic job profiles. These profiles will then need to be evaluated using the NJC job evaluation scheme with individual employees assigned to a specific generic job profile (wherever possible). It is accepted that some posts may be too specialist to be allocated within a generic job profile and for these posts an individual job profile will be produced. This work is due to be finalised by the end of June which will enable The Hay Group to undertake preliminary pay modelling.

#### **4.10 Competency Schemes**

4.11 A draft competency scheme has been produced. This has been designed with the specific intention to align competency levels with the hierarchical factor levels of the NJC job evaluation scheme. Service specific behaviours within the framework (e.g. managing financial resources) are currently being developed within the specific service areas to ensure the behaviours required from the employee meet the organisations needs and link to organisational goals and objectives.

4.12 Further work will be undertaken by The Hay Group to formulate the contribution-based element which will link targets to the competencies required. This scheme will then support a revised Performance Development Review process which will enable a regular monitoring of performance and linking this to pay.

#### **4.13 Competency scheme for Social Workers**

4.14 A specific competency scheme is being produced for Social Workers to integrate the national competencies within the Professional Capabilities Framework for Social Workers. HR Services are working with the Local Government Association on producing this with a view to developing a framework for this group which will ensure proper and consistent professional development throughout the service.

#### **4.15 Competency scheme for school-based posts**

4.16 A specific competency scheme and set of job families will be produced for schools-based staff using as a guide the school profiles which have been agreed by the NJC joint technical working group (but not formally approved by the NJC to date).

## 5. Risk management

| Risk   | Description   | Action to avoid or mitigate risk  |
|--|---|---|
| <p>The funding of a new pay and grade scheme.</p> <p>Possible detrimental impact on the morale of the workforce.</p> | <p>Year one costs incurred by potential increases in grade.</p> <p>The risks of implementing a new pay and grading structure are related to the morale and goodwill of employees, who may see this as a further attempt by the council at eroding their pay following the freezing of increments and the withdrawal from pay-related NJC terms.</p>   | <p>Robust financial pay modelling.</p> <p>Meaningful consultation, a communication strategy and staff briefings to allay fears.</p> |
| <p>Resources issue in terms of implementation.</p>   | <p>Implementation of a project of this scale will involve significant resources (predominantly from HR Services) in terms of:</p> <ul style="list-style-type: none"> <li>- preliminary work in scoping of the scheme.</li> <li>- Producing the generic job profiles and allocation of individuals to profiles.</li> <li>- consultation with managers and staff on proposals.</li> <li>- Payroll and systems.</li> </ul> | <p>Additional funding allocated to the project?</p> <p>HR personnel working 'Smart' with the support needed.</p>                    |

## 6. Consultation

- 6.1 Comprehensive consultation with all stakeholders including Members, employees, managers and trade unions will be undertaken as the project progresses.
- 6.2 A communication strategy will be produced once the main principles and framework for the scheme have been finalised and there is an agreement to go ahead.
- 6.3 Members of the Disabled Workers Forum, Lesbian, Gay, Bisexual and Trans Forum and the Black Workers Forum will be asked to comment at the point that the Diversity Impact Assessment is undertaken.

## **7 Financial and legal implications**

### **7.1 Financial implications**

7.2 The financial implications of implementing the scheme will not be known until the pay modelling has been undertaken. It is envisaged that this work will be able to start in July 2013.

7.3 Whilst the intention is to seek to minimise the impact on staff, it is inevitable that there will be some 'gainers' i.e. those who see a salary increase and some 'losers'. For those who see a decrease in their pay a salary protection scheme will be put in place for the decrease to be phased in. This will mean that any cost savings will not necessarily show immediately.

### **7.4 Legal Implications**

7.5 The implementation of a new grading structure and the introduction of contribution based pay would necessitate a change to the current contractual terms and conditions of employment for council employees. In order to implement these changes, it will be necessary for the council to enter into a collective agreement with the recognised trade unions or reach individual agreements with employees to vary existing contracts or terminate existing contracts and re-engage employees on new contracts including the new terms. The effect of a collective agreement is that the proposal would become binding on individual contracts of employment.

7.6 In the absence of a collective agreement, the council could reach agreement with individual employees to agree a variation to their current contracts of employment where upon the employees new grade and salary would be incorporated into the individual employee's contract of employment.

7.7 In the event that an agreement cannot be reached with the individual employee or a collective agreement cannot be reached with the Trade Unions, the council is statutorily obliged to commence formal consultation with the trade unions under section 188 of the Trade Union and Labour Relations Act 1992. This formal consultation period is for 45 days given that the number of employees affected are potentially over one hundred.

7.8 The council will also be required to commence meaningful consultation will employees who are not in agreement to the variation to their contracts of employment. This period of consultation would be undertaken alongside the collective consultation with the trade unions.

7.9 At the end of the formal 45-day period and after having taken in to consideration any consultation responses, the council would have the ability to vary unilaterally the existing contracts of employment, by issuing the employee with the contractual notice to terminate their current employment contract and then issue the new contract of employment incorporating the new terms and conditions of employment There is a risk that legal challenges may be brought should agreement not be reached with employees either individually or collectively with the trade unions. Successful legal challenges will be minimised by ensuring that full and meaningful consultation takes

place and that Diversity/Equality Impact Assessments are carried out as per the council's obligations under The Equality Act 2010.

- 7.10 The Council must ensure that the process for any changes to contracts of employment complies with the required statutory obligations to inform and consult employees both collectively and individually under Section 188 of the Trade Union and Labour Relations (Consolidation) Act 1992 and in addition complies with its re-organisation procedures.

## **8. Recommendation**

- 8.1 That Members note the progress made in relation to the implementation of a new pay and grading structure using job families and a contribution based pay scheme.

### **Lead officer contact**

Tricia Palmer, Assistant Director, Organisational Services  
[Tricia.palmer@medway.gov.uk](mailto:Tricia.palmer@medway.gov.uk) ext 2343

### **Background papers**

Hay Group: Pay Systems Audit Medway Council 12 June 2012





| MEDWAY Salary Scales |                |                  | Appendix one |  |  |  |  |  |  |  |  |  |  |  |  |
|----------------------|----------------|------------------|--------------|--|--|--|--|--|--|--|--|--|--|--|--|
|                      | 1st April 2009 | Hourly Rate 2009 |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 57                   | 49,384         | 25.5970          |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 56                   | 48,338         | 25.0549          |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 55                   | 47,320         | 24.5272          |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 54                   | 46,318         | 24.0078          |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 53                   | 45,341         | 23.5014          |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 52                   | 44,381         | 23.0039          |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 51                   | 43,440         | 22.5161          |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 50                   | 42,525         | 22.0418          |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 49                   | 41,616         | 21.5707          |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 48                   | 40,741         | 21.1171          |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 47                   | 39,855         | 20.6579          |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 46                   | 38,961         | 20.1945          |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 45                   | 38,042         | 19.7182          |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 44                   | 37,206         | 19.2849          |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 43                   | 36,313         | 18.8220          |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 42                   | 35,430         | 18.3643          |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 41                   | 34,549         | 17.9077          |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 40                   | 33,661         | 17.4474          |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 39                   | 32,800         | 17.0011          |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 38                   | 31,754         | 16.4589          |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 37                   | 30,851         | 15.9909          |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 36                   | 30,011         | 15.5555          |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 35                   | 29,236         | 15.1538          |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 34                   | 28,636         | 14.8428          |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 33                   | 27,849         | 14.4349          |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 32                   | 27,052         | 14.0218          |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 31                   | 26,276         | 13.6195          |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 30                   | 25,472         | 13.2028          |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 29                   | 24,646         | 12.7747          |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 28                   | 23,708         | 12.2885          |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 27                   | 22,958         | 11.8997          |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 26                   | 22,221         | 11.5177          |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 25                   | 21,519         | 11.1539          |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 24                   | 20,858         | 10.8113          |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 23                   | 20,198         | 10.4692          |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 22                   | 19,621         | 10.1701          |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 21                   | 19,126         | 9.9135           |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 20                   | 18,453         | 9.5647           |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 19                   | 17,802         | 9.2272           |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 18                   | 17,161         | 8.8950           |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 17                   | 16,830         | 8.7234           |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 16                   | 16,440         | 8.5213           |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 15                   | 16,054         | 8.3212           |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 14                   | 15,725         | 8.1507           |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 13                   | 15,444         | 8.0050           |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 12                   | 15,039         | 7.7951           |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 11                   | 14,733         | 7.6365           |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 10                   | 13,874         | 7.1913           |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 9                    | 13,589         | 7.0435           |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 8                    | 13,189         | 6.8362           |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 7                    | 12,787         | 6.6278           |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 6                    | 12,489         | 6.4734           |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 5                    | 12,312         | 6.3816           |              |  |  |  |  |  |  |  |  |  |  |  |  |
| 4                    | 12,145         | 6.2951           |              |  |  |  |  |  |  |  |  |  |  |  |  |
| Point                | GRADES         |                  |              |  |  |  |  |  |  |  |  |  |  |  |  |