

Report

Report to:	Executive Committee
Date of Meeting:	28 February 2018
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Pay Model Structure and Living Wage
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ♦ provide an update in respect of Living Wage arrangements and seek approval to implement changes to the Council's pay model across all grades on a phased basis over a two year period, with initial changes being applied with effect from 1 April 2018

2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that the proposal to restructure the current pay model over a two year period, as detailed in sections 4.4 and 4.5, be approved;
- (2) that the changes to grades and levels as detailed in Appendix 1, be implemented on a phased basis from 1 April 2018; and
- (3) that the Council's Living Wage of £9.00 per hour (assuming a 3% pay award) from 1 April 2018 (section 4.7.), be noted.

3. Background

- 3.1. The Living Wage Foundation announced an increase to the Living Wage on 6 November 2017, making the new rate £8.75 per hour. In previous years, the Council has applied the Living Wage with effect from 1 April, together with the national pay award for Local Government Employees (LGE). The LGE national pay award for 2018/2019 has yet to be agreed but will take account of the new living wage rate.
- 3.2. The Council achieved Living Wage formal accreditation in October 2016. This includes paying all employees at a level on, or above, the rate set by The Living Wage Foundation.
- 3.3. The Council has achieved the implementation of previous Living Wages by restructuring Grades 1 and 2 and removing spinal column points below the level of the Living Wage. In 2017, this meant changes to Grade 1, Levels 1, 2 and 3.
- 3.4. These changes have resulted in the number of spinal column points in Grade 1, levels 1 and 2 being reduced to one and two points, with other grades and levels across the Council Pay Structure remaining unchanged with three to six spinal column points in each level, the majority being four. This would mean with incremental progression applied yearly, an employee could take up to six years to reach the maximum

earnings for their post. The need to revisit the Council's pay model was highlighted in the report on the Living Wage to South Lanarkshire Council in February 2017.

4. Pay Model Structure

- 4.1. The current pay structure is made up of Grades and Levels, starting from Grade 1, Level 1 to Grade 6. Each Level includes a number of spinal column points which employees incrementally progress through. In terms of equalities, there should be a clear rationale as to progression through the grades and long incremental scales can be viewed as discriminatory and difficult to justify. In particular, women can be disadvantaged through more frequent breaks in their career. In addition, complexity in the grades can give rise to unequal treatment in placement, either through recruitment or career progression.
- 4.2. The lower grades have been adjusted in recent years and the proposed changes detailed at Appendix 1 have been developed to build on those adjustments. A consistent approach and rationale has been identified as follows:-
 - ◆ Grades should not overlap with each other
 - ◆ Levels should be limited to two spinal column points reflecting the employee's competence. These are:-
 - ◆ developing competence
 - ◆ fully competent
- 4.3. Grade overlap has occurred historically, dating back to when linked grades were required. This is no longer required and removing overlaps will make the pay model clearer.
- 4.4. In reviewing the current position across Grades 1 to Grade 6, 8,582 employees (80%) are currently at the maximum spinal column point of their Grade. A total of 1,164 employees (11%) are on the first spinal column point and due incremental progression in April 2018, with the remainder of employees in the process of incremental progression (9%).
- 4.5. **Proposals :**
It is proposed that the Council restructure the current pay model over a two year period. By removing the lowest spinal column points within grades, the grade structure will reduce to a maximum of three spinal column points in each level in Year 1 and achieving two spinal column point levels in Year 2.
- 4.6. Grade 1, Level 1 will remain at a single point, reflecting the speed with which an employee becomes competent at that level.
- 4.7. It is also proposed that Grade 3 Level 1 be removed. There are 30 employees currently being paid at this grade. The Job Evaluation Team will identify the posts at this grade and align these to an appropriate Grade and Level within the new pay structure. The spinal column points in Grade 2 Level 4 and Grade 3 Level 1 overlap and contain the same points.
- 4.8. The principles of the proposals have been discussed with the Trade Unions, and further consultation will take place on the recommendations contained within this report.

- 4.9. Any pay offer accepted would be applied, once approved, to the current hourly rates of pay. For illustration a 3% pay award on the lowest spinal column point will make the Council's entry level rate of pay £9.00 per hour.

5. Employee Implications

- 5.1. The proposed changes would benefit all employees. The reduction in the number of spinal column points in each grade level reduces the time taken, in some cases by four years, for employees to reach the ceiling point in their grade, and to reach their maximum earnings. It will bring clarity of pay application, simplifying the process for employees and managers.
- 6.2. The changes to the Living Wage and Pay Model Restructure will also aid recruitment and retention of posts within the organisation.

6. Financial Implications

- 6.1. As the proposal is a phased removal of spinal column points following incremental progression in each year, the costs are minimised. Increased costs will be incurred through new starts as they commence employment at a higher spinal column point than in previous years. Low turnover levels will minimise these additional costs.
- 6.2. There will be a cost at Grade 1 Level 2 where the top point has increased from spinal column point 22 to 23. There are currently 469 employees on this point and the increase would amount to £270 per year for a full time employee.
- 6.3. The increase in hourly rate could also increase overtime costs. However, the Trade Unions have agreed to continue to work with management to review current arrangements, and reduce the need for overtime working through changes in working practices.
- 6.4. The changes in the pay model will cost approximately £500,000 in 2018/2019 and this is accounted for within the current budget strategy.

7. Other Implications

- 7.1. There is a risk that if changes to a pay model are not thoroughly analysed there may be a disproportionate impact on various equality groups. The completion of the Equality Impact Assessment mitigates this risk.
- 7.2. There are no sustainability implications arising from this report.

8. Equality Impact Assessment and Consultation Arrangements

- 8.1. An equality impact assessment of these changes has been carried out. The proposed changes will have a beneficial impact on the gender pay gap within the authority and would be consistent with our equality duties.

Paul Manning
Executive Director (Finance and Corporate Resources)

20 February 2018

Link(s) to Council Values/Ambitions/Objectives

- ◆ People focused
- ◆ Excellent employer
- ◆ Tackling disadvantage and deprivation

Previous References

- ◆ None

List of Background Papers

- ◆ None

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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Appendix 1

		Current Year 2017/18		2018/19		2019/20	
Grade Name	LEVEL	SCP	2017 Hourly rate	SCP	2017 Hourly rate	SCP	2017 Hourly rate
Sleepover rate		4	6.94				
GRADE 1	1	20	8.74	20	8.74	20	8.74
GRADE 1	2	21	8.87				
		22	9.01	22	9.01	22	9.01
				23	9.15	23	9.15
GRADE 1	3	23	9.15				
		25	9.42	25	9.42	25	9.42
		27	9.69	27	9.69	27	9.69
GRADE 1	4	28	9.83				
		29	9.97	29	9.97		
		30	10.14	30	10.14	30	10.14
		31	10.28	31	10.28	31	10.28
GRADE 2	1	32	10.40				
		33	10.58	33	10.58		
		34	10.73	34	10.73	34	10.73
		35	10.91	35	10.91	35	10.91
GRADE 2	2	36	11.06				
		37	11.23	37	11.23		
		39	11.55	39	11.55	39	11.55
		40	11.72	40	11.72	40	11.72
GRADE 2	3	42	12.05				
		44	12.43	44	12.43		
		46	12.79	46	12.79	46	12.79
		48	13.19	48	13.19	48	13.19
GRADE 2	4	50	13.58				
		52	13.98	52	13.98		
		55	14.60	55	14.60	55	14.60
		57	15.04	57	15.04	57	15.04
GRADE 3	1	50	13.58				
		52	13.98				
		55	14.60				
		57	15.04				
GRADE 3	2	55	14.60				
		57	15.04				
		59	15.51				
		61	15.98	61	15.98		
		63	16.46	63	16.46	63	16.46
		65	16.94	65	16.94	65	16.94

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Grade Name	LEVEL	SCP	2017 Hourly rate	SCP	2017 Hourly rate	SCP	2017 Hourly rate
GRADE 3	4	68	17.70				
		70	18.22	70	18.22		
		72	18.77	72	18.77	72	18.77
		74	19.35	74	19.35	74	19.35
GRADE 3	8	75	19.64				
		77	20.21	77	20.21		
		79	20.84	79	20.84	79	20.84
		80	21.16	80	21.16	80	21.16
GRADE 4	2	79	20.84				
		80	21.16	80	21.16		
		82	21.78	82	21.78	82	21.78
		83	22.13	83	22.13	83	22.13
GRADE 4	5	83	22.13				
		85	22.79	85	22.79		
		86	23.12	86	23.12	86	23.12
		88	23.85	88	23.85	88	23.85
GRADE 4	9	90	24.54				
		91	24.92	91	24.92		
		93	25.67	93	25.67	93	25.67
		94	26.08	94	26.08	94	26.08
GRADE 5	1	93	25.67				
		94	26.08				
		96	26.84	96	26.84	96	26.84
		97	27.25	97	27.25	97	27.25
GRADE 5	5	99	28.08				
		100	28.46	100	28.46		
		102	29.33	102	29.33	102	29.33
		103	29.76	103	29.76	103	29.76
GRADE 5	8	103	29.76				
		105	30.67	105	30.67		
		107	31.63	107	31.63	107	31.63
		108	32.11	108	32.11	108	32.11
GRADE 5	13	111	33.57				
		113	34.56	113	34.56		
		114	35.09	114	35.09	114	35.09
		116	36.15	116	36.15	116	36.15

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		Current Year 2017/18		2018/19		2019/20	
Grade Name	LEVEL	SCP	2017 Hourly rate	SCP	2017 Hourly rate	SCP	2017 Hourly rate
GRADE 6	Heads	121-134	38.95 - 50.29	132-134	48.35 - 50.29	132 134	48.35 - 50.29
	Extended Heads	134-137	50.29 - 53.40	135-137	51.18 - 53.40	135 137	51.18 - 53.40