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The impact of the National Living Wage in local government and related areas

A report for the Local Government
Association

by

Incomes Data Research

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Executive summary

This research examines the impact of moves to comply with the National Living Wage in local government (and to a limited extent, in the care sector). It was designed to support the National Employers in their work on the issue. We spoke to eight local authorities and also COSLA, the employers' organisation for local government in Scotland. As such, the research provides insights into how councils will be affected by, and might respond to, subsequent significant increases in the lowest pay points on the national pay spine. In the care sector, we spoke to Skills for Care and a leading care provider, with a focus on how work may be reorganised in response to the introduction of higher pay rates for frontline staff.

Raising lowest rates

- Half of the eight councils we spoke to pay rates in accordance with those recommended by the Living Wage Foundation (LWF)
- The others pay above the National Living Wage (NLW) but below the recommended LWF rate, although one of these pays a local 'living wage' of £7.93 an hour
- Those that don't pay the LWF rates are unlikely to do so in the short term, unless the national employers' policy changes and this is adopted through NJC pay negotiations
- All of those paying the LWF rates do so by means of non-consolidated supplements, though with slight variations in approach, leading to different outcomes in respect of differentials between scale points
- This has gone some way towards mitigating issues with differentials, but the mitigating effect is unlikely to last once minimum rates rise further
- This approach also has the effect of maintaining the integrity of the national pay spine at local level, though it indicates that if the LWF rates were to be consolidated, the spine would have to be revised
- There is some evidence of positive outcomes from paying enhanced rates at the lower end, for example in respect of reducing staff turnover
- The scope of the higher payments, in terms of the number of scale points covered, is generally smaller in England than in Scotland, where the enhancements cover the bottom 17 points of the SJC pay scale

Effects on differentials

- Most councils said that raising lowest rates had caused issues in respect of differentials, with the main issues arising in respect of supervisors and supervisees, but also in respect of roles like assistant cooks and cooks in school kitchens
- And all were concerned about the coming period and the effect that further rises in the statutory minimum/LWF rate could have in this respect
- Some councils have modelled the impact of subsequent rises in either the LWF rates or the NLW, but not all have done so and one admitted to struggling with the implications for differentials
- At the social care provider we spoke to, how differentials might change will be affected by funding, with a favourable funding outcome making it easier to maintain or restore differentials, rather than reduce them

Managing wage costs

- Only a minority of councils have implemented cost-offsetting measures in response to the boost to lower rates. There is little appetite for further changes after the reductions that took place in response to austerity

Efficiency and productivity

- Almost all the councils we interviewed are taking steps to improve efficiency and productivity, and as services are reconfigured this is likely to loom larger as an issue
- However the NLW/LWF is not the main driver in this respect, with councils looking to increase the rate of change mainly as a response to reduced central funding
- Common themes include organizational and workforce development, the application of new technology and shared services with other local authorities

Re-designing lower-paid roles

- Half of the councils we spoke to are re-designing lower-paid roles, or are considering doing so
- The NLW/LWF rate is not always the main motivation for this but is at least part of the context
- A major theme is ensuring staff become more 'flexible', though upskilling (of care roles) is in focus at one authority
- The care provider we spoke to is looking at upskilling frontline staff, with the aim of them becoming 'expert practitioners', though any link to pay is dependent on funding
- The care provider would like to move to a commissioning model based on outcomes rather than hours.

Next steps?

- The review of the NJC spine being undertaken by the National Employers would appear to be crucial in the light of the issues raised by councils in this research, particularly those relating to differentials
- The fact that those councils paying higher rates – via the LWF recommendations – do so by means of supplements points forward to the need for a new structure if higher rates of pay are to be integrated and permanently provided
- There are variants, however, with one council providing progressions to staff at the lower end, whereas at others, pay is higher but progression is absent
- However, opportunities for pay progression could help produce a quid pro quo whereby staff take part in initiatives to increase efficiency and productivity (and role and service redesign) and in return, they have an opportunity to progress in pay terms, with adequate increments in each band
- The issue of differentials between incremental steps will also need to be examined, however. However, the ability to do this will depend on funding from central government. If funding were loosened, or found elsewhere, then more detailed consideration could be given to this issue.

1. Introduction and context

This report for the LGA, from Incomes Data Research, examines some of the main impacts of the new National Living Wage (NLW) of £7.20 an hour on local government in England and Wales (and to a smaller extent on social care). The research involved semi-structured interviews with HR/reward principals at eight local authorities (mostly in England, with one in Wales), the employers' organisation for local government in Scotland, a leading care provider and Skills for Care, the organisation that helps social care organisations recruit, develop and lead their workforces.

We set out to obtain answers to the following key questions:

- how councils have been implementing higher rates of pay at the bottom of their structures, either as a result of the recent NJC pay deal or of already following the recommended 'Living Wage Foundation' pay rates of £8.25 an hour nationally or £9.40 in London;
- how the issue of differentials between these rates and those immediately above has been dealt with, and is likely to be dealt with, as the lowest rates rise higher over the next four years;
- how the higher wage costs associated with the boost to rates at the lower end of pay structures are being managed by councils;
- what scope exists for increasing productivity and efficiency, in order to partly or wholly offset these higher wage costs;
- and related to this, what possibility there might be for re-designing lower-paid and hitherto lower-skilled roles so that they become relatively more skilled as well as better-paid.

The LGA commissioned the research against the backdrop of the current 2-year national pay deal in local government, which took account of the new National Living Wage. It did so by raising the lowest NJC rate (spine point 6) by 6.6% to £7.52 an hour, with tapering increases for the 11 spine points immediately above this, up to and including spine point 17, in order to maintain differentials. (Spine points above this level were increased by 1%.) The increases in 2017, under the second year of the deal, will be lower but will follow a similar pattern.

The National Employers (the wing of the LGA that conducts pay negotiations on the NJC) with input also from Welsh and Northern Irish counterparts, consider strongly that the national pay spine will need to be reviewed in the period up to 2020 to take up the challenge set by subsequent increases in the NLW. The new minimum is currently £7.20 an hour but is set to rise further, towards £9 an hour by 2020, as dictated by Government policy. The next increase will take place in April 2017, and

subsequent increases will also take place in April, which is the usual pay review date for local government.

The Government's target for the NLW is for it to reach 60% of median earnings (currently forecast to be around £9 per hour) by 2020. If this continues to be the case, the bottom point of the national spine will need to increase by a further 16% over settlements for 2018-2020 to achieve the forecast target. An increase of this magnitude will at the very least require a significant increase in subsequent pay points in order to maintain differentials.

The research was designed to support the National Employers in their review of the pay spine, and any associated negotiations with the national trade unions. The research was also designed to inform the LGA's policy-making in respect of the NLW and appropriate responses to the higher wage costs presented by the new statutory minimum. As such, the research provides insights into how councils will be affected by, and might respond to, subsequent significant increases in the lowest pay points on the national pay spine.

The initial cost effect of implementing the NLW in local government (in 2016) is estimated to have been some £4.7 million. One projection estimates that the subsequent rises over the coming four years, to £9 an hour by 2020, could increase pay bills by a total of around 2%, with a total cost of £1.4 billion, and cover around a quarter of the workforce.¹

Some initial research on how councils might react to the new statutory minimum was carried out by the CIPD, with a small number of case studies conducted in autumn 2015, before the latest local government NJC pay deal was reached.² This research indicated that councils were likely to react to the NLW with measures to increase productivity. One council also mentioned the possibility of redundancies and cuts to training budgets, though there was uncertainty around this. Meanwhile the other local authority featured said it also intended to tackle sickness absence and was looking to hire more apprentices.

These were useful early indications, albeit from a very small sample, and our research builds on this in respect of timing – coming after the initial implementation of the NLW but ahead of any

¹ 'Accounting for the impact of the forthcoming National Living Wage on the Third Sector', briefing paper for the Third Sector Research Centre (TSRC) by Stephen McKay, University of Lincoln, 2015.

² 'Weighing up the wage floor: employer responses to the National Living Wage', CIPD and Resolution Foundation, February 2016.

subsequent increases – and also, to a modest extent, in sample size, with a slightly bigger sample of local authorities. It should help provide a broader picture of councils' experience in dealing with the initial impact of the NLW and indications of their thinking as to potential next moves, as the minimum rises further.

We also spoke to COSLA, the organisation for local government employers in Scotland, to gain an insight into how Scottish local authorities have been raising rates at the lower end of their pay structures and what it sees as the coming issues as these rates rise further. The Scottish Joint Council (SJC) for Local Government agreed a two-year deal in 2015 which created a 'Scottish Local Government Living Wage', currently £8.33 an hour. It covers the 17 lowest spine points on the 122-point SJC pay scale. All other employees received a 1% uplift in the latest settlement, from 1 April 2016. COSLA is currently conducting research into the areas of productivity and the re-organisation of work, looking at initiatives councils are taking in these areas in response to both funding shortfalls and the boost to lower rates. However this work is not yet complete.

The LGA is also interested in the impact of the NLW on social care and wanted the research to examine this, albeit in a more limited way than for councils. This interest arises in two respects: 1. to better understand any implications for councils' funding of social care; and 2. more importantly, to assess whether social care providers' reactions to the NLW permit any insights for local government when it comes to managing wage costs, organizing work and designing appropriate pay and grading structures. So we put similar, though not identical, questions to a leading care provider, and also spoke to Skills for Care, to obtain some background and context for the research.

The potential effects of the NLW on social care have been highlighted elsewhere. The Low Pay Commission itself, in its latest report, raised concerns about the risks of non-compliance with the new minimum in the care sector, mainly – in its view – as a consequence of the squeeze on funding for care and also what it sees as problems in the commissioning process, a theme highlighted in our discussions with the social care provider we interviewed for this project.³

The employers' organisation, the CBI, is also concerned about the impact on social care. In its September 2015 submission to the Low Pay Commission it recognized the issues that were likely to

³ The Low Pay Commission carried out a case study of the social care services provided by Southend Council for its latest report. The council recognised the challenge to provision represented by the NLW and said it had agreed to take up the Government's 2% council tax precept 'to support service re-design and a transition to new-style services including a commitment to develop an outcome-based approach to the commissioning of domiciliary care.' LPC Report, March 2016.

be raised by the then-forthcoming NLW and called on the Government to put adult social care on a sustainable financial footing with a system of funding ‘to cover people’s true care needs, including local authority fees that support a wage for carers that truly recognizes the challenging work they do.’

Our own recent research in social care indicates that measures to offset the impact of the NLW are pre-eminent in social care, where – our surveys indicate – it is likely that a majority of providers have had to increase rates for established care workers and supervisors alike in order to implement the new minimum.

And new analysis by the Resolution Foundation (RF) indicates that as a result of the squeeze on funding in social care, the sector faces similar problems in respect of opportunities for pay progression for lower-paid staff to those that pertain in local government. RF found evidence of pay ‘bunching’, with a greater proportion of staff reporting being paid the adult minimum rate of £7.20 an hour than when it was lower, at £6.50 an hour.⁴

The NLW is a new development but it may be that the period in which the original NMW rose relatively rapidly, the early 2000s, has lessons for the present. Research by our predecessors, IDS, for the Low Pay Commission, showed that the rapid increases in the NMW in the early 2000s tended to be accompanied in low-paying areas like retail by changes in other pay-related benefits, such as premium payments.

These have already been under a certain amount of pressure in local government during the most recent period as a result of austerity and we might expect the advent of the NLW to add to this pressure. However, reducing or removing these payments is not always necessary as the example of the Northern metropolitan council that we interviewed for this research shows. And other councils have indicated that there is not always an appetite for further changes in this area.

Given the age-related structure of the NMW and new NLW, it is also worth considering the experience of the early 2000s and subsequently in respect of this aspect of the minimum rates. While employers with workforces that were mostly young and characterized by relatively high turnover,

⁴ ‘Rising to the challenge: early evidence on the introduction of the NLW in the social care sector’, RF, August 2016. The research is based on analysis of data contained in the National Minimum Dataset for Social Care, which although useful, presents self-reported data (from employees), which as we discuss further on, is usually less reliable than employer data on pay.

such as fast food providers, tended to mirror the age-related structure of the NMW, the major retailers and other employers have tended to pay the 'adult rate' of the NMW to all staff aged 18 and above, even though this 'adult rate' is only a legal requirement for employees aged 21 and over.

Our research on the NLW has shown that most of the private sector companies who pay the adult rate of the NMW to all or most staff are taking the same approach with the NLW. Given the age profile of local government, with a mostly older workforce, the LGA has confirmed that the employers' position is that the NLW should apply to all employees covered by national pay bargaining. This would exclude apprentices.

2. Main findings

How have councils been implementing higher rates of pay at the bottom of their structures?

Half of the eight councils we interviewed pay rates in accordance with those promoted by the Living Wage Foundation. These are all urban councils. In addition, Scotland also pays rates above the level of those recommended by the LWF.

The other councils, mostly rural authorities, pay lowest rates above the NLW but below the recommended LWF level, though one pays a local 'living wage' that is currently worth £7.93 an hour. One rural council, the Welsh authority, commented that its rural location has meant historically limited upward pressures on pay.

Those that do not pay the LWF rates say they are unlikely to pay them in the short term, unless LGA policy changes. Reasons given include employment of a 'higher-than-average' number of staff at the lower end, in tandem with cuts in funding (Northern county).

All of those paying the LWF rates do so by means of supplements. This means that the NJC spine is retained. The supplements are non-consolidated for the purpose of pensions or premiums, and this approach appears to have gone some way towards mitigating the issue of differentials with rates for other jobs. However it is unlikely to continue having precisely the same mitigating effect as the lowest rates increase further, and differentials narrow further.

Importantly, while the approach here – of supplements to ensure payment of the LWF rate – is broadly similar, in practice there are variations which lead to different outcomes, for example in respect of differentials between scale points (though not necessarily between bands or grades). For example, the Northern metropolitan authority's formal lowest rate is £7.46 an hour (scale point 6). This is an induction/training rate. The council pays the LWF rate of £8.25 an hour to its second-lowest scale point by applying a 40pph non-consolidated supplement. The same amount is applied to the next lowest scale point, bringing it to £8.37 but thereafter the supplement tapers off, from 34p to 16p over the next four scale points. The approach here is to pay the LWF rate of £8.25 at the council's lowest (established or non-induction) point, but the scale points above it are higher again, going from £8.37 at scale point 8 to £8.67 at scale point 12.

On the surface, the Midlands metropolitan authority adopts a similar approach, with a supplement ensuring payment of the LWF rate to the lowest six points on the NJC spine (and the LWF also applies

to the council's procurement chain). And this is the approach adopted by the Eastern urban council, which pays a supplement at its lowest five spine points to ensure the rates are in line with the LWF-recommended rate.

But in both these cases, the approaches are slightly different to that used at the Northern metropolitan authority. The Midlands metropolitan council raises all those NJC scale points that are below £8.25 to exactly this level, ie scale points 6 to 11 inclusive. (This has made for a differential of only 6p an hour with the next highest scale point, 12.) The Eastern urban council has a policy of paying at scale point 9 and above, and brings points 9 to 12 inclusive up to exactly the level of the LWF rate of £8.25 an hour.

Policy at the London borough is that it does not pay below point 8 (currently £18,162 of the Greater London pay spine) and has adopted a policy of not paying below the current level of the London Living Wage (LLW), calculated on an annual basis (ie after any pay awards for the year have been agreed and implemented). The lowest rate of pay last rose on 1 April 2016, in line with the 1% pay award announced by the NJC. It promotes the LWF rate among its suppliers and offers reduced business rates as an incentive for adoption.

The local minimum rate at the North-Eastern county is £7.93 and is the highest among those councils in the research that do not pay LWF rates. The council's approach is also to pay the additional amount as a supplement on basic rates. The local minimum was introduced in October 2015 at a rate of £7.85 and has since been increased by 1%.

There is some evidence of positive outcomes as a result of the payment of higher rates of pay. For example, the Northern metropolitan council found that its introduction of a local 'Minimum Wage' (ahead of its formal adoption of the LWF rate) appeared to play a role in significantly reducing staff turnover. Prior to its introduction in 2008, staff turnover was 15.5% for the council as a whole and 25% for staff on the two lowest scale points. By 2014/15 these figures had fallen to 5.26% and 9.41% respectively.

This is a significant improvement, though we would comment that it took place during a period in which many other local authorities were reducing headcount and therefore many council staff may have opted to 'stay put' as a result. By contrast, another authority – Northern county 2 – said there

had been no effect on staff turnover from the introduction of its local 'living wage'. If anything, this council told us, turnover had increased as a result of 'organisational change'.

Increased turnover resulting from contracting-out or staff reductions was mentioned by the Midlands metropolitan, and it is possible that this cancelled out any downward effect on turnover resulting from implementing higher wages at the lower end, both here and at other councils, particularly in light of the squeeze in central funding.

However we found it difficult to obtain figures on turnover, apart from at the Northern metropolitan mentioned above. We assume that this is because there have been significant redundancies in many cases which may make for relatively high figures and tend to give a skewed picture in respect of 'normal' turnover or resignations, ie not redundancy-related. It may also be that some councils have not invested in HR systems that allow them to make distinctions between the different types of turnover.

In general, the scope of the higher payments, in terms of the number of spine points covered, is less at these English councils than in Scotland, where the bottom 17 points are covered. However, it is also worth mentioning that Scotland moved earlier on this issue, and the Scottish pay spine is different to the NJC one, with the former being longer (83 points compared to 49) and possessing intervals between points that are generally smaller than in England and Wales.

The care provider we interviewed introduced a minimum rate for its support workers (its main grade) of £7.70 an hour in January 2014. This was increased by 0.5% in October 2015 to £7.74 and is likely to increase by 1% this October, to £7.82 an hour. The organisation also pays LWF rates, but in a minority of its areas.

| Council | Lowest rate £ph | Variance with LWF and NLW rates |
|-----------------------|-----------------|---|
| Eastern urban council | 8.25 | Equal to LWF rate |
| Inner London borough | 9.93 | 53pph above the recommended 'London Living Wage' of £9.40ph (based on a 35-hour week) |
| Northern metropolitan | 8.25 | Equal to LWF rate |
| Midland metropolitan | 8.25 | Equal to LWF rate |
| Northern county | 7.52 | Above the NLW but below the LWF-recommended rate of £8.25ph |
| North-Eastern county | 7.93 | Above the NLW but below the LWF-recommended rate of £8.25ph |
| South-Eastern county | 7.40 | Above the NLW but below the LWF-recommended rate of £8.25ph |
| Welsh unitary | 7.52 | Above the NLW but below the LWF-recommended rate of £8.25ph |
| Scotland | 8.33 | 8pph above the LWF rate |
| Care provider | 7.74 | Above the NLW but below the LWF-recommended rate of £8.25ph |

What has the effect been on differentials between pay for roles at the lowest end and those just above them? How will this change over the next four years?

Three councils – all LWF payers – didn't seem to have major issues with differentials currently, though in one case, that of an urban district council in the Eastern region, this was because only a small number of staff are affected. Additionally, this council said: 'There is clear water between rates of pay for staff on the lowest rate and their supervisors', a phrase also used by the London borough to describe the situation there (see below).

In one of these cases, the council said that paying the LWF rate as a non-consolidated supplement (a common approach) seemed to mitigate the effect on differentials as they were experienced by staff. In another case, the London borough said that as a voluntary LWF payer with a basic 35-hour week, it was 'blissfully' unaffected by the problems the NLW had caused other councils.⁵

All the other councils we spoke to said that raising lowest rates had prompted issues in respect of differentials, and all eight councils were concerned about the coming period and the effect that further rises in the minimum could have in this respect.

In one case, that of the metropolitan authority in the Midlands, the concerns are prompting a wholesale review of the grading structure, which will take place in the next 18 months. This is

⁵ This council told us that a separate review of the issues being created by the NLW is being conducted by London Councils, with a report due before Christmas.

connected to the fact that some supervisors are in the same band as the employees they supervise, an issue reported by the Northern county as well.

The Midlands metropolitan said it felt that this was 'not sustainable, particularly as local authorities already typically offer higher pay than other employers.' The council says it has particular issues with the differentials between assistant cooks and cooks (who tend to supervise the former) in school kitchens, as a result of the increase in the LWF rate.

In the case of the Welsh unitary authority, there is also a narrow gap, in some cases just pennies wide, between rates for supervisors and those they supervise at the bottom end of the structure. This is in part due to the council's job evaluation system, according to our interviewee.

Looking ahead, to the coming four years, some councils have modelled the impact of rises in either the LWF rates or the NLW. One council (North-Eastern county) said that differentials will effectively be erased, while another (South-Eastern county) has used its modelling, and the fact it shows that differentials will be squeezed, to examine the potential size of differentials, and also to look at whether the council wants to produce a gap between its lowest rate and the NLW, in the same way a gap exists with the NMW.

However, others have not carried out any detailed modelling. This was the case at the Northern county we spoke to (though it is conducting discussions with local trade unions and these may yet raise relevant issues), and the Northern metropolitan council said it was 'struggling to assess the impact of a rising statutory minimum on differentials.' In these circumstances, the review of the pay system being carried out by the LGA is likely to be crucial.

Scottish local government leads the way (outside of London) on pay rates at the lower end. However, it has only just begun to look at the implications in respect of differentials. Applying the LWF figure meant increases of 4 or 5% for those at the bottom while other grades only saw increases of 1%. Unsurprisingly the trade unions highlighted that differentials had narrowed and in some cases (of supervisors of lower-paid workers) had disappeared altogether. COSLA has begun work on the implications for grading of forthcoming increases in the lowest rates. There is some sensitivity around the work since Scottish local authorities are committed to paying the Living Wage, in large measure because of the social and political benefits councils derive from implementing the policy.

Our interviewee at Skills for Care (SfC) thought that the NLW was likely to have led to the narrowing of differentials in the care sector, particularly those between care assistants and senior support workers, where there was little difference in hourly rates to begin with.⁶ She was keen to stress that in respect of supervisory roles, the NLW is also likely to make for a reduced incentive for staff to move up to these positions, since the responsibilities involved are greater than the current pay gap implies.

The care provider we spoke to told us that what happens to differentials is very much dependent on funding from local authorities. Support workers on full-time hours earn a salary of £15,134. Senior support workers earn around £18,000, though with extra for sleeping-in, and the main front-line management role – ‘registered cluster managers’ – is paid around £27,000.⁷ It is likely to cost the organisation some £370,000 (around 0.7% of its current pay bill) by 2020 just to maintain differentials.

The organisation has modelled a number of different scenarios. It is hoping that funding will be sufficient for them to pay at least the NLW, now and over the coming years. And in this scenario the organisation should be able to maintain differentials (though it is also looking at reorganizing work and potentially pay and grading – see below). However our informants also highlighted that at the time of speaking, only one-in-ten of the 120 councils to whom the organisation provides services had disclosed their funding plans. And while some made ‘reasonable increases’ (in funding), others did not. Our interviewees said that if the organisation cannot maintain differentials, they envisage staff morale being damaged.

How is the increase in costs as a result of the boost to wages at the lower end being managed by councils? Are they taking or planning any cost-offsetting measures? Or is it the case that these have already been made, in response to reductions in central funding?

Five of the authorities we spoke said they are not taking any cost-offsetting measures in response to the increase in lowest rates. These are the Welsh authority, the London borough, the Northern

⁶ Data from the National Minimum Data Set for Social Care (NMDS – SC) appears to corroborate this to an extent. It indicates an average hourly rate for care workers of £7.35 and an average hourly rate for senior care workers of £8.06. For supervisors the average rate is £8.04. In other words there appears to be an overlap between rates for senior care staff and supervisors. These rates are for all sectors. Some caution is necessary with these figures since they are self-reported. However they do appear to support the views expressed by our interviewee.

⁷ This is a much wider differential than that for broadly similar roles at councils.

metropolitan authority, the Northern county and the Eastern urban council. For the Welsh unitary this is a matter of policy, and our interviewee also raised serious concerns about workforce morale. We presume the council doesn't wish morale to deteriorate further by reducing terms and conditions.

The Northern county said that given significant changes to terms and conditions in 2011 (including two days' compulsory unpaid leave and overtime reduced from T+½ to plain time), 'there is little appetite to make many further changes now', though it may look again at mileage rates 'if deemed necessary'. Maintaining good relations with unions and staff is a key factor here.

Another caveat to this finding is that the Northern metropolitan authority said that while it has no plans to reduce terms and conditions, it is looking at changing the way its services are configured, and this could have implications for workforce size and shape. It also reached a major agreement with the unions, on flexible deployment in return for no compulsory redundancies. This meant it has been able to make savings on premium pay.

However, the other three authorities are taking such steps, or are at least considering them. The South-Eastern county said it was looking at potential changes, though it was worried that in the wake of earlier cuts, any new measures would be 'getting ever closer to the bone'.

The Northern county (2) is currently undertaking a review of terms and conditions, with 'everything on the table'. The council is aiming for savings worth around 30% of the current pay bill. It hopes to gain most from altering enhancements and allowances, for example overtime, mileage payments and the overnight disturbance allowance. (It is also reviewing its entire HR strategy and endeavouring to link talent management and reward, with performance-related pay for senior managers being explored as an option.)

The Midlands metropolitan authority is introducing a major package of changes, though it said that these are not 'directly linked' to increases in the lowest rates of pay. Any changes to terms and conditions that are agreed will be implemented in 2017/18 and will save a predicted £15-£18m. The Council is also planning to provide a new employee benefits package.

In Scotland some four years ago, mainly as a response to austerity, COSLA looked at the whole range of allowances and benefits across the local government family in Scotland, and conducted a 32-

council survey. This was analysed and COSLA gave each council a 'report card', showing how they compared to other authorities in respect of their provision of allowances and benefits. This was the start of a process whereby councils negotiated locally to average out their allowances and benefits.

In the care sector, Skills for Care has carried out some research into recruitment, retention and employer advantages in this area. It found that organisations tended to emphasise benefits packages rather than pay and progression. Our informant was concerned that benefits packages might be targeted for reductions following the advent of the NLW, though the care provider we spoke to said it had 'limited options' in this respect.⁸ Instead it is looking at using technology to streamline back-office processes, something that it estimates could produce £5 or £6 million worth of savings. We look at efficiency and productivity in the next section of the report.

What scope exists for increasing productivity and efficiency?

Almost all the councils we interviewed were taking additional steps to increase efficiency and productivity. Underpinning this is that a number of the authorities we spoke to are looking at reconfiguring service delivery, and this is being done with at least one eye on efficiency/productivity improvements.

However, some councils have gone further down this road (of improving efficiency and productivity) than others, though it is difficult to say exactly what stage councils are at without a more detailed evaluation. In broad terms, the English councils tended to be more advanced in this regard than the Welsh authority we spoke to, although there were variations among the English councils. Some have already taken steps in this regard, with major agreements reached, whereas others have just started the process of negotiating changes in this respect.

Only one local authority (the South-eastern county) said it was not looking at measures in this area in order to offset some or all of the extra costs of the NLW, though it has been improving efficiency and productivity generally as a matter of course.

In respect of measures to increase efficiency and productivity, organisational and workforce development was a major common theme, mentioned by four authorities (the Midlands and Northern metropolitans, the Northern county and the Welsh unitary).

⁸ The provider pays extra for sleep-in and on-call duties, and also for Bank Holidays and Christmas.

The application of new technology was another major common theme, also mentioned by four councils (the Northern counties, the Northern metropolitan and the London borough). In at least one case, new technology was being used to facilitate a more mobile as well as a more efficient workforce. Some of this is about cost reduction, with reducing travel time and mileage payments an explicit aim. (Mobility also emerged as an important theme at the Northern metropolitan authority, where the recent agreement on flexible deployment has played a key role in efficiency and productivity. And more flexible ways of working are a key theme at the Midlands metropolitan authority too.)

Other common themes include sharing services between local authorities, which was mentioned in three instances. In one case, that of the Eastern urban council, improved productivity and efficiency have led to workforce reductions, while the Northern county (2) said it is adopting a philosophy of 'lean' working, and the Midlands metropolitan authority is also looking at headcount reductions, though there is also a focus on reducing the amount spent on agency workers.

The Northern metropolitan authority is reviewing its systems in hiring, HR and procurement with increasing productivity a key aim. Meanwhile the Welsh unitary is launching a staff survey next year – this is linked to its plans for improving staff engagement and motivation.

Other developments mentioned at this point in the interviews relate to cost reduction and/or revenue raising. For example, the Northern county is developing volunteer services and also has a new commercial arm. The use of personalised care budgets is being maximised at the Eastern urban council, and it has also outsourced provision of cultural services. And the Midlands metropolitan authority said it is increasingly acting as a commissioning authority rather than providing services directly.

Some of the developments seen in the councils mirror those taking place at the care provider we interviewed (see below), where new technology is a key part of plans to make staff more productive. For example, the Northern county (2) told us that 'mobile technology is helping frontline care staff to provide a more flexible and efficient service'.

And in addition, 'an investment of £300,000 has led to tablet computers being issued to more than 350 staff, including social workers and occupational therapists, in place of desktop computers.

During visits, staff can record discussions and outcomes directly onto the device with information being uploaded and patient/service users' records updated more quickly to the central social care information systems for other professionals to access. This enables staff to work in a more flexible way spending more time with clients and less time in the office. The tablets enable staff to work from any social care office across the country, reducing travelling time and duplication of data recording.'

What possibility is there for re-designing lower-paid and hitherto lower-skilled roles so that they become relatively more skilled as well as better-paid?

This was a key focus for the research, and the interviews revealed that half of the councils we spoke to are either already engaged in re-organising work at the lower end of their pay structures, or have begun to consider how they might do so.

Three of the councils, all of whom have very few staff on the lowest rates, mostly as a result of outsourcing, said that this wasn't something they were looking at – these were the Eastern urban authority, the London council and the South-eastern county. The Welsh unitary told us that no major consideration has been given to this issue, and it is only starting to undertake workforce planning. This may yet produce a focus on the organisation of work, however it is very early days in this respect.

At the Midlands metropolitan authority, the NLW has not been the motivation for any changes the council has made, but it is an important part of the context. Staff are being required to be 'more flexible, adaptive and agile [when it comes] to addressing changing customer needs'. One of the main drivers of change in this respect has been the move to increasingly commission services from other providers – this has meant that the council is looking to fundamentally alter the ways in which it operates. Changes in ways of working may also contribute to job cuts.

Meanwhile the Northern county (2) is considering alterations to the way lower-paid work is organised. Frontline and customer service roles are to be made more 'generic' by up-skilling current staff. This has already happened in the care service over the past four or five years, in conjunction with the local health trust, with an integrated care service being developed locally. The council said it aims to employ fewer, more highly-skilled staff. The Council has been in discussions with Skills for Care (SfC) and Skills for Health (SfH) in this respect. The council has a reasonable budget for staff development but significant redundancies are possible, particularly in administration since the council is keen to protect frontline roles.

The Northern metropolitan council considers that its new pay policy is going to require new ways of working. It will involve (re)designing jobs around services in appropriate ways. The main change will be to the skills required and as a result role profiles will change. Key themes include 'resilience' and team working. Technology will be used to aid processes, especially in administration and other core functions. There is a hint of obtaining more work from staff, though there was no mention of an effect on workforce numbers.

The Northern county told us that it is considering alterations to the way that lower-paid work is organised. It had already been looking at how it could obtain 'more for less' in two of its major services (adult social care and libraries) before the announcement of the NLW. In the latter, staff have taken on greater responsibilities, including the supervision of volunteers. In social care, meanwhile, the council is looking at giving care staff increased autonomy. Cleaning and kitchen roles are less straightforward, however. The main thrust of the changes will be that staff across the council will increasingly be expected to work in different ways, with more 'generic' roles that will be bigger and higher-graded, though for fewer staff overall. The council emphasised the effect of austerity, as much as the advent of the NLW, in prompting these changes.

In Scotland, there has been an ongoing process of improving services and re-designing them, with a consequent impact on jobs. Some 30,000 to 40,000 public sector jobs have been cut in Scotland over the past six years, with four-fifths of these in local government. Therefore councils have had to seek 'more for less' and this process is part of this.

The care provider we interviewed has a strong interest in this area. The organisation provides support for people with learning disabilities. Its support workers are part of a package provided to people with complex care needs, a package that increasingly includes personalized technology, aimed at enhancing people's independence.

The organisation envisages these workers becoming more skilled, eventually becoming 'expert practitioners' with a potentially higher rate of pay, though there will probably be fewer of them than currently. The project aimed at bringing about this change is called 'Fusion'. It involves structuring the workforce differently, alongside other strands that include bringing together patient experience and needs with technology, personal growth for staff and patients, and engaging with families. It is 'rigorous and ongoing' and likely to run until the end of this year at least.

What are the implications of the project for the support worker's role? Traditionally, support workers have been required to produce evidence and be accountable, but this will be even more the case by the end of this project. Technology will have even more of an impact on the role, with it being used to facilitate change in how work is performed. There may be more monitoring, but staff will also be required to make more use of what are currently seen as back-office systems.

The organisation had begun to look at reward as part of this project but any formal link to pay has been removed for the moment until more clarity emerges around both the NLW and the outlook on funding. Additional qualifications are a likely part of the plan, but the possibility of extra salary headroom is less certain and more remote, at least until the organisation knows how the NLW might be funded.

Significantly for local authorities, the organisation would like changes to the current commissioning model, and would like to see a shift to one that is more based on outcomes instead of simply the hours devoted to care provision. And at least one local authority has presented the organisation with a best practice model, indicating that it was prepared to commission a complex needs service with funding based on outcomes for service users. The organisation believes that if it can agree the same approach with most or all local authorities then in the future it will be recruiting staff at a higher level, with workforce development one of its main focuses.

Considerations and next steps

The review of the NJC spine being undertaken by the National Employers would appear to be crucial in the light of the issues raised by councils in this research, particularly those relating to differentials. The fact that those councils paying higher rates – via the LWF recommendations – do so by means of supplements points forward to the need for a new structure if higher rates of pay are to be integrated and permanently provided.

There are variants of the approach to paying the LWF rate, however, with one council providing progressions to staff at the lower end (by making the LWF rate its lowest point and paying progressively higher at each of the points above this), and others paying the same LWF rate (£8.25) to staff on all NJC points that are currently below this level. This means that while pay is boosted for these staff (and is undoubtedly welcome), progression is unavailable, unless staff are promoted.

Given councils' activity and interest in boosting efficiency and productivity, and redesigning roles and services, opportunities for pay progression could help produce a quid pro quo whereby staff take part in initiatives to increase efficiency and productivity (and role and service redesign) and in return, they have an opportunity to progress in pay terms, with adequate increments in each band.

The issue of differentials between incremental steps will also need to be examined, however. Currently, the size of increments is relatively small, in comparison to those in other parts of the public sector. The National Employers might consider increasing these, which would also necessitate a longer spine (though not necessarily much longer). However, the ability to do this will depend on funding from central government. If funding were loosened, or found elsewhere, then more detailed consideration could be given to this issue.