

EMPLOYMENT MATTERS COMMITTEE

26 SEPTEMBER 2013

PAY AND GRADE REVIEW

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Summary

To update the Committee on the 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.
- 1.2 The Committee is asked to accept this as an urgent item to enable officers to continue to work on the proposals.

2. Background

- 2.1 On 4 July 2013 the Committee noted the principles of and the progress made in relation to the implementation of a new pay and grading structure using job families and a contribution based pay scheme. Since then a significant amount of work has taken place to review the options available and model the cost of staffing implications of any proposals. Section 3 below outlines these options.

3. Options

- 3.1 **Option 1- Retain the current grading scheme and continue to freeze increments, with the possibility of a small across the board pay award.** Whilst this is attractive in terms of minimum disruption to staff, it does not address the issue of long pay grades and is contrary to the agreement that the Council would review its pay and grade structure by April 2014. There would continue to be a big gap between the top and bottom of grades, which is exacerbated by the increment freeze.

Option 2- Implement a new pay and grade structure as shown at appendix 1. This structure reduces the pay grades to five points and places the principal officers on the same grading structure using the national joint council (NJC) job evaluation scheme. The reason for including the principal officers in this way is because their current grading scheme (GLPC) is no longer supported. The NJC scheme has been amended to reflect these types of posts better and therefore it is appropriate to transfer the principal officers to this scheme. The impact of this proposal would be that just over 1000 staff would require pay protection (red circles) and just over 800 staff (green circles) would gain a pay rise. The difficulty with this proposal is that too many employees would suffer a reduction in pay in the longer term, and the ongoing cost of the pay rises would be in excess of £1 million per annum. Whilst significant work has been carried out to develop this pay structure, taking into account a multitude of variables, this appears to be too difficult both in terms of impact on staff and financial implications. Even with retaining the top two points of grades and freezing individuals at those points it still leads to 1000+ staff requiring protection. Therefore this is not the preferred option.

Option 3- Retain current grades, but reduce to five points as shown at appendix 2. Pay modelling has been carried out to assess the impact of this proposal, including grading the principal officers on the NJC scheme. This proposal involves reducing the grades to five points, by freezing the pay for those individuals who are on the top three points and removing the bottom two points of the grade. This proposal leads to just over 100 employees requiring protection (red circles) and nearly 900 employees who will get a pay rise. Just over 1000 staff will be fixed at the top three points of the grades, which is proposed they will retain provided they demonstrate high levels of performance. Just under 1000 staff will be retained within the grade. This is a more attractive option as the red circles are significantly reduced and at a proposed cost of just under £600,000 it is more affordable. In addition, as the grades are shorter the likelihood of incremental drift and a significantly increasing pay bill is reduced.

- 3.2 Incremental progression within options 2 and 3 will be subject to performance management and not automatic. More detailed discussions are required on the operation of any pay progression scheme, but a mixture of competency and performance targets is proposed.
- 3.3 Options 1 and 2 are not without their risks in relation to equal pay, particularly where it is proposed that individuals are frozen at or near the top of the grade, whilst other employees will not be given access to these spine points. In addition, it will be important to consider the pay protection arrangements for red circles, but as it stands the collective agreement to come out of national pay and terms and conditions specifies 100% pay protection for years 1 and 2, followed by 25% for year 3.

4. Advice and Analysis

- 4.1 This has been a complicated exercise, where all posts have been reviewed and evaluated in accordance with the recently amended NJC Job Evaluation Scheme and significant pay modelling has taken place. Option 2 is the best option in relation to a brand new pay structure, but clearly has significant staffing and financial implications. Option 3 retains the current structure, but works towards reducing the lengths of grades over time. It is proposed that

consultation is commenced on both options to ensure that staff and trade unions have a clear understanding of the proposals under consideration. Whatever option is considered for consultation, sufficient time must be given to both employees and trade unions to enable them to comment in a meaningful way. It is not recommended that option 1 be considered as this does not address the long pay scales or the inequalities in relation to incremental progression.

A revised timetable is shown at Appendix 3, showing some flexibility around the starting date for consultation depending on the proposals it is agreed to consider.

5. Risk management

Risk	Description	Action to avoid or mitigate risk
The funding of a new pay and grade scheme.	Year one costs incurred by potential increases in grade.	Robust financial pay modelling.
Possible detrimental impact on the morale of the workforce.	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.	Meaningful consultation, a communication strategy and staff briefings to allay fears.
Resources issue in terms of implementation.	Implementation of a project of this scale will involve significant resources (predominantly from HR Services) in terms of: <ul style="list-style-type: none"> - preliminary work in scoping of the scheme. - Producing the generic job profiles and allocation of individuals to profiles. - consultation with managers and staff on proposals. - Payroll and systems. 	The preliminary work has been completed within current resources, but once the agreed proposal is known a review of resources required for implementation will be undertaken.

6. Consultation

6.1 Consultation with the trade unions will be undertaken via the Corporate Consultative Committee, Joint Consultative Committee and ad hoc meetings

when required. Employees will be formally consulted on the proposals in writing and where appropriate meetings and workshops will be held.

- 6.2 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 of the Diversity Impact Assessment is undertaken. It is intended that this will be undertaken once the proposals for consultation are agreed.

7 Financial and legal implications

7.1 Financial implications

- 7.2 The financial implications of implementing a new pay and grade scheme have been taken into account on each option. The detailed finances will be calculated once the options for consultation are known.

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 agree to further work taking place on options 2 and 3 with a view to commencing consultation on both options. This further work will include a more detailed analysis of types of posts affected by the proposals and the longer term financial implications. Special JCC and Employment Matters Committees will be arranged to review the pay modelling and its implications and formally agree to commence consultation.

Lead officer contact

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Background papers

Employment Matters Committee Report 18 April 2013

Employment Matters Committee Report 4 July 2013

Pay and Grade timetable

Date and time	Meeting	Project plan key dates
May 2013		
Wednesday 22 May, 18:00 - 19:00	Pay and Grade Members' working group	Progress update.
June 2013		
Friday 18 June, 10:00 - 11:30	Corporate Consultative Committee	Progress update
July 2013		
Monday 1 July	Managers Roadshow	
Thursday 4 July	Employment Matters Committee	Progress update.
Friday 5 July	Managers Roadshow	
Tuesday 23 July	Managers Roadshow	
Wednesday 24 Jul, 18:00 - 19:00	Pay and Grade Members' working group	Progress update.
Friday 26 July		Milestone 1 <ul style="list-style-type: none"> • Communication Plan complete. • ICT e-source developments complete. • Job families and profiles allocations and rank ordering complete.
Monday 29 July		Milestone 2 <ul style="list-style-type: none"> • HAY to undertake pay modelling exercise to be completed by 29 August.
August 2013		
Wednesday 7 August	Corporate Management Team	Progress update
September 2013		
Wednesday 4 September	Corporate Management Team	Update on pay modelling exercise.
Thursday 26 September	Joint Consultative Committee + Employment Matters Committee	Milestone 3 Employment Matters Committee to agree way forward.
October 2013		
Tuesday 1 October (Date subject to discussion depending on recommendation from employment matters)		Milestone 4 Formal Consultation with staff and trade unions begins – (45 days)
End of October		<ul style="list-style-type: none"> • Completed changes to PDR process • Completed total contribution performance scheme • Completed appeals process

November 2013		
Friday 15 November		Milestone 5 Consultation ends
Wednesday 27 November	Corporate Management Team	Update on consultation.
Wednesday 27 November, 18:00 - 19:00	Pay and Grade Members' working group	Update on consultation.
Thursday 28 November	Joint Consultative Committee + Employment Matters Committee	Milestone 6 Employment Matters Committee considers consultation responses and makes a recommendation to full council.
December 2013		
Thursday 12 December, 10:00 - 11:30	Corporate Consultative Committee	Milestone 7 Sign collective agreement. (earlier if appropriate)
January 2014		
Wednesday 15 January	Employment Matters Committee	Milestone 8 Consider way forward in absence of collective agreement.
February 2014		
Thursday 20 February	Council – Budget setting	Milestone 9 Make final decision.
Friday 21 February		If no collective agreement or individual agreement and proposal agreed at full council, commence dismissal/reengagement process.

Points to consider:

- The Council budget setting meeting is taking place on Thursday 20 February, 2014. Should there be a requirement for Council to make a formal decision on implementing a new grading structure then there are implications for the payment of increments to staff from 1 April 2014 as contractual notice for some staff will extend into May, and the collective agreement on the freezing of increments expires on 31 March 2014. Clearly if a collective agreement is signed prior to 31 March 2014 there is no issue.