



Report to
Council

8th February 2005

Report of
Chief Executive
Title
Implementing Single Status

1 Purpose of the Report

1.1 This report is to seek approval for the:

- (i) Proposals for new pay and conditions of service, for employees of the City Council covered by the National Joint Council for Local Government Services.
- (ii) Funding arrangements for implementation of new pay and conditions.
- (iii) The approach to and timing of the implementation of the proposals.

2. Recommendations

Council is recommended to:

- 2.1 Approve the proposals for new pay and conditions within the City Council, highlighted in section 4.1 and 4.2 of this report and given in detail in the document entitled 'Single Status Agreement' issued in September 2004 (Appendix 1) and subsequently amended by the document at Appendix 2.
- 2.2 Approve the funding arrangements for new pay and conditions as detailed in section 5.6 of this report.
- 2.3 Approve the recommendation for implementation identified as option (iii) in section 4.6 of this report.
- 2.4 Approve the arrangements for back pay identified in section 5.6.3 of this report.
- 2.5 Approve the protection arrangements for the employees identified in 5.7 of this report.

3. Information/Background

- 3.1 The Single Status Agreement is a National Agreement signed in 1997 to address historical equal pay issues and to harmonise terms and conditions in Local Government between officers and manual workers. It brought together the terms and conditions of service of

these two groups of employees into a new National Joint Council for Local Government services (known as the Green Book). The National Pay Agreement of April 2004 set a deadline of 2007 for implementation of pay and grading reviews to this same deadline.

3.2 In Coventry these differences in pay and conditions existed:

- Within the manual worker groups where bonus and allowances were largely paid to men.
- At the interface between the skilled manual worker and former officer grades.
- In the difference in grading of traditional 'female' types of jobs and 'male' types of jobs.

3.3 Some of these differences in pay arose in the 1970's to enable the Council to compete with the high wages being paid to men in the major car factories. Other social inequalities have existed nationally across all sectors where traditional female jobs e.g. care, catering, have not been valued equally.

3.4 The National Agreement was reached on the principle that solutions should be reached where possible through a process of local bargaining, rather than litigation on equal pay claims. Unlike most other West Midlands authorities, many of whom have had substantial claims to address, Coventry City Council does not currently have any equal pay claims outstanding because by agreement between the council and trade unions local bargaining has continued throughout the 8 years since the agreement was signed. However, this is on the understanding that the Council is taking the necessary steps to meet its equal pay obligations.

History

3.5 One of the key aspects of the agreement has been the use of the national job evaluation scheme. The intention of the scheme is to meet the equal pay requirement that jobs rated as equivalent or of equal value are paid the same. It does this by scoring jobs across 13 factors. The resulting total score then places the job in a grade band along with others of similar value.

3.6 From 1998 to 2000 the Council undertook significant work with the Trade Unions to develop a new pay and grading structure, a valid job evaluation scheme and a process for implementation. The workforce rejected these proposals in the summer of 2000. This was mainly because they had been developed on a cost neutral basis with limited arrangements for salary protection. At the time the Council had failed to provide adequately for protection of salaries so imposition through dismissal and re-engagement on new contracts would have been the only option. Given the Council's then cost neutral stance this is unlikely to have been viewed as reasonable. On 2nd August 2000 the then Cabinet Member (Resources) made the decision to re-open negotiations with the trade unions without the previous policy restraint of cost-neutrality. Following this decision the 37-hour week part of the national agreement was implemented for all employees at a cost of £0.9 million, backdated to April 1999. This was a contractual requirement of the original national agreement.

3.7 In summer of 2001 the then Leadership made it clear that a Single Status agreement must be implemented as both a legal and moral imperative. There was now recognition that this could not be achieved on a cost neutral basis and that there needed to be adequate protection arrangements for employees to feel confident in any forthcoming proposals. As a consequence agreement was reached with trade unions on a combined protection/implementation arrangement signed in November 2001 (Appendix 3). The agreement

allows for five years' protection on a standstill basis whilst allowing implementation time for the Council to meet the costs. The agreement specified no back dating of the provisions. This is one of the longest periods of pay protection so far implemented as part of a Single Status settlement. This set the foundation for the negotiations to follow.

Job Evaluation, Pay and Grading and Terms and Conditions

- 3.8 The lengthiest part of reaching an agreement on Single Status is the job evaluation exercise, especially for an authority this size. A process for the project was agreed in 2002 and the formal benchmark (pilot) phase commenced in December 2002 to March 2003. The job evaluation project entered its main phase in April 2003 and was completed at the end of July 2004. Of course job evaluation for new and re-structured jobs continues. This work has been done under the supervision of joint management and trade union panels.
- 3.9 As well as requiring equal pay for work of equal value, employers needed to undertake a pay audit to identify inequalities in other terms and conditions. In Coventry the equality issues in its pay and allowances were identified in the first attempt and confirmed again in this process. In 1999 all of the Council's bonus schemes were jointly tested using the national review guidance and none of the schemes met the criteria for equality. This position was jointly recognised as part of the later negotiations, as shown the schedule attached to the protection agreement (see Appendix 3).
- 3.10 The National Agreement allowed for substantial local negotiation around conditions of service such as allowances for unsocial hours working. This was intended to allow the employer to improve and update the general framework of pay and conditions and so improve productivity and quality of services, which might reduce the costs of introducing the agreement, or improve value for money. This aspect had been addressed as part of the pay review as it is also the case that the many allowances paid in Coventry were complex administratively, presented equal pay problems of themselves and would be absorbed by the job evaluation scheme which gave points for such items as qualification payments.
- 3.11 Equal pay legislation allows a successful claimant to claim for up to six years back pay, although this level is not always granted in full by Employment Tribunals. In June of 2004 it emerged that there were concerns arising around the position on back pay within Single Status settlements. Increasingly the issue of back pay was being raised by employees and some cases were taken on behalf of employees even where successful Single Status agreements had been reached between management and trade unions. In these instances the lawyers were taking employers and trade unions to tribunals jointly. Although the 1997 National Agreement had not considered back pay the new Implementation Agreement of 2004 made it clear that local pay and grading reviews must consider the issue of the provision of back pay. The issue of agreeing a settlement figure for back pay for gainers was therefore included in the local negotiations with the trade unions locally.
- 3.12 Over the period 2002 to 2004 a new pay and grading structure was developed using advice from a jointly (management and trade union) appointed NJC approved consultant. Final negotiations were conducted during June to August 2004 once the job evaluation results were available to model the potential costs of the proposals; the trade unions secured a change to the management modelled proposals. A formula based back pay deal was negotiated and further negotiations increased holidays for employees. The negotiations concluded with the unions' position being to recommend that the proposals were "the best that could be achieved by negotiation".

September 2004 Onwards

3.13 The final proposals were presented to the workforce in September 2004 through direct correspondence and the opportunity for staff briefings and question times, with individual trade union ballots being undertaken in October 2004. The information which the workforce received included the way in which their pay and grading would be affected and whether they would gain in earnings, be assimilated onto a similar level of grade or lose out and be protected. A sophisticated pay model was used to estimate what the impact of the new proposals would be in terms of numbers affected. The model was used because it was recognised that at that stage it would not be possible to process all the individual impacts on each employee with all their different shift patterns etc. The numbers estimated at that time were:

Gainers – 3597
Assimilated – 4329
Protected – 2091

3.14 The workforce rejected the proposals, with the following results:

	Turnout	Accepted	Rejected
UNISON	63.75	24.2%	75.8%
TGWU	61.4%	46.2%	53.5%
GMB	57%	39%	61%

From October 2004 to December 2004 management and trade unions worked through a list of agreed employee and management concerns and finalised some documents and processes. During this period it was management's clear intention to reach a point where trade union members could again be balloted on the revised proposals, with a target implementation date of 1st April 2005. This would mean a ballot taking place in January in order to be able to process the material necessary to implement the package in April 2005. Management's concerns about timescales were based on the following:

- The need for employees who gain a salary increase to have the pay increases to which they are entitled.
- The risk of the process of Single Status becoming a barrier to organisational progress on a range of service issues.
- The proposals representing a financial package which can be sustained in April 2005 against a backdrop of increasing financial difficulty in the Council.
- Employees needing some certainty about their future pay and conditions.
- The Council and the Trade Unions having been working on single status since 1997 (eight years) and the need to bring it to a conclusion.

3.15 One of the concerns raised had been about the job evaluation process; therefore it was agreed that there should be a joint independent review. A regionally jointly agreed NJC consultant was nominated, however the trade unions wanted a second alternative, of their choice, and they were unable to secure an alternative expert to undertake this review until the end of December 2004. Despite this delay the Council had no objection to funding another independent person to carry out the review, if the review could be completed by the end of January 2005/beginning of February 2005. If that review was unable to be completed within that timescale then management gave a commitment to implement any reasonable findings as part of the overall process. At the point of writing this report the outcomes of the review are not available but these should be available very shortly. If it is possible to report these to Council then this will follow. Members will be updated in due course.

- 3.16 During the period October to December 2004 management had also begun applying the proposed package to the information related to individual employees. This produced substantial financial information, which was shared with the trade unions. This demonstrated that once the proposals were applied to real information, there was a substantial fall in the number of protected employees with consequential overall increase in costs. Trade Unions were also given every opportunity to present alternative proposals on allowances and an opportunity to re-model the pay and grading structure within the context of already expensive package.
- 3.17 On December 23rd 2004 management put forward some proposals which included the payment of the April 2005 pay award and the payment of April increments that would have been gained under the former structure. This increased the base pay to be protected (and also the costs). Management also proposed changes to allowances which responded to specific trade union concerns related to part-time weekend working in libraries and the impact on particular staff on certain night shifts. Trade unions put forward four new pay and grading structure options each of which incurred further increased costs. Management fed back our view that we could not accommodate any further changes to the pay and grading structure as the number of protected employees had already reduced by 549, from 2091 to 1542, at a cost of a further £1.1 million (as at October 2004). The Trade Unions indicated that they would not be able to comply with the 1st April 2005 timescale given they wished to await the outcome of the review and ballot their members after that review. This date would mean that the Council could not achieve its target implementation date. They also believed they did not yet have a package which would meet their members requirements.
- 3.18 On January 6th management indicated that they would not be able to support any of the new pay and grading structures on the basis of their additional cost to an already expensive package. They confirmed to trade unions their full and final offer, subject to Council approval (The letter containing this is attached at Appendix 4). The Trade Unions were formally asked to ballot their membership on this offer. They confirmed their previous refusal to accept management's target implementation date of 1 April 2005 and said that they were not willing to accept management's final offer, or to put it to their members via a ballot.
- 3.19 The West Midlands Provincial Council is the regional associate of the National Joint Council for Local Government Services. It is responsible for the interpretation and application of national agreements regionally and the resolution of disputes which cannot be resolved locally. It is based in Birmingham and consists of representation from both employers and trade unions, with an employers' secretary and a trade union secretary.

Section 12.2 of the National Agreement-Question to the Joint Secretaries

- 3.20 In the light of the trade unions' position, on the 14th January 2005 management drew the trade unions' attention to paragraph 12.2 of the National Single Status Implementation Agreement which states that:

"Local Authorities should review their local grading structures, including whether or not to operate a system of pay scales as opposed to single pay points. In conducting such a review, representatives of the recognised trade unions should be fully involved. In conjunction with local grading reviews the authority and the unions shall agree the terms on which there should be protection against loss of remuneration. Once such a review has been completed, the local grades, using the national spinal column points, will supersede the existing national grading provisions and scales referred to in Appendix 1 to part 3"

3.21 As there is a 5-year protection agreement, negotiated through collective bargaining and the trade unions have been fully involved in conducting the review of pay and grading, the trade unions were asked to consider making a joint approach, with the City Council, to the Joint Secretaries of the West Midlands Provincial Council, to ask the following question:

"Does paragraph 12.2 of the National Implementation Agreement allow the Council to implement, without a local collective agreement, its pay and grading proposals which were formulated following substantial consultation with the Trade Unions, given that a collective agreement has been reached on protection against loss of remuneration?"

3.22 If such a way forward were permissible within the terms of the National Agreement there would no longer be the necessity for a local agreement or for any other means of implementation. The proposals as they stand would simply be incorporated into contracts of employment from April 2005, in the same way as a national pay award would be incorporated. Following a formal letter from management, the Trade Unions declined to take up the offer to approach the Provincial Council jointly, through the Joint Secretaries. Management advised that on this basis, we would consult the Joint Secretaries on whether it was possible within the Terms of the National Agreement, given the history of our joint negotiation process, to implement the proposed package according to the terms of paragraph 12.2 of the Agreement. Depending on that outcome, we would then put a report to Elected Members on proposed ways forward. The trade union side subsequently asked if the Council would be willing to seek conciliation. Management indicated that at this stage it would not as it wished to await the outcome of their question to the Joint Secretaries. This did not preclude the possibility of conciliation in the future although trade union colleagues were well aware of management's imperative to implement Single Status for all the reasons stated earlier in this report.

3.23 Attached at Appendix 5 is the management side letter to the Joint Secretaries. Attached at Appendix 6 is the Joint Secretaries' response (Employer side only). The Employers side Joint Secretary of the West Midlands Provincial Council replied indicated that as the referral was not joint, the Trade Union side Secretary did not feel able to participate in the response. The following three questions needed to be addressed in deciding whether the authority was entitled to introduce the outcomes of the pay and grading review without a collective agreement on those specific issues:

- a) Have the unions been fully involved in the review?**
- b) Has agreement been reached on protection?**
- c) Do all the changes proposed fall within the scope of a pay and grading review?**

A summary of the Employers' side view is that they considered that the history of Single Status in Coventry:

- represented full involvement of the trade unions in the grading review
- the Council's protection agreement was clearly a collective agreement with the trade unions on "the terms on which there should be protection against loss of remuneration"
- the changes proposed all fell within the scope of a pay and grading review with one minor exception which could be withdrawn from the package if it were applied

3.24 The Joint Secretaries reference to the 2004 National agreement concerns a new requirement on authorities to conduct a full pay review and to complete negotiations on a single status agreement for 2006. This agreement lists all those elements of pay, which have been addressed in the Coventry negotiations.

Current National Position

- 3.25 The current national position is that of 388 local authorities in England, 48 have completed Single Status (8 unitaries, 1 met district, 5 shire counties, 44 shire districts) 58 are almost complete including 9 unitaries, 19 met districts, 14 shire counties and 6 shire districts. Of these, a number of the larger ones have only implemented it in part, either only partial conditions, or partial sections of the workforce eg the lower manual grades. Very few metropolitan authorities have fully implemented in the way that Coventry is seeking to do. The nearest to have done so is Solihull, who were directed to implement following a court challenge.
- 3.26 Management has sought to gain as much information from other authorities as possible about the Single Status packages that they have implemented. Of 61 authorities asked to respond, 22 did so. Of those, none had implemented a more advantageous package to the workforce than that being proposed in Coventry. Trade union colleagues have also not produced any information about alternative more advantageous packages. Examples of other terms are as follows. Of the 22 that replied, 18 had no back pay arrangement. Three had arrangements whereby agreement was backdated between 1 and 2 years. Protection agreements varied from none at all (2); 2 years (1); 3 years (8); 4 years (2); 5 years (2 no back pay). Seven small districts had indefinite protection arrangements as only a small number of employees were involved.

4. Proposal and Other Option(s) to be Considered

Pay and Grading Structure and Terms and Conditions

- 4.1 The full proposals for incorporated conditions of service are laid out in the document entitled Single Status Agreement (See Appendix 1) as amended by the additional offers outlined in Appendix 2. This document was issued to all employees in September 2004 prior to the ballot in October 2004. The main highlights were:
- *The new pay and grading structure brings all employees within the scope of the national agreement, into the same pay scheme so there will no longer be any division between the former 'blue and white collar' employees. All employees will have access to some incremental progression. This is being linked to the new training and development and performance management strategies and will allow for progression to be paused or accelerated.*
 - *The grading structure also allows for career progression for jobs with a professional training structure and introduces the concept of career pathways to enable unqualified employees to have access to training, which will enable them to enter a career or gain promotion. These will be more fully developed over the next few years. These concepts are important for the Council's success in recruiting and retaining a properly trained workforce for the future when the number of young people in the population reduces significantly.*
 - *As required by the National Agreement the national pay spine continues to be used. Account has been taken of national and local markets for some key jobs so that the Council is able to compete in the market place and retain the existing workforce. However, the introduction of equal pay for work of equal value also means that some jobs will inevitably be over or under priced in the market place. The Council already has a policy of being able in exceptional circumstances to use market supplements.*

- *The proposals re-shape how we pay for unsocial hours by introducing five shift allowances to replace the fifty or so which currently exist. Weekend working is also being recognised by being wrapped up in the basic pay. As well as eliminating equalities these changes have the effect of reducing the amount of individual claims for allowances, which are currently processed weekly, and monthly so there are significant administrative improvements. Most importantly it allows for some extension of services to customers to be locally negotiated.*
- *Other changes have consolidated “on call” and “call out” payments to one rate for all. Rules around pay and overtime have been regularised to eliminate different practices across the Council.*
- *For employees a wide range of flexible working approaches have been extended to all employees. It is expected that these will also aid the Council in recruiting and retaining employees.*

4.2 As indicated earlier, alternative annual leave provision and Council closure days were also negotiated. The proposals offer employees a voluntary contract, which adds between 1 and 3 days to the annual leave entitlement in return for opening council services on the bank holiday Tuesdays and reducing the Christmas/New Year closure of services.

The future Council closure days will be:

Good Friday
 Easter Monday
 May Day
 Spring Bank Monday
 August Bank Holiday
 Christmas Day
 Boxing Day
 New Year's Day

Key Implementation Issues

4.3 In the light of the ballot result and the advice of the Employers side Joint Secretary of the West Midlands Provincial Council, officers consider that the Council now has three options to consider, in order to take Single Status forward

- (i) To continue open-ended negotiations with the trade unions and attempt to reach a collective agreement on a revised package of proposals
- (ii) To offer a new contract to employees as a voluntary option achieving implementation over many years through voluntary sign up, natural wastage and organisational change
- (iii) To implement the package of proposals (as amended in full) using clause 12.2 of the National Implementation Agreement giving all employees 3 months notice as required by the Protection Agreement.

4.4 In relation to **Option (i)** the concern is that open-ended negotiations would delay the implementation of equal pay for those that gain, continuing to leave the council at risk from claimants; costs would inevitably increase and still leave the Council with no clear end date for implementation. The impact on the organisation of further delay would be severe for services and the opportunities for further improvement. Taking forward recruitment is

becoming more difficult as the Council is not able to be certain about its conditions of service and this could lead to further use of temporary and agency workers for essential to fill posts. The risk of equal pay claims would increase because those who gain now know how much they are entitled to. An attempt was made to put an end date of January 2005 on negotiations post the October ballot, with the possibility of trade unions undertaking a further ballot. Management and trade unions have been unable to reach any collective solution acceptable to both sides and the trade unions have been unwilling to go to ballot, in part because they have been awaiting the outcome of the review of job evaluation. Neither further open-ended negotiation nor time-limited negotiation are recommended as efforts to make progress by these routes have not reached a successful conclusion. It is essential that some approach is followed which brings this process to a conclusion. **This option is not recommended**

4.5 Focusing on **Option (ii)**, in some authorities' implementation has proceeded through a process of offering a new contract to employees on the assumption that the gainers, and some employees being assimilated onto a grade with the same salary level, would accept such a contract (and indeed this is what has happened). Over time (many years) other employees would gradually choose to join the new pay and grading system e.g. because their salary "caught up" or by virtue of applying for a new post on the new pay and grading system. Those losing out most seriously under the new proposals would clearly not join unless they did take up new posts etc. However the big flaw in this approach is that it does not deal with the equal pay claims issue, as clearly there would remain inequalities of reward for similar work over a long period. Of less importance but nevertheless worthy of consideration is the fact that in a large authority it would also lead to a complex administration whilst two different pay structures were maintained and employees moved between the two structures. A whole infrastructure would be required to keep track of this process. **This option is not recommended.**

4.6 The advice of the Joint Secretary indicates that under **Option (iii)** we would be able to implement the pay and grading proposals using clause 12.2 of the National Agreement based on the agreement between the Council and trade unions on protection. The letter setting out the Joint Employer's secretary's advice is attached at Appendix 6. That letter refers to the Salisbury District Council (2001, Court of Appeal 2004) case, which substantiates this position. Of course no two legal cases are identical and different legal points may be raised in any future case. However the 2004 National Agreement which not in existence at the time of the Salisbury District Council case should strengthen the Council's case in relation to the breadth of proposals it is seeking to implement. It is important to note that if the Council did take this route it would not be an "imposition" of the proposals as it would not require formal dismissal and re-engagement, but as outlined earlier in this report would involve incorporation of the proposals, in the same way in which pay awards are implemented every year. If the Council were to implement, in order to reflect the requirements of the protection agreement all employees affected would be issued with three months notification of the implementation to take effect from 1st June 2005.

Simultaneously management would ask the signatory trade unions to the protection agreement to consider an addendum to the agreement which would allow the Council to pay the gainers their increased salaries and back pay compensation earlier than 1st June 2005 i.e. 1st April 2005, waiving their right under the protection agreement to the 3 months notice period.

The **advantages** of following this option are as follows:

- The proposed course of action follows a clear-cut route which would enable the Council to have confidence that it was resolving the issue of implementation of Single Status
- Managers and employees generally would see that the issue was being moved forward and it would give some certainty both to the personal planning of employees generally and the management planning for change and service improvement affected by the uncertainty created by Single Status.
- This option also gives the Council and trade unions the opportunity for joint conciliation in relation to the position of those losing out under the proposals to any outcomes of which must be completed to be able to implement for the 1st June deadline. Clearly this would need the co-operation of the trade unions themselves and the regional Joint Secretaries of the Provincial Council. This would imply no change to the Council's pay and grading scheme, which is at the limits of affordability, but would provide the opportunity for conciliated discussions on allowances and other issues in relation to the position of those losing out under the proposals. This would entail planning immediately after this Council meeting for implementation of the proposals on 1st June and formally approaching the trade unions to ask if they would be willing to enter into joint conciliation on the position of those losing out on a time-limited basis (to be completed by 1 June 2005). If the trade unions for any reason were not willing to enter into joint conciliation on this basis then the Council would still be able to follow the Option (iii) proposal to implement the package on 1st June 2005
- If the trade unions agree to amend the protection agreement then the gainers can be paid their increased salary and back pay compensation earlier which is highly desirable, paying those employees the pay increases they deserve and acting as a defence against equal pay claims.

The **disadvantages** of following this option are as follows:

- The proposed course of action is likely to be seen as provocative by trade unions and some groups of employees.
- In relation to morale, there are likely to be two types of reaction from employees – a positive reaction from those who just want the uncertainty of Single Status to end, or have been waiting patiently for their salary increase and will now be able to see that they are going to receive it, and a negative reaction from those staff who do not agree with the Council's actions in moving forward to implementation.
- This proposal would take the period of protection from until March 2010, to until May 2010. This would result in some additional costs because of a further pay award needing to be funded in that period amounting to £0.08m.
- The proposed course of action adds in the possibility of further additional cost to the already large cost of nearly £11m (one-off costs of nearly £3m and ongoing pay bill costs rising to above £8m) as a result of any conciliated settlement on behalf of those losing out at the end of five/six years.

In summary we are proposing:

- **Notifying all affected employees of the intention to implement Single Status from 1st June 2005.**
- **Approach the trade unions to seek agreement to implement for those gainers under proposals on 1st April 2005.**
- **Approach the trade unions to see their agreement to enter into conciliation on issues affecting those who are protected.**

In weighing the advantages and disadvantages of this approach, the length of time over which negotiation has taken place, the increasing risk of the Council's position in relation to equal pay claims and the effects both negative and positive on the successful achievement of the Council's many other objectives would need to be considered. **This option is recommended.**

Conclusion

- 4.7 Following the breakdown of negotiations in 2000, the Council and trade unions have worked in close collaboration through a range of difficult issues. In October 2004 the trade unions believed they had achieved a package, which was the "best they could negotiate", and took the package to ballot where it was rejected by their members. Since then the Council has improved the package so that all employees will receive their 2005 pay increase, the cost of living increase and an increment if they are so entitled. This means that there has been a significant increase in the offer available to those who "lose out" under the proposals. In addition, there has been a drop in the number of losers due to the ability to use real information about individual employees, which was not available to us in October 2004. This was thought to be a reduction of 549. As a result of paying the April increments a further 95 employees have moved into protection so the figure has now reduced to 454 from the original modelled information in October. **It should also be emphasised that under these proposals no employee will lose anything from their current salary for the next five to six years. In the fourth year there will be a review with the trade unions of the then position in terms of numbers of employees who would lose salary at the end of the five/six year period.**
- 4.8 There is now an urgent requirement to bring the Single Status process to a close for the following reasons:
- **Employees who will gain a salary increase deserve to have the pay increases and back pay formula to which they are entitled**
 - **There is a risk of the process of Single Status becoming a barrier to organisational progress on a range of service issues**
 - **The proposals represent a financial package which we can sustain in April 2005 against a backdrop of increasing financial difficulty in the Council**
 - **Employees need some certainty about their future pay and conditions.**
- 4.9 On the basis of the information set out above, officers recommend to Council the implementation of the revised Single Status package currently proposed to trade unions under Option (iii) i.e. giving three months notification to implement with effect from 1st June 2005, asking the trade unions to amend the protection agreement to waive the requirement for three months notification to gainers and asking the trade unions to enter into joint conciliation in relation to the position of those who are protected.

5. Other specific implications.

5.1

	Implications (See below)	No Implications
Area Co-ordination		✓
Best Value	✓	
Children and Young People		✓
Comparable Benchmark Data	✓	
Corporate Parenting		✓
Coventry Community Plan	✓	
Crime and Disorder		✓
Equal Opportunities	✓	
Finance	✓	
Health and Safety		✓
Human Resources	✓	
Human Rights Act	✓	
Impact on Partner Organisations	✓	
Information and Communications Technology		✓
Legal Implications	✓	
Property Implications		✓
Race Equality Scheme	✓	
Risk Management	✓	
Sustainable Development		✓
Trade Union Consultation	✓	
Voluntary Sector – The Coventry Compact	✓	

5.2 Best Value

Services to the public will be enhanced via the improved flexibilities within the conditions package.

5.3 Comparable Benchmark Data

At the time of the development of the pay and grading structure, an independent National Joint Council (NJC) consultant was engaged to determine its relationship with market rates for some key jobs in the Council.

5.4 Coventry Community Plan

As a member of the Local Strategic Partnership (LSP) implementation of Single Status is critical to the delivery of the jobs and economy objectives of the Coventry Community Plan.

5.5 Equal Opportunities

5.5.1 The elimination of pay discrimination will mean that the Council will achieve one of its most important equalities targets. There are 6306 gainers on basic pay (excluding April 2005 increments). This is the shift of the former manual workers, men and women, up the pay spine and into an incremental structure. For many of the male employees this move up will have been accompanied by the loss of significant bonus schemes some as high as 90% of basic pay whereas many of the female employees will be gainers because they did not have access to former bonus schemes. For example, Senior Care Assistants gain on average £2,800 whilst Refuse Collectors have an average protection of £4,570.

5.5.2 A full equality assessment has been undertaken. The table below shows the movement of the workforce by gender and grade. The table illustrates the position of men and women in relation to the average total earnings of the each grade based on current earnings, and those that will apply after the single status is implemented. In every grade except grade 10 the current average earnings of men are higher than those of women. In every grade that position changes once the single status proposals are applied. As women gainers achieve incremental progression and with turnover amongst men, the averages will move even closer to the 0% difference.

Table: Percentage difference from average total earnings of each grade by gender (before and after Single Status)				
GRADE	WOMEN		MEN	
		%diff		%diff
1	Current:	-0.5%	Current:	8.3%
	Single Status:	-0.1%	Single Status:	1.4%
2	Current:	-1.1%	Current:	4.9%
	Single Status:	-0.5%	Single Status:	2.1%
3	Current:	-1.7%	Current:	9.6%
	Single Status:	-0.5%	Single Status:	3.0%
4	Current:	-3.1%	Current:	6.6%
	Single Status:	-1.2%	Single Status:	2.6%
5	Current:	-2.5%	Current:	7.2%
	Single Status:	-1.6%	Single Status:	4.4%
6	Current:	-1.2%	Current:	1.6%
	Single Status:	-1.1%	Single Status:	1.4%
7	Current:	-1.1%	Current:	2.0%
	Single Status:	-0.9%	Single Status:	1.5%
8	Current:	-1.8%	Current:	1.7%
	Single Status:	-0.9%	Single Status:	0.8%
9	Current:	-2.1%	Current:	2.0%
	Single Status:	-1.1%	Single Status:	1.1%
10	Current:	0.4%	Current:	-0.5%
	Single Status:	0.0%	Single Status:	0.0%

5.6 Finance

5.6.1 In successive PPR processes we have anticipated some of the costs associated with the implementation of Single Status so that £5 million revenue provision has been planned as follows:

- 2003/4 - £0.5 million - This was used to fund the project for that year
- 2004/5 - £1 million - £0.5 million of which was used to fund the project for 2004/5 The remaining half a million being set aside to fund the appeals project in 2004/5 and to off set some of the one off costs of implementation.
- 2005/6 – A further £2 million in the medium term financial strategy
- 2006/7 – A further 2 million in the medium term financial strategy

This financial approach was expected to tie in with the earlier protection agreement which allowed for a period of time (possibly years) over which implementation for the gainers could take place. However, the Council's ideal position now would be to implement the proposals for those gaining on 1st April 2005. The Council has to take into consideration the notification period of three months agreed in the protection agreement and so is proposing notifying employees of implementation on 1st June 2005. This would result in just under £100,000 additional cost to the figures above.

5.6.2 The proposed pay and grading structure has been costed using pay modelling software on data from the July 03 payroll. These were the figures tied to the proposals in September 2004 showing an overall cost to the pay bill of £9.78m (one off costs of £3.88m and ongoing pay bill costs of £5.9m). The grading structure allows for incremental progression so the financial model has been drawn up over 10 years to illustrate the movement in pay costs and the impact of protection. Following work during October to December 2005, these numbers were adjusted to reflect the impact of using the information relating to each employee. Subsequently these numbers have needed to be adjusted again (still resulting in a decrease in the number of “losers“ from the September figures, but a smaller decrease).

5.6.3 As indicated above the Council has also had to address the issue of back pay. The details of these arrangements are in a table contained at the back of the proposals at Appendix 1. Essentially employees who gain as result of this exercise will be made a payment, which takes account of the amount of gain and their length of service with the Council. The cost of these arrangements is £2.76 million.

5.6.4 The **costs of Single Status** are illustrated in the table below:

	Costs of April 2005 Increments £m	Costs of Gainers, Protection, & Turnover Effects £m	Costs of Extra Holiday £m	Cost of Protection Compensation £m	Total Pay Bill Costs £m	Costs as at October 2004 proposals
2005/06	1.39	3.78	0.40	0.10	5.67	4.60
2006/07	1.43	3.84	0.41	0.07	5.75	4.91
2007/08	1.47	3.93	0.42	0.07	5.90	5.52
2008/09	1.52	4.39	0.44	0.02	6.36	6.14
2009/10	1.56	4.73	0.45	0.01	6.75	6.65
2010/11	1.61	4.60	0.46	0	6.67	6.86
2011/12	1.65	5.10	0.48	0	7.23	7.08
2012/13	1.70	5.38	0.49	0	7.58	7.29
2013/14	1.75	5.55	0.50	0	7.81	7.50
2014/15	1.80	5.71	0.52	0	8.04	7.72

There are two main issues that could cause the actual costs of Single Status to be significantly different than the current estimates given in the table above. The first issue is that of Job Evaluation Appeals - although it is impossible to know how many successful appeals there will be, it is reasonable to assume that the overall impact will be an upward pressure on the costs. The second issue is the assumption of 10% turnover – although 10% is a reasonable approximation to current turnover levels it is impossible to determine what the effect on turnover rates will be of introducing Single Status. If the turnover rate turns out to be lower than 10% this would increase the overall costs. Conversely, turnover rates above 10% will lead to lower costs.

5.7 Human Resource Implications

- 5.7.1 The approach to Single Status has been strongly linked with the overall employment strategy to ensure that the Council can recruit and retain employees and be an employer of choice in the future. Training and performance have strong links with service quality and the proposals have been designed to maximise those links with pay and reward. Similarly conditions have been developed which enhance the ability of managers to negotiate new methods of service delivery. Options for working feature within the proposals, which support the modern requirements for work life balance and recognise the changing demands on employees' lives during the course of their employment. These are open to local negotiations so do not involve a change of contract.
- 5.7.2 The proposals have raised earning levels for many employees. A number have gained through additions to basic pay and some through equal access to changed allowances. The number of employees gaining on single status is 3528 (as at December payroll). 62 employees have gained over £5,000 with the highest gain being over £8,000.
- 5.7.3 The number of employees who are assimilated i.e. move into the new structure without a direct loss or gain is 5375. Amongst these 2017 are assimilated gainers, that is they receive generally small amount of extra pay as a result of the rounding up rules.
- 5.7.4 1637 employees will lose earnings as the protection period elapses, ie future pay awards. For this reason the protection agreement has within it a review after four years. It is anticipated that the majority of these employees will come off protection during the course of the five years as shown in the table below. There are arrangements within the pension regulations which enable employees whose earnings have been changed by the employer to select their best earnings year for pension purposes. This protection will also be available to these employees.
- 5.7.5 There are 56 employees who will be protected at levels above £5,000 with the highest level of protection being over £10,000 for one person (pending any appeals).

5.7.6 The table below summarises the effect of single status over the period of protection.

	No. of Protected Employees	No. of Employees receiving Protection Compensation
2005/06	1637	809
2006/07	1261	597
2007/08	916	561
2008/09	702	115
2009/10	551	61
2010/11	0	0
2011/12	0	0
2012/13	0	0
2013/14	0	0
2014/15	0	0

5.8 Human Rights Act

All the terms of the Human Rights Act apply.

5.9 Impact on partner organisations

Some of the City's partner organisations use the Council's pay and grading structure and they may chose to adopt these new arrangements. By implementing the Single Status agreement the Council as the largest employer in the City will be fully compliant with equal pay legislation and sets a positive example to other organisations in the City.

5.10 Legal Implications

5.10.1 Equal pay for work of equal value is a legal obligation on all employers. This legislation extends to all terms of the employment contract. Despite years of improvements to equalities targets it is the case that many jobs within the Council, particularly the former manual worker jobs, are either occupied wholly or predominantly by men or by women. This sometimes arises from the nature of the working hours or the working environments. So that care, cleaning and catering jobs are predominantly female whilst refuse, highways and grounds are predominantly male. This split means the Council, like many other local authorities, has been extremely vulnerable to equal pay claims. The proposals for the implementation of single status will eliminate this risk as far as is possible.

5.10.2 Employers based at Community Schools (except teachers) are covered by the National Single Status Agreement within their contracts of employment so will be the subject to the proposals. Employees in Voluntary Aided schools are not employed by the Council but are similarly connected to National Agreements. Each governing body in a Voluntary Aided school will need to make a decision on implementing these proposals or to develop some of their own. To date Voluntary Aided schools have enabled their employees jobs to be evaluated within the job evaluation process.

5.10.3 There continues to be a risk relating to back pay. If an employee is not satisfied that the compensation being paid is sufficient, that employee could take a case to tribunal. This is what has been happening in cases elsewhere in the country. The risk of back pay claims exists whenever there are equal pay issues whether single status is in place or not. The risk of such claims, following single status implementation, may be higher without a local collective agreement covering back pay but can be brought in any case by individual employees. If an employee brought a back – dating case before an Employment Tribunal,

then the Council would argue that in light of its obligation to comply with the National Agreements to establish equal pay for all of its employees simultaneously the back pay settlement in place was the best which could be achieved taking into account the Council's financial position.

5.10.4 Implementing the agreement through clause 12.2 of the National Agreement means that it is a legal change through incorporation into contracts of employment.

5.10.5 Those employees who lose pay or have it frozen as a result of single status could also take a case to the Employment Tribunal. As local and national collective agreements are automatically incorporated into the employment contracts of the Council employees affected, the Council would argue that it had complied with paragraph 12.2 of the 1997 Implementation Agreement and paragraph 5 of the 2004 Implementation Agreement and therefore employees' pay was legitimately in line with the Council's Single status proposals from the date of their implementation.

5.11 Race Equality Scheme

In relation to minority ethnic employees the impact of the proposals varies across different grade bands. There are no significant trends.

5.12 Risk Management

The implementation of single status and the consequent elimination of equal pay claims has been a significant item on the Corporate Risk Management Register for some time. The acceptance of the proposals by the work force will mean that this item can be removed from the register.

5.13 Trade Union Consultation

There has been full and often productive consultation with trade unions. The stage that has been reached is that management and trade unions have been unable to reach a collective agreement. The report contains a full description of discussions to date.

5.14 Voluntary Sector – Coventry Compact

Some of the City's partner organisations use the Council's pay and grading structure and they may choose to adopt these new arrangements.

6. Monitoring

6.1 The proposals have already been vetted for equalities implications. Once the proposals have been fully implemented it will be necessary under Equal Opportunities Commission provisions to undertake an annual audit to test out the Council's equal pay position. This will ensure that there is no discrimination on progression through the pay scales and to respond to changing environments

7. Timescale and expected outcomes

7.1 It is intended that the changes for implementation on 1st June 2005 be notified to employees during February 2005. Arrangements for briefing employees will be made and hot lines will be available for queries from employees and managers.

7.2 Trade Unions are being advised on the content of this report on Tuesday 1st February 2005. If Members endorse this report, management will seek by agreement with the trade unions to implement the package for gainers on 1st April 2005. The Trade Unions and the Joint Secretaries of the Provincial Council will be advised that conciliation attempts must be concluded in time to be able to implement by 1st June 2005. Any conciliation terms would need to waive any notice arrangements to avoid further delay to implementation.

Appendices

Appendix 1 - Single Status Agreement September 2004

Appendix 2 - Single Status Amended Version

Appendix 3 – Protection Agreement

Appendix 4 – Management letter to Trade Unions

Appendix 5 – Management side letter to the Joint Secretaries

Appendix 6 – Joint Secretaries response (Employer side only)

List of background papers

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Papers open to Public Inspection

Description of paper

Single Status Proposals

National Joint Council for Local Governments Services (Green Book)

Location: Ground Floor, Civic Centre 2

Earl St., Coventry