

# Trade Union Side of the National Joint Council for Local Government Services: England, Wales and Northern Ireland

## PAY CLAIM 2011 – 2012

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13 October 2010



# THE NJC TRADE UNION SIDE PAY CLAIM FOR 2011/12

The NJC Trade Union Side is submitting the following claim for a pay increase for our members in 2011 - 2012:

**An increase of at least £250 on all salaries and spinal column points for 2011/12 and**

**A joint review of the employment conditions proposals tabled by the trade unions in 2008/9, which are as follows:**

- The urgent completion of the Green Book training and workforce development agreement with targets and deadlines for implementation, and additional ring-fenced funding
- An increase in annual leave of 1 day for all employees. (*From April 2009, minimum annual leave increased from 20 to 21 days for employees with less than five years' service.*)
- An increase to the basic annual leave entitlement to 25 days per year as the minimum entitlement for all employees. (*From April 2009, the minimum paid annual leave entitlement is twenty-one days with a further four days after five years of continuous service.*)
- An increase in paid maternity leave and a reduction in the qualifying period from 52 weeks to 26 weeks
- Two weeks paid maternity support leave
- In respect of a premature birth, additional paid maternity leave for a specified number of weeks to be calculated as equivalent to the period dating from the actual date of the child's birth to the due date.
- Paid adoption leave (in line with paid maternity leave) for all adoptions of children under 18
- A reduction in the standard working week to 35 hours, without loss of pay
- To increase the night shift allowance over a 3-year period from a time and a third, to time and a half, to time and three quarters, to double time in the final year.
- An increase in the sleep-in allowance to £60
- Improvements to the continuous service provisions in the Green Book

## **Glossary**

CIPD	Chartered Institute of Personnel and Development
CLG	(Department for) Communities and Local Government
IDeA	Improvement and Development Agency
IRS	Industrial Relations Services
LGA	Local Government Association
LGE	Local Government Employers
LGPS	Local Government Pension Scheme
NJC	National Joint Council for Local Government Services
WTE	Whole Time Equivalent

# 1. THE CONTEXT OF THE 2011-2012 NJC PAY CLAIM

## An Economic Alternative

In the Emergency Budget on 22<sup>nd</sup> June, the new Chancellor of the Coalition Government announced that:

*“A two year pay freeze will be introduced from 2011-12 for public sector workforces, except for those earning £21,000 or less, who will receive an increase of at least £250 a year”<sup>1</sup> (see appendix 1).*

This new policy on pay - a pay cut in real terms as outlined in table 8 - is part of the deep and damaging spending cuts the Government is imposing on public services. This has involved the re-writing of recent history, claiming that the deficit is now due to reckless public spending and ‘unsustainable’ pay bills - not the result of the deepest recession since WW2, amid a global economic downturn. This re-writing posits that there is now only one course of action, drastic public spending cuts. We and many leading economists are clear that this is economically wrong. Cuts do not lead to economic growth and create jobs, instead they threaten to dismantle our public services and push the economy back into recession, as currently witnessed in Ireland. David Blanchflower - once of the Monetary Policy Committee and the only member to predict the recession - calls for increased Government spending now to avoid a ‘semi-slump’. As he points out, the Government can borrow at low, long-term rates of interest and investment in infrastructure and public services ‘are smart investments for all our futures’. His message to the three party leaders is, “If you want to transform a recession into a depression, go ahead and cut public spending.”

Pay cuts in real terms, loss of jobs and local services also have a direct impact on the local economy. Public spending stimulates the economy, local council spending generates money and investment in a local area. Research by the Association of Public Service Excellence (APSE) has found that for each £1 spent by a local council, 64p is generated in that locality. Therefore cuts will not only lead to a large number of local council job losses, but also private sector jobs as well. APSE also found that local government workers re-spend 52.5p in the local economy from each £1 they receive in wages. Therefore each job loss is a loss of spending for local businesses.

Further, Professor Paul Gregg, "estimates the cost to the Treasury of unemployment to average around £8,000 per unemployed person per year – a figure that includes lost tax revenues to government (around £3,000 per person per year) – as well as the direct costs of unemployment and other benefits. He also estimates that long periods of unemployment reduce life-time earnings by around 10 –12 per cent, as many unemployed individuals resume employment in low-pay jobs with less secure tenure. Analysis from Richard Murphy of the Tax Justice Network reveals that 92% of the cost of cutting public sector jobs when we have less than full employment is paid by the state, making it counter-productive economically."<sup>2</sup>

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<sup>1</sup> Budget 2010, paragraph 2.18, page 45, 22<sup>nd</sup> June 2010

<sup>2</sup> APSE/TUC, Speaking up for public services

## **An Economic Justification**

Inflation has remained high during 2010 and is set to average well above 3% during 2011. Average earnings in the private sector were well ahead of those in the public sector in the first half of 2010 and overall look set to remain over 2% well into 2011. We would also like to highlight that median pay increases in the 12 months to 31 August 2010 averaged 2%. This is in stark contrast to the situation in local government where a pay freeze in 2010 has exacerbated the effects of **below inflation increases in five out of the last seven years**. We can also note that since 1998, inflation has outstripped cost of living increases within local government – who remain very much the poor relations in the public sector workforce.

## **The Financial Capability to Pay**

Local government employers have continuously claimed that increases in pay for 2010/11 were impossible due to financial constraints. We expect similar reasoning in 2011/12 but are well aware that political choices are being made under the cover of financial constraint.

The provisional outturn figures for 2009-10 show that unallocated reserves fell by just £1m from £3,424bn to £3,423bn. In addition, earmarked reserves fell far less than expected. We also have the situation where budgeted net current expenditure estimates in 2010/11 are planned to increase at the fastest rate since 2006/07. Even with 'in year budget cuts' the percentage growth in budgeted net current expenditure could still amount to 5.33%. With unallocated reserves at over £3 billion and planned spending increases, our members realise that there is **the capacity to pay an increase at least at the level of inflation, but not the willingness**.

## **Local Government Pay Compared**

The failure to increase local government pay in 2010 has seen a further widening of the growing pay gap between low paid local government workers and the rest of the public sector. Since 1998 NHS cost of living increases outstripped those awarded in local government by 7.5%. A nursery nurse in the NHS can expect to earn, on average, 25% more than a counterpart in local government.

The minimum wage is now only 37p below the lowest NJC scale point. Between 1998 and 2010 inflation outstripped cost of living increases. We expose later some of the myths around private sector comparisons.

Police, probation, further education, higher education, NHS and teachers (we could go on) all received pay uplifts in 2010. Many of our members are asking why they are shouldering an unfair share of the burden.

## **The Assault on Poor Conditions**

Many conditions within the Green book are considerably less favourable than those existing elsewhere in the public sector, especially sick leave, annual leave and maternity rights. However, this has not prevented the Local Government Employers (LGE) from attacking even these basic minimums through their pursuit of 'Reducing Workforce Costs' – a document circulated to councils exhorting them to by-pass the sector-wide collective agreement (the Green Book) and reduce pay and conditions locally. The undervalued

nature of the local government workforce finds expression in the poor terms and conditions contained in the Green Book,

The following are just two examples of the disparity between NJC and NHS employees' conditions:

**Leave:** NHS workers get 27 days basic leave entitlement, increasing to 29 after 5 years and 33 days after 10 years *compared to* NJC leave entitlement of 21 days plus an extra 4 days after 5 years service

**Maternity Pay and parental rights:** NHS workers get 8 weeks full pay (less Statutory Maternity Pay (SMP) or Statutory Maternity Allowance (SMA) and 18 weeks half pay, with a qualifying period of 52 weeks *compared to* NJC maternity pay of currently 6 weeks full pay (less SMP or SMA) and 12 weeks half pay, with a qualifying period of 52 weeks. Maternity Support leave and Parental Leave are also less advantageous than offered in the NHS.

### **Under- rewarded for overwork – the effect of the cuts**

Over recent years, as noted elsewhere in this pay claim, local government workers have experienced pay cuts in real terms. The Trade Unions believe that this has contributed to falling staff morale amongst local government workers, and a feeling of being undervalued at a time of increasing work pressure and job insecurity. Even before the wave of 25,000 redundancies and job insecurity blighted the lives of our members over the past two years, morale amongst the NJC workforce in 2008 was 60% worse than it had been in the previous year<sup>3</sup>.

In order to justify deep and damaging spending cuts, there has been a concerted effort by those who wish to dismantle local government services to portray councils as being 'overstaffed' and littered with so-called 'non-jobs', with the Taxpayers Alliance leading this charge, lately followed by the Local Government Minister, Eric Pickles. However, the latest CIPD *Employee Outlook* survey found that public sector workers are the ones most likely to report they are working under excessive pressure and just over a quarter report that their organisation has made redundancies, with 40% stating their organisation is planning them. This is unsurprising given the massive and damaging cuts to public spending that the Government is threatening, with local government set to bear the brunt of these attacks. The truth, as the Local Government Employers are aware, is that local government workers provide vital services to local communities. Each redundancy or loss of staff is a direct cut in those services and local economies.

### **Public and Private Sector Pay – Debunking the Myths**

We believe that all of those working in local government should be protected from a further fall in their living standards and receive a fair pay increase at least in line with inflation. But we have seen the Government further try to bolster its case for a pay cut in real terms by perpetuating the false impression that public sector workers are somehow 'overpaid' compared to workers in the private sector and the myth that all or much of pay in the private sector was frozen in 2009 and 2010. The Chancellor's Budget statement included the

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<sup>3</sup> 'Time for a Change' UNISON Local Government Survey 2008

assertion that while the private sector experienced frozen pay over the past couple of years the public sector “*was insulated from these pressures... [and]...must share the burden*”<sup>4</sup>.

It is worth briefly recapping what actually happened to pay in the private sector during 2009 where, according to Incomes Data Services, “*one of the most remarkable aspects of the last few years is how, notwithstanding the recession, a large tranche of major private sector firms has continued to award pay rises*”<sup>5</sup>. In 2009, a third of pay awards resulted in pay freezes which were almost exclusively confined to the private sector – and tended to be concentrated in particular industrial sectors. Just over 20% of pay deals were for between 2.1% and 3% and a further 20% of pay deals were above 3%<sup>6</sup>. The proportion of employees covered by pay freezes in 2009 according to IDS monitoring did not go higher than 10%<sup>7</sup>.

If we take a longer view of pay in the public sector, we recall that there was a policy of limiting public sector pay increases to 2% or under at a time of record high inflation. This led to many public sector workers experiencing a pay cut in real terms from 2005 when inflation began increasing up until the end of 2008 when it fell off. The underlying trend in public sector pay has been upwards over the past decade in order to close the income gap between the public and private sector that had made keeping experienced, trained staff difficult (public sector pay fell below private sector pay between 1993 and 1999). The modernisation and improvements in pay structures across the public sector in the first half of this decade to comply with equal pay legislation – most notably Agenda for Change in the NHS - meant public sector pay rose faster than private sector pay between 2002 and 2004. This levelled out in 2005, and private sector earnings growth was then larger than the public sector in 2006-2008<sup>8</sup>.

The longer term view of pay in both the private and the public sector paints a much more complex picture than that which the Government, and much of the media, has often repeated. It also gives the lie to the assertion that public sector workers have been “insulated” from pay cuts and that somehow their jobs are ‘feather bedded’. It has become clear that the Government has deliberately failed to correct the myths that have circulated about public sector pay – indeed, it has helped to add and enhance these myths. It is important not to forget, that even in the context of a slack labour market and unprecedented levels of redundancies in local government, 72% of authorities with recruitment and retention difficulties have problems in recruiting children’s social workers, up from 64% in 2008 (LGE Workforce Survey 2009).

In this ‘honest’ debate about public sector versus private sector pay, a further common misrepresentation has arisen from not comparing ‘like for like’. For example, in January 2010, the Daily Telegraph reported that the gap between public sector and private sector pay had reached ‘record levels’, with “*The average public sector worker was paid £23,660 a year, compared with private sector workers who were paid £21,528 a year, in the three months to the end of November*”<sup>9</sup>. It is important to remember how difficult it is to make a ‘like for like’ comparison between jobs in the private and public sectors. There are some jobs where the public sector is the only or main employer. There are also lots of jobs in the

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<sup>4</sup> Budget Statement by the Chancellor of the Exchequer, 22<sup>nd</sup> June 2010

<sup>5</sup> IDS Pay Report 1053, page 2, July 2010

<sup>6</sup> IDS Pay Report 1049, page 9, May 2010

<sup>7</sup> IDS Pay Report 1053, page 20, July 2010

<sup>8</sup> TUC, ‘6 Million pay cuts’

<sup>9</sup> Daily Telegraph, Record gap between public and private sector pay, 21<sup>st</sup> January 2010

private sector that will not feature in the public sector, for example, many retail jobs, which are very low paid. Furthermore, the job of a school or hospital cleaner cannot be compared to that of an office cleaner or that of a school meals worker with a fast food outlet. The consequences of error and the levels of responsibility for people and the overall well-being of children and patients are far greater.

Privatisation has played a role in outsourcing many of the lower paid, support service jobs that had been public sector jobs. While they are still funded by the public sector, they are categorised as private sector jobs. This has 'skewed' the make-up of the public sector workforce to include many more higher qualified, professional roles as a proportion of the total public sector workforce than you would find in the private sector. In the specific example above, the Daily Telegraph had used figures that excluded bonuses and the wages of nationalised banks were included in the public sector average wage. Including bonuses, this gives an annual earnings figure of £23,868 for the public sector and £23,244 for the private sector – a gap of £624.

We also know that low pay for large numbers of local government workers is not reflected in the salaries and benefits for those who run local authorities. GMB research in August 2010 highlighted the huge differentials that exist with over 100 council chief executives, in England, being paid £150,000 and above last year. Some can afford to be 'in it together' more than others.

In summary, pay restraint in the public sector - and for NJC workers in particular - is partly justified through myths about the state of pay in the private sector and is not linked to councils correct objective of improving public services. This policy is not just the continuation of a Local Government Association (LGA) pay policy to hold down pay, which NJC workers have been subject to over the past few years. It is a policy that views employees simply as units of cost which need to be reduced further, causing even lower living standards. The Joseph Rowntree Foundation has argued that poverty amongst those in work has been an emerging trend in recent years. A quarter of those living in 'in-work' poverty are employed by the public sector<sup>10</sup>. To stop more NJC workers sliding into poverty, we need to protect pay levels and regenerate local economies through investment, not disinvestment and further disrespect for the workforce.

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<sup>10</sup> JRF, 'Addressing in work poverty', November 2008

## 2. COMPARING LOCAL GOVERNMENT PAY

### 2.1 NJC pay compared to other public sector workers

#### NJC Pay - Not a Living Wage

UNISON estimates that there are a quarter of a million part-time workers in local government earning less than £6.50 an hour and that 67% of those on NJC pay earn below £21,000 a year. The LGA estimates there are, '1,744,700 staff in mainstream local government jobs, of which 60 per cent earn less than £18,000 a year'<sup>11</sup>. Moving out of low pay for workers who deliver important local services is an important element in improving those services. Improvement will not be accelerated by further attacks on pay and job security. After the failure to award a pay increase in 2010 the sharp distinction between local government pay and the rest of the public sector is becoming even more acute. Furthermore, cuts are being targeted at NJC workers and not teachers and other groups, who are also local government funded employees.

<b>Table 1. Lowest NJC Pay Points Compared to Equivalent Police, HE and Probation Employees</b>				
<b>Local Government (Apr 09)</b>	<b>Police Staff (Sept 10) (SCP1,2,3 deleted)</b>	<b>Higher Education (August 10*)</b>	<b>Probation (April 10)</b>	<b>NHS (April 2010)</b>
12,145	14,529	13,203	14,182	13,653
12,312	14,913	13,552	14,325	14,008
12,488	15,345	13,911	14,464	14,364
12,786	15,774	14,226	14,604	14,779
13,189	16,164	14,608	14,752	15,194

\*Offer on the table as at 22<sup>nd</sup> September 2010

Since 1998, basic pay settlements in the NHS have outstripped those in local government. As will be seen later in Table 2, the uplifts needed to achieve equal pay for work of equal value through Agenda for Change have compounded these differences in basic pay. Although use of capitalisation has helped ease the pressure on councils belatedly implementing the Single Status agreement, additional funding has not been made available for local authorities seeking to comply with equal pay legislation, a marked difference to the approach in the NHS.

<sup>11</sup> Extracted from the LGA submission on the CSR - re workforce 2010

## 2.2 NHS: Same Work – Higher Pay

Agenda for Change was implemented across the UK in the NHS on 1 December 2004, with pay terms and conditions backdated to 1 October 2004. As a result of government investment in Agenda for Change, the value of women's work in the NHS has been properly recognised and women's pay has seen a significant uplift to achieve equality. This is not the case in local government, where women make up three quarters of the workforce. Table 2 shows, over the past ten years, the superior basic pay settlements for NHS staff. The NHS increase in 2010 was 2.25%, widening the earnings differential even further.

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>NJC Pay Awards %</b>		3	3	3.5	4	3.5	2.75	2.75	2.95	2.48	2.75	1.02	0
<b>NJC Index</b>	100.0	103.0	106.1	109.8	114.2	118.2	121.4	124.8	128.5	131.6	135.3	136.6	136.6
<b>NHS Pay Awards %</b>		4.7	3.4	3.7	3.6	3.225	3.225	3.225	2.5	2.4	2.4	2.54	2.25
<b>NHS Index</b>	100.0	104.7	108.3	112.3	116.3	120.1	123.9	127.9	131.1	134.3	137.5	141.0	144.2

Table 3 shows the differential in pay between comparable jobs in local government and the NHS. The 25% pay differential between nursery nurses and the near 22% difference between a NHS Home/Residential Carer Team Leader and a Senior Care Worker in local government should be a cause of great concern. Local government is in direct competition with the NHS in many local labour markets and will increasingly find it hard to recruit as the gap between NHS and NJC pay widens. In 2010, the NHS bottom rate is £13,653 a year, compared £12,145 for NJC workers, a difference of over £1,500. This situation needs to be addressed and it needs to be addressed now.

The pay differential between the Social Worker Specialist role in the NHS and the Senior Social Worker role in local government is nearly 24% and can only add to the critical recruitment issues that local government faces. Local Government Improvement and Development note that, 'Given the ageing population, it has been estimated that by 2020 we will need a 25 per cent increase in the number of people working with older people in social care. The workforce challenges are huge. The director of adult social services should have a key role in workforce planning, working alongside the director of children's services. Workforce planning should be included as part of joint strategic needs assessments<sup>12</sup>.

Unless issues around pay are fully addressed, recruitment shortages will continue, with all the attendant problems associated with work intensity, stress and risks to the public due to chronically low staffing levels. Even with in a slack labour market, the 2009 LGA Local Government Workforce Survey noted that, '72 per cent of authorities with recruitment and retention difficulties have problems in recruiting children's social workers, up from 64 per cent in 2008'.

<sup>12</sup> <http://www.idea.gov.uk/idk/core/page.do?pageId=5901471>

<b>Table 3. NJC and NHS pay compared: £</b>						
<b>NHS</b>	<b>NJC</b>	<b>NJC 2009 (0%pay increase)</b>	<b>NHS 2010</b>	<b>NHS 2010</b>		
<b>Job title</b>	<b>Job title</b>	<b>Median Maximum Salary (IDS 2009 Survey)</b>	<b>37 ½ Hour Week Maximum Pay</b>	<b>37 Hour Week Equivalent (1.4.10)</b>	<b>Difference between NJC and NHS in £</b>	<b>% NHS pay exceeds NJC Pay</b>
Domestic Support Worker	Cleaner	12,618	14,364	14,173	1,555	12.32
Catering Assistant	Catering Assistant	12,849	14,364	14,173	1,324	10.3
Care Assistant	Home Care Assistant	16,669	16,753	16,530	-139	-0.83
Residential Carer	Residential Care Assistant	16,495	18,577	18,330	1,835	11.12
Home/Residential Carer Team Leader	Senior Care Worker	23,904	29,464	29,072	5,168	21.62
Social Worker	Social Worker in Children and Families	31,439	36,303	35,820	4,381	13.93
Social Worker Specialist	Senior Social Worker	34,592	43,388	42,811	8,219	23.76
Nursery Nurse	Nursery Nurse	17,827	22,663	22,362	4,535	25.44

### 2.3.1 NJC pay compared to the rest of the public sector

Table 4, below, shows how those in local government have fallen well behind most other public sector workers, with NJC pay being only 89% of average public sector pay. Local government workers continue to be the poor relations in the public sector. This situation has been exacerbated by the 2010-2011 pay freeze for the NJC workforce, in stark contrast to other public sector groups and many in the private sector

### 2.3.2 Public sector occupational pay compared to the private sector

Table 5 also highlights the myth that public sector workers earn far more than similar employees within the private sector. Of the eleven job functions listed, only one is paid higher in the public sector - care assistants. Many of our members have received even lower pay in the private and voluntary sector since their jobs were outsourced.

**Table 4. NJC Minimum Annual Pay 2009-10 compared to other public sector groups**

(Taken from Pay in the Public Services 2010, IDS Pay)

Organisation	Roles	£p/a	£p/hour	Effective Date
<b>Local Government</b>				
Local Government NJC	Spine point 4 (lowest pay point)	12,145	6.30	01-Apr
Police Staff Council	Spine point 2	13,236	6.86	01-Sep
<b>National Health Service</b>				
NHS Pay Review Body	Catering support worker, domestic support worker; estates support worker; finance assistant, health records assistant, laundry assistant, porter	13,233	6.77	01-Apr
<b>Central government</b>				
Ministry of Justice	Administrative assistant	12,824	6.65	01-Aug
Department for Work & Pensions	Administrative assistant	13,110	7	01-Jul
Department for Business, Innovation & Skills	Administrative assistant	13,605	7.05	01-Aug
HM Revenue & Customs	Compliance administrative assistant	13,641	7.07	01-Jun
Driver & Vehicle Licensing Agency	Administrative assistant, typist, support grade band 2	14,000	7	01-Aug
Home Office	Administrative assistant, typist	14,043	7.28	01-Jul
Ministry of Defence (industrials)	Caretaker, messenger; general hand, steward, stores assistant	14,217	7	01-Aug
Probation Service NNC	IT admin; support assistant, caretaker; catering assistant, telephonist, receptionist, finance administrative assistant	14,409	7.47	01-Apr*
Ministry of Defence (non industrial)	Administrative assistant	14,776	7.63	01-Aug
<b>Education</b>				
Sixth Form Colleges NJC-Committee for Support Staff	Cleaner	12,174	6.31	1 Sep**
Universities	Spine point 1- domestic assistant, kitchen porter	13,150	6.82	01-Aug
FE Colleges (England)	Spine point 4	13,491	7	01-Aug
<b>Comparison</b>				
<b>Local Government NJC</b>		12,145	6.3	
<b>Average of all other minimum rates in table</b>		13,565	6.95	
<b>NJC Pay as % of Average</b>		89		

\*second stage with further increase to lowest grades from 1 October 2009 \*\*second stage from 1 April 2010

<b>Table 5</b>	<b>Private and not for profit sector</b>				<b>Public sector</b>				<b>Public sector wage deficit</b>			
<b>Job title</b>	<b>Lower quartile</b>	<b>Median</b>	<b>Upper quartile</b>	<b>Average</b>	<b>Lower quartile</b>	<b>Median</b>	<b>Upper quartile</b>	<b>Average</b>	<b>Lower quartile</b>	<b>Median</b>	<b>Upper quartile</b>	<b>Average</b>
Accountant	33085	38801	46311	41547	31394	35336	38529	35634	1691	3465	7781	5913
Administrative Assistant	14392	16184	17515	16169	14442	15028	15902	15324	-50	1156	1613	844
Care Assistant (all grades)	11681	13181	15095	13894	14733	16301	18918	17473	-3052	-3120	-3823	-3580
HR/Personnel Manager	36609	43529	54616	46460	35948	41212	47586	42844	661	2317	7030	3615
Housing Manager	36828	40598	44003	39993	32860	34507	39501	35627	3968	6092	4503	4366
IT Manager	38051	48590	63447	52212	41075	46090	54214	47556	-3024	2500	9233	4656
Lawyer	39100	53685	61195	52126	35434	38000	42667	41100	3666	15685	18528	11026
Librarian	29455	34499	42751	36212	24685	26608	30744	28398	4770	7891	12007	7813
Policy Advisor/Officer	32397	34000	40328	35448	29350	31593	34987	32818	3047	2407	5341	2631
Finance Manager	36000	45261	60486	49179	41186	49500	56000	48455	-5186	-4239	4486	724
Learning and Development Manager	34945	43438	50250	45386	40000	42434	47666	43823	-5055	1004	2584	1563

*IDS methodology excludes "Manufacturing and Primary"*

**(Taken from 'IDS PAY' Web Tool 2007-10.' All figures are cumulative over the period 2007-2008)**

## 2.4 The Gender Pay Gap

Before we discuss issues of gender inequality, it is important to consider the composition of the local government workforce. From Quarter 1 2010 of the Quarterly Public Sector Employment Survey (QPSES), we can see that 75.2% of the NJC workforce are women, with 47% working part time – generally on the lowest pay points'. The case for pay and other measures to ensure gender equality and tackle low pay is clear.

The 2004-7 NJC agreement called for all councils to provide equal pay proofed pay structures by 31 March 2007. Some local authorities continue to drag their feet in implementing single status agreements. 65% of NJC councils (England, Wales and Northern Ireland) have implemented pay and grading reviews - 48% by agreement and 17% by imposition. The consequence of following advice within 'Reducing Workforce Costs', including measures to cut pay and change grading structures post-implementation of Single Status, mean that local authorities are opening themselves up to a second wage of equal pay claims – while pushing our members further into poverty.

A further restriction in pay bill costs can only lead to a widening of the gender pay gap. We support the Fawcett Society in calling for 'more openness about the existence of discrimination in the workplace and discussion about how best to tackle it'<sup>13</sup>.

## 2.5 Public Sector Pay Settlements 2010 – 11

The following public sector pay settlements have been reached for 2010 – 11. All of them continue to outstrip the desultory position in local government:

**Police Staff:** 2.58% increase on all Police Staff Council pay points with deletion of the lowest two PSC pay points on the pay spine (from 01 09 10).

**Probation Staff:** Most staff will get the equivalent of a 2% pay rise by virtue of gaining two incremental points in pay progression (but no cost of living rise). Minimum underpinning payment of £325 (i.e. all staff receive this as a minimum) with deletion of the lowest pay points in national pay bands 1, 2, 3 and 4 (from 01 04 10).

**FE:** Final offer of 0.2% with £50 underpinning

**HE:** The employers have Offered 0.4%

**NHS - Agenda for Change pay bands 1 April 2010:** 2010 is the final year in a three-year pay deal worth 7.99% for staff in the NHS. For this, the third and final year of the deal, there will be an uplift of **2.25%** on the 2009/10 pay scales and high cost area supplements for nurses on Agenda for Change terms and conditions. There will also be a flat rate increase of £420 to pay spine points [1-12].

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<sup>13</sup> Changing Hearts and Minds: how attitudes, beliefs and stereotypes perpetuate the gender pay gap and what can be done to tackle this (Fawcett Society. May 2010). The Fawcett Society also notes the 35% differential between p/t and f/t pay in the wider economy.

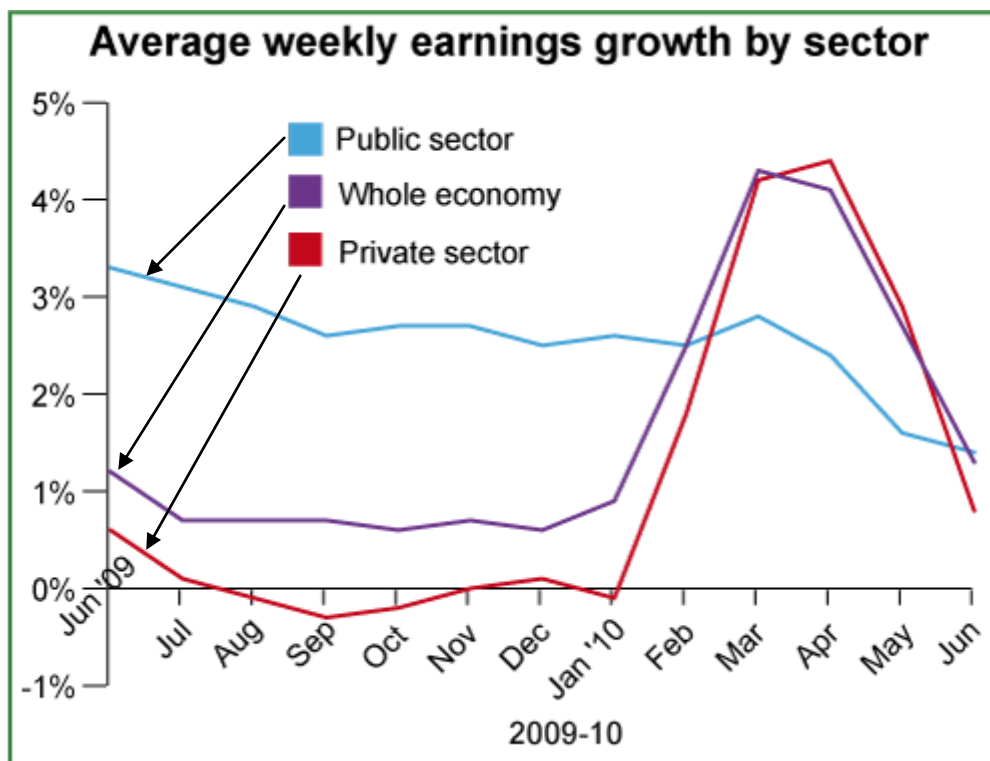
**Teachers:** 2.3% increase from September 2010

## 2.6 NJC Pay Compared to Average Earnings

There may be two sides to the earnings growth picture over the next year. While public sector employees face the prospect of a two-year pay freeze, private sector workers should fare better. Having had a year of low pay rises, which are now well below the rate of inflation, there could be pressure on employers to make higher awards in the year ahead (IRS Pay Data Bank 3-9-2010)

**Forecast:** The forecast is for average earnings growth to remain at, or just above, 2% through the remainder of 2010 and into 2011 (IRS Pay Data Bank 3-9-2010).

It is clear from our own examination of individual council accounts, that affordability is not a universal problem. Much of the pressure on some council budgets is the consequence of councils choosing to freeze or reduce Council Tax – not the consequence of the credit crunch.



## 2.7 Local Government Pay Compared to the National Minimum Wage (NMW)

Whilst we welcome the Government's commitment to continuing the NMW, the increased alignment between the low pay outside of local government and the low pay within it is a cause for concern. Many employers link their pay increases to increases in the NMW in order to maintain the differential. We would expect the local government employers to follow a similar practice or face the prospect, if trends towards convergence continue, of being forced to increase pay for the lowest paid within local government on the basis of decisions made by the Low Pay Commission.

Low pay is a major issue in Local Government, with 27% of NJC workers on the lowest six spinal column points - between £6.30 - £7.04 per hour. NJC workers last had a pay rise in April 2009. The National Minimum Wage was then £5.73 per hour. In October 2009, the Minimum Wage went up by 1.2% to £5.80. In October 2010, it went up by another 2.2% to £5.93. Meanwhile, NJC pay stood still. The minimum rate is stuck at £6.30 per hour, only 37p above the National Minimum Wage.

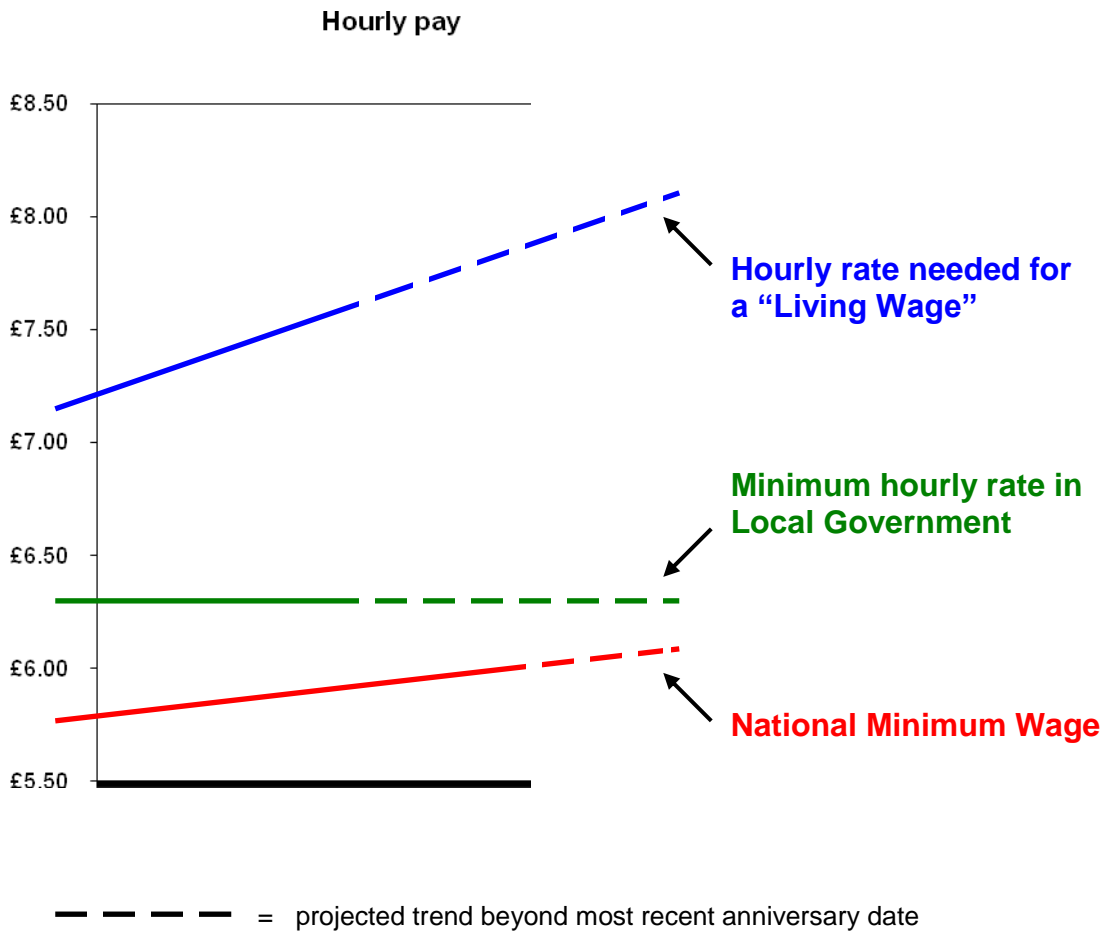
<b>Table 6: How far <u>above</u> the Minimum Wage is the Local Government minimum rate?</b>			
	<b>April 2009</b>	<b>October 2009</b>	<b>October 2010</b>
<b>National Minimum Wage</b>	£5.73	£5.80	£5.93
<b>Local Government minimum rate</b>	£6.30	£6.30	£6.30
<b>The difference</b>	<b>£0.57</b>	<b>£0.50</b>	<b>£0.37</b>

## 2.8 The need for a Living Wage

The “Living Wage” is the minimum income that people really need for a basic, but acceptable, standard of living and is higher than the official National Minimum Wage. Employers are not required by law to pay the Living Wage, but more are choosing to do so. The London Living Wage, set by the Mayor of London, is now £7.85 per hour. Outside of London, the Joseph Rowntree Foundation has calculated that the Living Wage for 2010-11 is £7.60 per hour, up from £7.14 in 2009-10.

NJC pay falls well short of being a Living Wage. Over 400,000 council workers earn less than the Living Wage. Of these, more than 250,000 earn less than £6.50. Local Government is slipping further behind the Living Wage, thanks to last year’s pay freeze. The minimum rate in Local Government, £6.30 per hour, is now £1.30 per hour below than the Living Wage. This means that council employees in typically low-pay occupations—like kitchen and catering assistants, cleaners and teaching assistants - are increasingly struggling to make ends meet.

<b>Table 7: How far <u>below</u> the Living Wage is the NJC minimum rate?</b>			
	<b>April 2008</b>	<b>April 2009</b>	<b>April 2010</b>
<b>Living Wage (outside London)</b>	£6.88	£7.14	£7.60
<b>Local Government minimum rate</b>	£6.22	£6.30	£6.30
<b>The difference</b>	<b>-£0.66</b>	<b>-£0.84</b>	<b>-£1.30</b>



## 2.9 The Local Government Pension Scheme (LGPS)

Constant attacks on the LGPS - along with fears about job security and continuing levels of low pay - are damaging the morale of our members. There are many inconsistencies and half-truths in how the LGPS is portrayed in the media, so it is important to make clear the facts about the LGPS<sup>14</sup>:

- The Government 'saves' between 45% and 50% from most LGPS pensions by way of reduced Pension Credit, Council Tax benefit and Housing Benefit
- In 2008-9, the LGPS paid benefits of around £5.6 billion, saving the Government £2.5 billion a year
- **LGPS pensions are modest – 30% of active members will be entitled to less than £1000 a year, more than half £2,500 a year and a quarter, more than £5000 a year. Only 6% of members will have pensions over £10,000 a year.**
- Just 12 occupations – 1.3 million employees – account for half of employees eligible for LGPS membership. 90% of them are women, over 50% working part-time
- LGPS members are less well paid than occupational pension scheme members in general
- 50% of active LGPS members have incomes below the working-age average

<sup>14</sup> UNISON commissioned New Policy Institute research on the impact of abolition or changes to the LGPS on members, households and state benefits. The report can be accessed at <http://www.unison.org.uk/acrobat/B5216.pdf>

- The average age of LGPS members is 48.8 years - above the UK average
- Nearly 1 in 12 of the adult population belong to the LGPS

With the Government's Public Sector Pensions Commission, chaired by Lord Hutton, due to make an interim report in the immediate future and to produce a final report in the new-year, it is also worthwhile pointing out that:

- The combined LGPS funds hold more than £120 billion in investments and assets – enough to pay benefits for the next 20 years
- The LGPS is 'cash positive'. In 2008-9, income was £10.2 billion, compared to £5.6 billion paid out
- Only defined benefit (DB) schemes can guarantee adequate pensions. Defined contribution (DC) schemes cannot.
- Active members cannot be expected to bear the full cost of all increases in the costs of the LGPS
- Any proposed changes should be fully equality-proofed

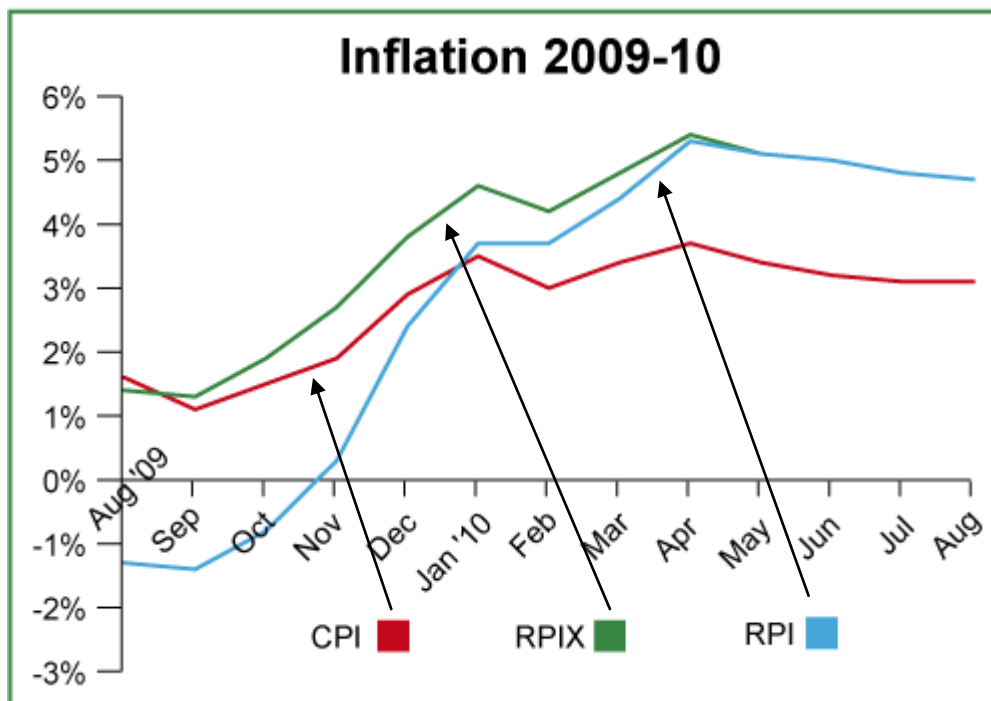
We agree with LGA that the LGPS 'provides modest pensions for the majority of the workforce' and that it is 'far removed from the 'gold plated' image of media myth'<sup>15</sup>. We also agree that, 'the right balance must be struck between decent pension provision and affordability'. Our members will fight hard to ensure that any future balance reflects their commitment to local government services and the vital functions they deliver, that we move towards a 'decent balance'. All NJC workers should have ongoing access to adequate and affordable pensions. We should not be in a race to the bottom to witness our members enduring poverty pensions in old age as well as poverty levels of pay during their working lives.

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<sup>15</sup> Extracted from the LGA submission on the CSR - re workforce 2010

### 3. THE ECONOMIC ENVIRONMENT

#### 3.1 Inflation – The hidden costs for those on low incomes



The **headline rate of inflation**, as measured by the annual change in the all-items retail prices index (RPI), was 4.7% (August 2010), down from 4.8% in July.

The minimum income standard, as estimated by the Joseph Rowntree foundation in its 2010 report, highlights the need for pay to at least keep pace with inflation:

*“With wages largely stagnant and the taxation, benefits and tax credit system failing to be up-rated in line with rises in the Minimum Income Standard in 2010, low-income households are more vulnerable than two years ago to falling below a minimum acceptable standard of living. Without action to combat these effects, social and economic exclusion are likely to rise”.*

- A single person in Britain needs to earn at least **£14,400 a year before tax** in 2010, to afford a basic but acceptable standard of living. A couple with two children needs **£29,200**.
- Over the past decade, the rising cost of food, public transport and other essentials means that **a minimum budget costs 38% more**, despite general inflation at just 23%.
- As a result, a single person has had a **fall in living standard of over 10%** since 2000.
- Despite the recession, members of the public involved in the research still believe that as a minimum, **people need things that allow them to participate in society**.

We know from the last LGA Employment Survey in 2008/09 that full-time basic pay in local government was £22,732 and that part-time basic pay for women was £15,265 (median FTE pay rates, England and Wales). Even with the 1.045% pay increase in 2009, NJC workers are struggling to make ends meet. Our members have seen their pay, in real terms, reduced drastically in 2010/11 through a failure by the employers award any increase in pay. This is in stark contrast to the median pay award across the economy of

2% in the 12 months to 31 August 2010 (Xpert HR pay prospects survey 2010). Indeed the latest *Pay Report* from Income Data Services found that the median for settlements in the three months to the end of July was steady at 2 %, with the proportion of freezes falling to under 15% of deals. 30% of settlements were at or above 3%.

Over the coming year our low paid members will have to endure the VAT rise to 20% and continue to pay a larger proportion of their low pay on essentials, which have undergone considerable increases in inflation compared to other goods, such as:

- Clothing and footwear: Prices overall have risen by 2.8% this year, which is the largest rise between July and August since 2001.
- Food: The largest upward effects have come from price increases for bread, cereals, and vegetables. Bread and cereal prices rose by 1.2% between July and August this year<sup>16</sup>.

### 3.2 Inflation Forecasts

Given that the NJC pay claim is made several months in advance of its implementation, inflation forecasts are important indicators of cost-of-living increases.

**Forecast:** Headline inflation is estimated to drop from 4.7% in the third quarter of 2010 to 4.1% in the final quarter, and ease further in the first half of 2011, averaging 3.8% over the first quarter and 3.5% over the second quarter of the year (IRS Employment Review 24 09 10). It is also worth noting, in table 8 below, the full range of forecasts and the average indicators, with inflation set to be 3.6% over 2011. This is well in excess of what a £250 or 1.2% uplift would mean on the NJC pay spine.

Table 8	Forecast of annual rate of change in retail prices 2010/11*					
	2010			2011		
	Q3, %	Q4, %	Year, %	Q1, %	Q2, %	Year, %
XpertHR average**	4.7	4.1	4.5	3.8	3.5	3.6
Range of forecasts	4.5 to 4.9	3.8 to 4.4	4.3 to 4.6	3.2 to 4.2	2.8 to 4.0	2.9 to 4.2

\*. Based on the latest figures available as at 10 September 2010.

\*\* XpertHR average: unweighted average of the analysts' predictions.

Source: Individual forecasting organisations.

### 3.3 Local Government Pay and Inflation

Inflation has now gone ahead of pay since 1998 following the pay freeze this year (as shown in table 9 below). It also shows that if you look at the RPI yearly average rather than the average on the pay date NJC pay has been below inflation for 5 of the last seven years (2010 inclusive).

<sup>16</sup> <http://www.statistics.gov.uk/cci/nugget.asp?id=19>

**Table 9. NJC Local Government Pay Compared to Inflation (Headline RPI)**

Year	Headline Settlement Cost	Total Settlement Cost	Index	SCP4 Settlement Cost	Index	RPI (April)	Index	RPI (yearly average)	Index
1997/8			100.00		100.00		100.00		100.00
1998/9	3.0	3.00	103.00	3.0	103.00	4.0	104.00	3.4	103.40
1999/00	3.0	3.00	106.09	3.0	106.09	1.6	105.66	1.5	104.95
2000/01	3.0	3.00	109.27	3.0	109.27	3.0	108.83	3.0	108.10
2001/02	3.5	3.59	113.20	4.29	113.96	1.8	110.79	1.8	110.05
2002/03	3.0	3.58	117.25	5.1	119.77	1.5	112.45	1.7	111.92
2003/04	3.5	3.57	121.43	4.5	125.16	3.1	115.94	2.9	115.16
2004/05	2.75	2.75	124.77	2.75	128.60	2.5	118.84	3.0	118.62
2005/06	2.95	2.95	128.45	2.95	132.40	3.2	122.64	2.8	121.94
2006/07	2.95	2.95	132.24	2.95	136.30	2.6	125.83	3.2	125.84
2007/08	2.475	2.50	135.55	3.34	140.86	4.5	131.49	4.3	131.25
2008/09	2.75	2.8	139.35	3.58	145.90	4.2	137.01	4.0	136.50
2009/10	1%	1.045	140.81	1.25	147.72	-1.2	135.37	-0.5	135.82
2010/11	0	0	<b>140.81</b>	0	147.72	5.3	<b>142.54</b>	N/A	N/A
2001/02 - 3.5% (or £380 for spinal column points 4-10 inclusive)									
April 2002 - 3% (£5 per hour (or 4.1%) for spinal column point 4									
Oct 2002 - 1% (2% for spinal column points 4&5 only)									
2007/08 - 2.475% and £6 per hour (3.4%) on scale point 4.									
2008/09 - 2.45% + £100 on bottom three scale points (3.3%) +0.3% ACAS award									
2009/10 - 1.25% on SCPs 4 to 10 and 1.00% on SCPs 11 to 49									
Figures up to 2007/08 are LGA produced – they used the RPI April figure (ACAS submission) (RPI yearly average added)									

## 4 THE AFFORDABILITY OF OUR CLAIM

### 4.1 Local government finance 2009/10

#### *Provisional Outturn*

According to the Department for Communities and Local Government net current expenditure grew by 7 % in 2009/10.

*'Total net current expenditure by local authorities in England was estimated to be £121.3 billion in 2009-10 compared with £113.1 billion in 2008-09, an increase of 7%'. Source: Statistical Release 27 August 2010, LOCAL AUTHORITY REVENUE EXPENDITURE AND FINANCING ENGLAND 2009-10 PROVISIONAL OUTTURN*

The provisional outturn figures also show that:

- Unallocated reserves fell by just £1m from £3,424m to £3,423m. This compares with the assumed reduction of £377m in unallocated reserves incorporated into the 2009/10 budget estimates.
- Earmarked reserves fell by £276m from £9,190m to £8,914m. This compares with the assumed reduction of £1,237m in earmarked reserves. This implies that the financial position at outturn when compared with budget estimates had improved by £1.337bn.

<b>Table 10</b>		<b>Level and use of revenue reserves 1 April 1997 - 1 April 2010</b>			
<b>At 1 April</b>	<b>Revenue reserves £millions</b>				<b>Non Schools % change over previous years</b>
	<b>Schools</b>	<b>Other Earmarked</b>	<b>Unallocated</b>	<b>Non-schools total</b>	
1997	538	3,354	2,254	5,608	-
1998	499	3,336	2,011	5,347	-4.7
1999	539	3,799	2,064	5,863	9.7
2000	694	3,895	1,863	5,758	-1.8
2001	1,007	4,047	1,755	5,802	0.8
2002	1,103	3,732	1,756	5,488	-5.4
2003	1,132	4,198	2,224	6,422	17.0
2004	1,315	5,484	2,678	8,162	27.1
2005	1,498	6,831	2,774	9,605	17.7
2006	1,596	8,104	2,939	11,044	15.0
2007	1,760	8,112	3,201	11,313	2.4
2008	2,003	9,059	3,304	12,363	9.3
2009	1,859	9,190	3,424	12,614	2.0
2010*	1,816	8,914	3,423	12,337	-2.2

Source: Revenue Outturn (RO) returns; Provisional outturn 09/10

\* 31 March 2010

## 4.2 2010/11

### **The Local Government Finance Settlement 2010/11**

The 2010/11 Local Government Finance Settlement, set against the backcloth of fallout from the banking crisis, was reasonable and certainly provides resources to meet this claim.

*“The overall settlement represents a continued real-terms increase in investment in local government, which will allow authorities to continue to deliver improving services at an affordable cost. Total formula grant for 2010- 11 will be £747m, or 2.6 per cent., higher than in 2009-10 on a like-for-like basis. Specific grants, such as the Dedicated Schools Grant, are on top of these figures and bring the total increase in funding for local authorities to 4 per cent. in 2010-11. In our first 10 years up to 2007/08 we increased total Government grant by 39% in real terms. This provided 10 straight years of above inflation increases in Government grant for authorities overall. Over the current Spending Review period, we are providing an additional £8.6 billion to local government, an average 4% cash increase per year.”*

(The Parliamentary Under Secretary of State (Barbara Follett))

Further evidence can be found in the budget estimates for 2010/11 set by local authorities. Each year CLG/National Statistics publish details of local authority budget estimates. The data includes a comparison with the previous year and the budget estimates for the previous year. The table below reproduces that data and shows that local authority budget estimates in 2010/11 are planned to increase at the fastest rate since 2006/07:

<b>Table 11</b>		<b>Budgeted Net current expenditure</b>					
<b>CLG/National Statistics Statistical Release</b>							<b>Year on Year percentage increase</b>
<b>Year</b>	<b>2005/06</b>	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	
	<b>£bn</b>	<b>£bn</b>	<b>£bn</b>	<b>£bn</b>	<b>£bn</b>	<b>£bn</b>	
7 June 2006	95.472	100.535					5.30
6 June 2007		100.534	106.333				5.77
5 June 2008			106.350	112.077			5.39
30 July 2009				112.094	115.547		3.08
30 June 2010					114.997	121.929	6.03

Local authorities budget estimates assume (2009/10 assumptions in brackets):

- A reduction of £32m (reduction £30m) in schools reserves
- An increase of £186m (reduction £1,237m) in earmarked reserves
- A reduction of £141m (reduction £77m) in unallocated reserves

## 4.3 Local Government Finance Post General Election

### **‘In year’ budget cuts**

In June 2010 the Government announced ‘in year’ budget reductions totalling £6bn, of which £1.165bn fell on local government. Current (revenue) expenditure reductions totalled £806.1m and capital expenditure reductions £360.9m. Assuming that budget net current

expenditure is reduced by the full revenue cut (£806.1m), the percentage growth in budgeted net current expenditure still amounts to 5.33%.

## 5. Concluding Remarks

We note that the CIPD/KPMG Labour Market Outlook for the 12 months to June 2011 estimates that the mean basic pay increase (excluding bonuses) will be at 1.5%. This will be significantly down on the inflation estimate of 3.6%. The minimum level of the claim is set at £250 (1.2%), well within these two estimates. Our claim is balanced with regard to both the macro- economic environment, affordability within local government and the probable settlement levels reached elsewhere in the workplace for 2011.

Our members already constitute the lowest paid group in the public sector, especially in comparison to the NHS where very similar work is carried out. They have received no pay rise during 2010 where inflation has remained stubbornly high at around 5% and is set to average 4.5% over the year. Other public sector workers have received a pay increase in 2010 and other employers have honoured the £250 minimum award for those earning below £21, 000 a year, advocated by the Chancellor in his June budget speech. The NJC employers have not. Our low paid members, predominantly women, have been treated with contempt.

Our members are being expected to shoulder an unfair share of the Government's public expenditure cuts, whilst being forced to undergo unprecedented levels of change within councils. The local government employers will find the process of change far easier to undertake if our members believe they are being treated a level of dignity and respect which is sadly lacking at present. We are well aware that unallocated reserves within local government stand at nearly £3.5 billion at a time of fiscal restraint. We are seeing increasing evidence that some local authorities' are ideologically bent on 'hollowing out' local government services and reducing the role of the local state. Our members are waking up to the prospect of an increasingly unfair society, sadly only too evident in local government workplaces, with the NJC employers at the vanguard of the drive to poverty.

<b>Appendix 1 - £250 Effect on the Pay Spine</b>					
<b>2009/10 &amp; 2010/11</b>				<b>2011/12?</b>	
<b>SCP</b>	<b>Salary</b>	<b>per hr</b>	<b>Workforce numbers 2008 (FTE)</b>	<b>£250 Increase</b>	<b>% increase</b>
4	£12,145	£6.30	34,297	£12,395	2.06
5	£12,312	£6.38	24,432	£12,562	2.03
6	£12,489	£6.47	32,938	£12,739	2.00
7	£12,787	£6.63	22,760	£13,037	1.96
8	£13,189	£6.84	30,525	£13,439	1.90
9	£13,589	£7.04	15,905	£13,839	1.84
10	£13,874	£7.19	17,845	£14,124	1.80
11	£14,733	£7.64	26,229	£14,983	1.70
12	£15,039	£7.80	22,952	£15,289	1.66
13	£15,444	£8.01	52,477	£15,694	1.62
14	£15,725	£8.15	30,190	£15,975	1.59
15	£16,054	£8.32	34,593	£16,304	1.56
16	£16,440	£8.52	31,035	£16,690	1.52
17	£16,830	£8.72	52,701	£17,080	1.49
18	£17,161	£8.89	21,606	£17,411	1.46
19	£17,802	£9.23	25,143	£18,052	1.40
20	£18,453	£9.56	24,489	£18,703	1.35
21	£19,126	£9.91	49,540	£19,376	1.31
22	£19,621	£10.17	17,415	£19,871	1.27
23	£20,198	£10.47	22,818	£20,448	1.24
24	£20,858	£10.81	18,592	£21,108	1.20
			<b>Total &lt; £21k</b>	608,482	<b>0.74% increase if applied below £21000</b>
			<b>Total FTE</b>	906,266	
			<b>% of total &lt; £21k</b>	<b>67</b>	
35	£29,236	£15.15	-	£29,486	0.86
49	£41,616	£21.57	-	£41,866	0.60
<b>Total % Increase of £250 on all scale points</b>					<b>1.19</b>