

Case Study –

Stratford-on-Avon District Council – Evaluation of Pay Review Process

Summary

Pay Audits were recommended under the Pay Commission Report 2003 and formed part of the 3-year Pay Agreement 2004 for local government. Additionally, Councils and unions now face the risk of expensive equal pay claims if they are unable to evidence due process in conducting pay reviews.

Stratford-on-Avon District Council's approach to its local pay review demonstrates successful joint working with members, trades unions and staff, and a willingness to carry on, through immense setbacks, to find a workable solution that satisfies all parties.

Aims/Objectives

Prior to a reorganisation, the Council had already started considering implementing a JE scheme back in 2000. No scheme had previously been implemented and pay was becoming an issue. The main union, Unison, reported that there had been a widespread perception that Heads of Service were 'talking pay up' for some sections, and that there was a lack of consistency around, not just pay, but treatment of expenses, travel time, flexitime and other benefits also.

As the reorganisation neared a close, the Head of Personnel Services sought, and gained, agreement from the Council's Employment Committee to conduct a pay review and implement the NJC scheme. For the incoming Chief Executive, the driver was not only that the Council had set a target to do it, but also that he genuinely felt it would improve the health of the organisation for the future. Additionally, Unison were not only in favour of it, but positively leading the initiative.

So, early meetings were set to ensure each party's interests were clear and understood. These remained in the minds of those working on the project all the way through – for members, it was financial viability; for the union, it was no loss of jobs; for management, it had to be a workable solution that would not adversely affect recruitment, retention and morale. The deal breaker for the Chief Executive, management and members was an unsustainable permanent increase to the paybill. For the union, it was redundancies. But fairness was the shared objective, with 'ethical negotiation' underpinning the entire process.

(Note: Single status was not a driving force, due to the make-up of the workforce. However, the sense of urgency was increased by the requirements of the 2004 pay settlement.)

Outcomes/Results

The overall outcome was to be known after completion of the appeals. However, all parties viewed the project as a success. A workable financial model now exists that is also seen as fair. Whilst the initial timeline was missed, the ballot result, 78% of staff in favour, speaks for itself. In the end, there were 131 'winners', and 92 'losers', all with both an automatic right of appeal and a minimum of 6 months' protection.

The original financial model was for a cost neutral implementation with a reasonable sum set aside for transition over three years. The final model saw an extra c1.8% increase in the paybill (£150k) once fully implemented. This sum was set aside for the cost of successful appeals and market forces, on top of the £450k initially committed for transition.

Background and actions taken

Following a reorganisation in 2001, a new Chief Executive was appointed and a new cabinet formed. The organisation went from 7 directorates to 4, with 3 directors and the Chief Executive forming the

senior management team. The next level was then restructured late 2001 and into 2002. When it came to restructuring the rest of the organisation in 2002, a pay exercise was needed urgently. Heads of service completed an exercise in their areas, moderated by the Head of Personnel Services, who then worked up a grading structure. However, issues over PO grades dictated an urgent need for a full JE exercise. Unison had already signalled their agreement.

HR had been badly affected by the organisational changes, with resources reduced and severe budget issues replicated across the organisation. With a generalist focus, HR could offer no specific expertise in the area of JE and funding for consultants was going to prove difficult. This backdrop, to a large extent, determined the approach.

A huge learning curve loomed, and the need to recruit a JE/Reward expert accepted. But none were to be had. Eventually, an appointment was made, of someone who could grow into the job, and eventually a good job on a complex exercise was done.

Some preliminaries were decided early on, with guidance from the regional employers' organisation, WMLGA: it was agreed to sign up to the NJC scheme, use the computerised version, and conduct the process jointly, involving members, staff and trades unions. It was also initially agreed that the Council's normal level of salary protection (3 years) would not apply to anyone regraded during the 2001/2002 restructuring exercise or appointed after February 2002.

Two groups were then set up: a JE Steering Group and a Pay Modelling Group.

Initially, it was thought that these two groups could run fully in parallel, but that proved to be too difficult. Whilst they overlapped slightly, the Pay Modelling Group eventually set about its task extensively once the JE group's work had been more or less completed. Without the earlier preparatory meetings that work (and the overall process) would have been delayed.

With the help of WMLGA, all staff had an opportunity to attend a briefing session and training was available for the JE Steering Group, members, management, staff and unions alike.

The first job of the JE Steering Group was to get to grips with the knowledge factor, and determine what it was going to define as whole or specific specialist areas. The Chief Executive insisted on consultation with Heads of Service on this major issue. There was enormous disagreement, some of which continues, but a compromise was reached in order to move forward.

"At the time, we struggled along to modify the systems to fit the authority. It was difficult, but whatever we did, we did together".

The group then took on the drafting of the help text. As early starters in conducting a pay review at this time, there was little help available. However, a neighbouring authority, who were slightly ahead, did offer a base help text, which was then imported and modified to suit the local culture and organisation of Stratford-on-Avon DC.

After the help text was complete, the group moved on to a pilot exercise, taking a 10% sample of the organisation's roles. The results then fed back into further modifications of the help text and some refinement of the whole/specific specialist area.

The JE exercise proper was then set for June 2003, with completion due March 2004.

All staff were offered the opportunity to submit their job for evaluation as 'unique'. From this, 200 'unique' jobs were 'identified' and evaluated. No questionnaire was made available to staff. Rather, they were able to book a session to work through their job on the computerised system itself. All staff were offered the opportunity to go through a series of pilot test questions before they undertook the

actual re-evaluation, and at the beginning of the exercise all the managers were given a demonstration of the computerised version of the scheme with dummy answers put in as a test.

By now, the whole process had become beset with difficulties – a senior member of the team was off work for a lengthy period, the lead JE facilitator left the service and, for a period of time, attendance at meetings was limited. The process had started unravelling, and it was realised that action was required to revive it. Unison had a hand in ensuring that those responsible understood the importance of the process, and the effect that it was going to have on people's lives – not just in terms of pay, but in terms of their perception of their value to the organisation. Not only that, but those who had already invested time and energy to the process did not want to see it go to waste, particularly in view of the fact that it had to be done by 2007 in any case.

The Head of Personnel Services decided to call in a consultant from WMLGA in order to help reactivate the process. Meanwhile, the Pay Modelling Group was set to work, led by the Chief Executive, and the timetable renegotiated in January 2004, setting October 2004 as the new completion date.

A pay benchmarking exercise was conducted by external consultants and the results had not been heartening. In addition, the message coming through loud and clear from Council that a cost-neutral exercise was expected. The solution had to be affordable. So, if a job's grade increased, there had to be a method for paying for it. This is where the pay modelling exercise came into its own. With this backdrop, WMLGA's consultant set the path for the Pay Modelling Group in August 2004 and the Leader of the Council was added onto the group.

The Leader was very influential and that influence, through direct involvement and understanding of the process and its ramifications, was pivotal in gaining agreement from the Executive to fund the transitional costs of the exercise. The WMLGA consultant also used his influence as an independent adviser on other members of the Executive and Council to ensure complete buy-in.

Building the final system around national spinal column points, but with a local grading structure, was important, in avoiding unnecessary local negotiation and also in giving comfort to staff. In 2001 the Council had developed the national pay scales locally to scp 63. It had been agreed up front that the Council did not seek a move to local pay. In order to do this, points did have to be developed locally, and Stratford-on-Avon DC settled for a system of grades M to A (A being the highest grade) right up to scp 61, with 4 point overlapping scales, applicable to all staff below Director level. Staff can only progress on recommendation, depending on performance. As part of the implementation plan, all staff were allowed to progress in the first year. It was also agreed that, at the 6 monthly appraisal, all staff should know if they are to be progressed, or, alternatively, what they need to do to progress, if not yet ready.

Once the main exercise was complete, the pay modelling group had to tackle the issue of backdated pay, particularly in light of the potential threat of litigation hanging over both Unison and the Council itself.

The Unison Regional Adviser was brought in also to advise on this, and, with WMLGA, offered sound guidance and a pragmatic view of the options available. Whilst there was no hint of a 'cosy' relationship being developed between management and unions, in their approach to tackling difficulties, the view expressed was that "you couldn't have identified who was union and who was management."

"That was why the back pay issue didn't blow it out of the water."

All agreed to propose that any funds available be put into protection rather than back pay.

When the time came for the JE exercise, the policies and the workforce data to be put together and the modelling exercise to be run to reveal both the financial effect for the Council and for individuals, it was

clear that the implications were immense. Either the cost was too high and redundancies would have followed, or the ballot would not have succeeded because there would have been too many losers.

Using a robust financial model, further work was carried out, with phasing for 'winners' and protection for 'losers'. The settlement reached was that phasing for 'winners' would be over 13 months, with all 'losers' afforded a minimum of 6 months' protection and then, depending on the situation, some cases would qualify for an extra period of up to 3 years' protection all in all. The minimum six month protection period also gave breathing space for the turnaround of appeals.

The importance of the robust, flexible financial model cannot be overstated. It enabled significant, detailed analysis to be undertaken with a clear potential impact for any change – both in terms of transitional costs and eventual budget impact. This model, created by the Head of Financial Services, significantly assisted the S151 officer in satisfying his statutory responsibilities. This was both in relation to the immediate and ongoing impact of the job evaluation and the potential impact of back pay claims.

A whole workforce ballot was then held, jointly issued by the Council and the trade unions. With the process approved by the elections team, the joint position was included with the ballot paper. A 'yes' vote was recommended to staff by Unison on the basis of it being the best achievable outcome. A majority vote (78%) passed the exercise, with individuals having no idea of the effect on their own situation at that stage. Unison had declined the opportunity to hold their own ballot of their members on the basis that the Council's approach had been transparent, open, and all parties had adopted a common sense approach.

The appeals process was due to be completed by end July 2005. Appeals had been lodged in respect of 70 out of the 200 job evaluations completed. Of those, 75% had been successful at the time of this evaluation.

The situation following the exercise is that, whilst the JE and pay modelling processes, as well as allocation of resources were for Executive decision, with the pay system implemented, it is now very clear that if Heads of Service change posts, they have to fund it themselves. Establishment changes within budget are now delegated to Portfolio Holders.

Cost

Costs and staff time were both underestimated. Provision was made for 1 fte within Personnel for the process. However, this lead JE facilitator left the organisation half way through the process, potentially leaving the Council exposed in terms of the resources required to complete the task..

£450k had been set aside for the process initially, to fund the costs of transition over 3 years (green circle phasing and protection). After the first set of results was made available, and with so many staff were seen to be losing out, it was agreed to refine the process further. At the same time, the Leader of the Council took on the role of influencing the Executive to make a further £150k p.a. available to aid retention and maintain morale. Down to his persuasiveness, commitment and his clear delivery of the argument, this move was seen as key to success. A risk assessment was conducted by the widened Pay Modelling Group, and COT3 agreements discussed by the pay modelling group as a way of securing agreement on the pay model across the organisation. As part of these discussions, it was proposed that money be put into pay protection for staff rather than into back pay. It had been very clear that, if there had been a high number of claims for back-pay, the model would have had to have been adjusted to review protection arrangements. As a result, it was decided to encourage people to look forward, not back. The ensuing ballot covered the whole organisation, and the model, without back pay, was supported. Therefore, no COT3 agreement was necessary. A pragmatic approach had been taken on both sides, against affordability considerations, and emerging EO advice and guidance.

1x HR Officer's time was taken up for 3 days per week, assessing jobs. This was identified early on as insufficient and was increased eventually to 4/5 days per week. In addition a further 2 days Personnel Officer's time was taken up with job evaluation assessments half way through the exercise in order to meet the Job Evaluation timetable. The actual evaluation time was not the only problem, however. The work had a high administration content, requiring a large amount of filing, maintenance of up-to-date job descriptions, as well as scheduling and re-scheduling of cancelled bookings, amongst other tasks.

Further, an additional licence was needed for the NJC JE software, as it was in use almost on a full-time basis.

People/Organisations

The whole process was a joint venture between the parties concerned led by the Head of Personnel Services.

The JE steering group was chaired by her and consisted of 1 member, 1 director, staff and management reps for each directorate, and union reps. A call was made for staff/management to volunteer to take part. A large number of people had volunteered to help out with the process, but did not want to be around when results published. It was made clear that ownership was required of the whole process, if they were to be involved.

The Pay Modelling Group was high level, led by the Chief Executive, and consisted of Head of Personnel Services, Head of Financial Services, 2 members, 1 director, chair of Unison Branch Secretary and 2 union reps. The Unison Regional Officer also played a major role.

In terms of the pay modelling process, the Head of Financial Services had a significant role spending a considerable amount of time on a number of areas, especially over the six month period from September 2004 to March 2005, including:

- Initial evaluation at the time of the pilot into potential grading structures and the cost of the implementation
- Development and administration of the pay modelling spreadsheet, as an alternative to the 'Link' software, saving at least £10k as a result
- Calculation of the potential back pay claim that may have resulted;
- Preparation of documentation (including notification letters) for Heads of Service and all staff on the results of the JE process;
- Provision and liaison with payroll on the implementation of the results.

Following meetings, in the same way as Heads of Service were briefed, the union side also briefed a panel of stewards immediately after meetings. Both Heads of Service and stewards took on a great deal of work in terms of communications and supporting staff through the process.

Despite the joint nature of the process, the groups still operated within the existing decision-making structures of the Council, respecting JCNG, management teams and the Council's Executive, taking procedures and salary levels/grades, as necessary, for proper consultation.

The Council reported that this was the largest internal communications project ever undertaken, with regular newsletters issued through the JE Steering Group, agreed jointly, through to the joint ballot of the whole workforce. In between, staff briefings were held, run by members of the JE Steering Group, but, at certain points, the Chief Executive handled the communications directly, as the ramifications were so great.

6 – 8 sessions were held to brief staff, run by the Chief Executive himself, directly prior to the ballot. All staff had an opportunity to attend a session and hear from him personally. Unison were in attendance, but also held a meeting with staff after he had left. There were also briefings for Heads of Service. For the Chief Executive, it was critical to link the process to the new vision, corporate strategy and 3 year agenda, particularly after the CPA rating of 'weak'. People needed to see a drive for change, through strong leadership.

The message he had to relay from members was clear, along the lines of 'Anything added to the paybill will have to be found from resultant savings in staff costs. We have to balance the books.'

A large number of questions were fielded and the direct approach was seen as one of the reasons the ballot result was achieved.

Following the ballot, a cascade method was used for distribution of the individual JE results. Directors were given their whole service results, and a counsellor and financial adviser were brought in to support staff, recognising the trauma some would feel, through this process, not just around loss of pay, but around their perception of their value to the organisation. Unison also offered an independent financial adviser to staff.

The automatic right of appeal was intended to limit the damage somewhat. The union had made it clear that they had to be satisfied with the appeals process, or they would argue for resorting to Provincial Council for decisions. The appeals panel was constituted by drawing lines over involvement. Anyone involved in actual assessment could not be involved in the appeal process. 4 councillors, 4 Unison reps (2 branch secretaries and 2 other unison reps), 2 managers were trained up and the panel required 3 (plus the JE facilitator) to convene.

Time

A tight timetable was set early on, but this had to change, due to internal and external factors affecting people and progress. From start to finish, the process took around 3 years all in all. The view, at the point of evaluation, was that, with the expertise and capacity now developed, the work could probably be done over a 6-month timespan.

A further element seen as key in terms of timing was the alignment with the election cycle. A calculation was done that, if there was likely to be a focus on politics, this may cause a 'wobble'. It was recognised that a slight increase on the budget could affect elections for members, and all the good work done.

In terms of implementation, April was avoided to prevent any complication with annual increments.

Risks/Barriers

The biggest issue came up in defining the knowledge factor, around the whole or specific specialist areas. The Chief Executive involved the Heads of Service in defining the areas for their services and this was still an area of some disagreement, although the findings of the appeal process, which was coming to an end, would possibly provide an indication of any need for further refinement. The impact of this issue on scores was underestimated and it did not help that changes would obviously impact on any Unison or staff representatives on the working.

Despite this, involvement of Unison was central to success. Although there has always been general unhappiness over the whole/specific specialist area issue, negotiations regarding damage limitation were successful and some movement on protection kept the process on track. Communication with all parties, including staff, was maintained throughout. Unison representative took 'a lot of flak' and a great deal of risk, but never once walked away from the table. Their view was that it was too important. That and the negotiation of a fair appeals process kept all sides talking. There is no doubt that a real 'safety valve' was automatic right of appeal.

One other element which supported the management of the risk was the testing 'worst case scenarios'. A process of identification of these helped form the final outcome.

There was concern over future risks, particularly in terms of people getting to know how to 'work the system', knowing how to answer the questions and that grade/incremental drift would begin all over again. However, confidence of all involved in implementing and operating the systems has improved and the pragmatic view is that 'no system is perfect'. Most important element of what was achieved was that people felt that it had been a fair process.

Critical Decisions

Separation of function of the JE Steering Group and Pay Modelling functions was seen as a major factor in reaching the final outcomes.

The JE Steering Group was able to sit down, work through and agree policy, look at what supplements were required and agree texts, working at generic groupings and also looking at individual problems in particular areas. Although operating at a strategic level, the group undertook a large practical workload. Some members of the group felt that it ended 'in limbo' when the Pay Modelling Group took over. This could have been handled better.

It had been intended to conduct the moderation internally. However, it was later decided that this would not be perceived to be sufficiently objective and an associate consultant was brought in via WMLGA as an external moderating assessor. Unison were allowed to attend interviews if requested by the employee.

The Chief Executive saw it as important that he did not get involved in the JE exercise, but that he did lead the Pay Modelling Group which would be responsible for ensuring financial viability, acting at a highly strategic level and closely with staff side to achieve workable solutions. The involvement of members in the Pay Modelling Group and the decision to focus on fairness and equality for all, against a backdrop of affordability, gave clarity and ensured understanding of this complex process at the decision-making level.

Unison were involved from start to finish and made a decision to act on behalf of all staff. The joint workplace ballot covered all staff and an important decision was made that, at that stage, people did not know their own individual scores/pay. It was key to the outcome of the vote that that it was about principles and fair process.

Three other aspects which had an effect on the final outcome, particularly in terms of viability, were agreed early on: in letters sent out regarding the 2002 restructuring, a note was included on the matter of the pending JE process; there was a cut-off date for new staff; and job titles were rationalised at the start. The letter re. the restructuring had stated that anyone who was regraded under the re-organisation would not be protected if their job was downgraded as part of the subsequent JE process. Also, new staff recruited to the organisation after a certain point were not afforded protection. Agreeing such principles, prior to beginning, ensured a 'clean' process. It also left some 'wiggle-room' for adjustment, if resources allowed it at a later date. Considerable work was carried out to rationalise job titles before the work began, to enable a consistent approach to be taken.

Members through to staff were involved at all stages in a variety of ways. The choice of the computerised version of the JE scheme proved to be a good decision. This not only demystified the process and provided objectivity, but also created ownership, in that staff were invited to run their own jobs through the system.

The human side of this complex process also appeared at pay modelling stage. The group analysed the results, thinking in human terms. For example, a number of 'couples' work for the authority, and the effect on their overall pay package was considered, as well as other special cases.

October 1st 2004 was the first day that the Pay Modelling Group saw the individual scores, pay and who were 'winners' and who were 'losers'. In retrospect, particularly as the union representatives, and some of their close colleagues, were all some of the biggest 'winners' and biggest 'losers', it may have been more appropriate to hide the names and individual details, at least of those participating in the group. The meeting was deferred, as soon as it was clear that the group could not expect people to negotiate when they were identified as losing out personally in the process. It is to Unison's credit that they remained entirely professional throughout, coming back to the table at a reconvened meeting, and continuing to negotiate, such was their commitment to the process.

At that stage, even so, there were still too many 'losers'. Therefore, the next big task was to take responsibility for mitigating the damage. The Chief Executive did not want an unhappy workforce, and the consultant from WMLGA was clear that, with that many 'losers', the scheme would not 'fly'. Eventually, Unison received thanks later from staff who had been grateful for their involvement, and, in particular, the honest, common sense approach they had taken. Unison believed that the common agenda won the day.

At the ballot stage, Unison were clear with staff that they could put in a claim for back pay, made them aware of Stefan Cross, and that there would have to be an effect on protection levels if they did, due to the financial situation. The advantage was that the Council and Unison were all were speaking as one. There is no doubt that the back pay issue would have greatly affected the authority's financial position.

The pay modelling exercise could not have been carried out so excellently, without good workforce data and good payroll data. But what made a significant difference was that one head of service was an expert user of Excel. This meant that there was no need to buy the Link software, and pay modelling could be done within meetings at the press of a button, with effects of proposals seen at a glance, with everyone in the room. With this software now embedded in the Council, there is a huge ability to look at the effects of remodelling in future.

The Chief Executive was adamant that clarity over what was negotiable and what was not made a great deal of difference. One of the biggest challenges for him was working out what was a deal breaker for each party to the process. A believer in 'ethical negotiation', he started out by checking what each party wanted from the process. He set early meetings to ensure that each other's interests were understood. These were fixed in the minds of those taking part right the way through: for members, it was financial viability; for the union, it was no loss of jobs; for management, it had to be a workable solution that would not adversely affect recruitment and retention and morale. The deal breaker for the Chief Executive and members was an unsustainable increase to the paybill. For the union, it was redundancies. Fairness was a shared objective.

Environment

Stratford-on-Avon DC is conservative-led and was rated as 'weak' under CPA late in 2004. Around 350 staff are employed, 70% of whom are union members, right the way through the ranks. The Council reports that a good employee relations climate existed prior to the pay review, with joint working seen as part of the working culture of the organisation. Unison is proud of good branch/member engagement, helped by around 90% of the workforce being sited in one building.

Critical Factors/Evaluation

The Council has identified some learning points from evaluation of the process:-

- The JE Steering Group had insufficient training at the start. The Head of Personnel Services reported that it was hard to lead a group on such a complex topic, when there was insufficient training to highlight awareness of issues which would end up having wide ramifications.
- As a result, the whole/specific specialist roles might have been approached in a different way. It is accepted that greater guidance was needed on this area. The Council broke down the areas on the basis of 'do they have a professional body?' The 'wash-up', following the final set of appeals would indicate whether there was a need for further refinement. The Council's view

was that they would have welcomed a mechanism to run specialist areas through a regional network for objectivity. Instead, it was left to Heads of Service and may have been skewed by how well they argued their case.

- Whilst members through to staff were involved from start to finish, there was a feeling that Heads of Service should have had greater involvement. For example, the Council is left with the question over whether effects on services should have been distributed earlier, with information on appeals, market supplements, phasing etc.
- With no in-depth knowledge at the start of the process, there is no doubt that some decisions taken would be different if the process were undertaken again.
- Project planning was key. Although a form of project management was used, it could have been improved. Critical path analysis and a set of milestones might have thrown up issues before they became problems.
- The ambitious targets set led to resources being underestimated, particularly as internal resources were at a premium, with no in-house expertise at the start.
- Unison were offered as much time off as required, as no facilities agreement exists. However, with no backfill available, the day job still had to be done. Again, realistic timescales from the start might have helped. The pay modelling exercise took 4 solid days' work, and work was continuing with appeals. Buy-in of members helped support the process, as well as excellent regional support from Unison and from WMLGA.
- In the beginning, the Council felt very isolated and had no idea of sources of help. In retrospect, a good decision was made on the parts of the exercise to be commissioned externally, i.e. the 'road map' and external moderation. With hindsight, there are areas which are highly specialised which require external support, unless capacity is available or can be built quickly internally. Even then, the objectivity, and challenge, required means that these activities can be better carried out by external expert consultants.
- It is critical to decide what is best for the culture of the organisation and the computerised system and the decision on consultants was right for Stratford-on-Avon DC.
- A further decision was made to deal with add-ons, such as market supplements etc., end-on and not let it sully the overall JE/pay modelling process.
- Confidence has improved all round in terms of the overall operation of the Council. There is now a feeling that there is a real understanding and expertise in this area, and it has also led to improved relations between management, HR, unions, and members.
- Lastly, and the most important learning point was that this process, far from being just about pay, was key to developing the entire pay and workforce strategy of the organisation.

Contact person

Allison Davies
Head of Personnel Services
01789 260700

Stratford-On-Avon District Council
Elizabeth House
Church Street
Stratford-on-Avon
Warwickshire
CV37 6HX
England
Telephone: 01789 267575
Fax: +44 (0)17 89 260007
Website:
<http://www.stratford.gov.uk/>