

## EMPLOYMENT MATTERS COMMITTEE

29 FEBRUARY 2012

### PROPOSALS ON PAY REVIEW

Report from/Author: Tricia Palmer, Assistant Director, Organisational Services

#### Summary

This report covers the proposals on the pay review and outlines the approach to undertaking this review, following the Employment Matters Committee's decision on 18 January 2012, that the Assistant Director, Organisational Services, commence a review on pay and grades.

#### 1. Budget and Policy Framework

1.1 In accordance with the Council's Constitution, it is within the remit of this committee to agree this approach to a pay and grade review.

#### 2. Background

2.1 The current pay and grading system has been in place since 2002, and is based on the NJC scheme of job evaluation for posts below service manager and those not on the principal officer grades. The NJC scheme was adopted to provide an approach to pay harmonisation after Local Government Review and ensure that any issues of equal pay were addressed. In addition the GLPC scheme (Greater London Pay Committee scheme) is used for those posts on principal officer grades. Whilst the GLPC scheme is still in use in Medway it is no longer supported or maintained nationally. The salaries for service manager and above are agreed locally by full Council.

2.2 In order to reduce the impact on employees and limit the financial cost the pay grades introduced in 2002 were long (generally 9 incremental points) and overlapping. Whilst this scheme has served the Council well over the years, it is now in need of review for the following reasons:

- (i) The long grades have lead to incremental drift, which is no longer affordable
- (ii) Some posts are now 'overpaid' for the market, particularly where individuals are at the top of their grades
- (iii) There is insufficient differentiation between the posts on Principal Officer grades and those on NJC to warrant separate job evaluation schemes
- (iv) The long grades could lead to a risk of equal pay claims and this could be exacerbated by the current freeze on increments.

2.3 Full Council is being recommended to freeze increments for this financial year, on 23 February 2012, and the council has recently signed a collective agreement with the trade unions to freeze them for the next two years. Therefore it is vital that any pay and grade review be completed in time for implementation by April 2014.

### 3. Advice and analysis

- 3.1 Any pay and grade review is complex, as there are a number of factors at play here. Posts are ranked through a job evaluation scheme, and then the pay scheme is applied to these rankings. As the Council is part of the national agreement we are required to use the pay spine as laid down nationally (see appendix 1). However the Council can choose any combination of pay points to make a grade and can indeed choose to have a single point pay scheme. Some pay modelling has been carried out using the same rankings of posts, but reducing the length of the grade. However in all of the models the impact on individuals (e.g. some 40% of employees either being on pay protection or having their pay reduced) was too great or the costs were too high. It is therefore necessary to undertake a complete review of the remuneration package to give the opportunity to design a pay scheme which is more flexible, fit for purpose and affordable.
- 3.2 This project would include an audit of current practice and a review of future options, including an alternative job evaluation scheme, different pay grades and performance/competency pay. As this is a complex area of work and it is important to have up-to-date information on current best practice it is proposed to buy-in some external expertise to support this, which will be met from within existing budgets. In addition, it is recommended that a Pay Review Working Group of Elected Members drawn from this Committee, on a 3:1 basis, is established to assist officers on reviewing the options and recommending principles to the Employment Matters Committee. This group will meet as required during the lifetime of the project. The views of the Working Group will be reflected in any recommendations brought back to this Committee.

### 4. Timetable

- 4.1 It is difficult to establish an exact timetable until the extent of any proposed change is known. However the following is an indication of what needs to be achieved:

**29/02/12** Employment Matters Committee agrees approach to pay review

**March 12** Analysis of current pay arrangements completed

**1/4/12** 2 year increment freeze implemented

**April 12** JCC meet to discuss the approach to the project

**April 12** Consider appropriateness of current job evaluation schemes and review alternatives

**May/June 12** Test alternative job evaluation scheme(s) and assess possible impact on pay rankings

**July 12** JCC meeting to review progress

**18 July 12** Employment Matters Committee agrees JE scheme and next steps

**Sept 12 onwards** – If change of JE scheme agreed commence grading of posts

**Oct 12 onwards** – Review options for performance related pay/competency pay, consider allowances (this to commence regardless of Job evaluation scheme chosen).

- 4.2 The trade unions will be consulted throughout the project and staff will be kept informed as the project progresses. Communications with employees will be through the normal routes of the intranet, Headlines, staff briefings and the employee communications group.

## **5. Risk management**

- 5.1 The level of risk relating to pay proposals will be dependent on the level of change recommended. It is clear, however that the current system of long, overlapping pay grades is not sustainable in terms of cost and the risk of challenge.

## **6. Financial and legal implications**

- 6.1 The financial implications will not be known until a new pay scheme is designed. However any proposals will need to take into account the future financial challenges and clearly cannot cost more than the current pay bill.
- 6.2 Any changes to an individuals pay will need to be agreed either through a collective agreement with the trade unions, an agreement with individuals or individual variations of contract. It is hoped that such changes can be agreed through a collective agreement.
- 6.3 If a complete pay and grade review is required, the Committee is asked to note that this will be resource intensive and will require considerable input from the HR Service. As reported above, the cost of external support to the review will be funded from existing budgets.
- 6.4 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.

## **7. Diversity Impact Assessment**

- 7.1 The equalities impacts of any changes in pay will be carefully monitored throughout the project. A diversity impact assessment will be carried out once the impact on individuals/ groups of individuals is known.

## **8. Recommendation**

- 8.1 The Employment Matters Committee is asked to agree:
- (i) The timetable and approach to the pay review as outlined in sections 3 and 4 of the report;
  - (ii) The establishment of a Member level Pay Review working group as outlined in paragraph 3.2 of the report.

### **Lead officer contact**

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### **Background papers**

None

**MEDWAY Salary Scales**

	1st April 2008	1st April 2009	Hourly Rate 2009
57	48,895	49,384	25.5970
56	47,859	48,338	25.0549
55	46,851	47,320	24.5272
54	45,859	46,318	24.0078
53	44,892	45,341	23.5014
52	43,942	44,381	23.0039
51	43,010	43,440	22.5161
50	42,104	42,525	22.0418
49	41,204	41,616	21.5707
48	40,338	40,741	21.1171
47	39,460	39,855	20.6579
46	38,575	38,961	20.1945
45	37,665	38,042	19.7182
44	36,838	37,206	19.2849
43	35,953	36,313	18.8220
42	35,079	35,430	18.3643
41	34,207	34,549	17.9077
40	33,328	33,661	17.4474
39	32,475	32,800	17.0011
38	31,439	31,754	16.4589
37	30,546	30,851	15.9909
36	29,714	30,011	15.5555
35	28,947	29,236	15.1538
34	28,353	28,636	14.8428
33	27,573	27,849	14.4349
32	26,784	27,052	14.0218
31	26,016	26,276	13.6195
30	25,220	25,472	13.2028
29	24,402	24,646	12.7747
28	23,473	23,708	12.2885
27	22,730	22,958	11.8997
26	22,001	22,221	11.5177
25	21,306	21,519	11.1539
24	20,652	20,858	10.8113
23	19,998	20,198	10.4692
22	19,427	19,621	10.1701
21	18,937	19,126	9.9135
20	18,270	18,453	9.5647
19	17,626	17,802	9.2272
18	16,991	17,161	8.8950
17	16,663	16,830	8.7234
16	16,278	16,440	8.5213
15	15,895	16,054	8.3212
14	15,570	15,725	8.1507
13	15,291	15,444	8.0050
12	14,891	15,039	7.7951
11	14,587	14,733	7.6365
10	13,703	13,874	7.1913
9	13,421	13,589	7.0435
8	13,027	13,189	6.8362
7	12,629	12,787	6.6278
6	12,334	12,489	6.4734
5	12,160	12,312	6.3816
4	11,995	12,145	6.2951
<b>Point</b>	<b>GRADES</b>		