National Employers for local government services

To: **Chief Executives in England, Wales and N Ireland**
(additional copies for HR Director and Finance Director)
Members of the National Employers' Side
Regional Directors

19 May 2022

Dear Chief Executive,

2022 National Pay Negotiations

The three local government unions (UNISON, GMB and Unite) are expected to lodge their pay claim for 2022-23 at the end of this month, which you will note will be almost two months beyond the usual pay award implementation date of 1 April.

Because the National Employers are conscious of councils' frustration at the time it took to settle the 2021 pay round, they have written to the unions expressing their hope that we can all work together in the forthcoming negotiations to avoid another lengthy process. The employers have also sought reassurance from the unions that they will engage constructively and agree from the outset to be bound by the eventual outcome, in accordance with the provisions of the NJC's Constitution.

The employers of course respect that each of the unions has its own processes to adhere to and that any member consultations they conduct will take as long as is deemed necessary by their national committees. However, the employers have asked the unions to make every effort to try and synchronise as much as possible the dates and duration of their respective consultations.

Employer regional pay consultation briefings have been arranged to take place (virtually) in each of the nine English regions, Wales and Northern Ireland between 14 and 27 June. It is vital that every council is represented at these meetings by senior elected members and senior officers. Please contact your regional employer organisation for details of the event in your area.

As well as seeking views on the unions' pay claim, the briefings will build on the themes set out previously in the employer circular dated 2 February, which itself was the basis for the regional briefings held in March.

There could not be a better example of the challenge we face from the proximity of the National Living Wage (NLW) to the bottom of the NJC pay spine, than the fact that since the March briefings the Low Pay Commission (LPC) has revised upwards its forecasts for the NLW in 2023 and 2024:

*"Although our recommendations in the autumn will be subject to Commissioners' assessment of economic conditions, **our current best estimate for the on-course NLW rate in April 2023 is £10.32**, **within a range of £10.14 - £10.50**. **Our current best estimate of an NLW set at two-thirds of median earnings for those aged 21 and***

over in 2024 would be £10.95 within a range of £10.58 - £11.33*. These are based on the latest wage growth forecasts, but actual wage growth may turn out higher or lower, and we will update these ranges in the summer based on changing forecasts. We will publish a report, to coincide with the increase in NLW and NMW rates, setting out this pathway in more detail"*

This forecast is the highest rate yet predicted for the NLW in 2023 and 2024 and there is no guarantee it won't rise further, due to the ongoing economic volatility, potential impact of the international context and expected further increases in the rate of inflation.

Prior to this, we had been working on an assumption (which we shared at the March briefings) that the NJC's bottom pay points would need to rise to around £10.25 in 2022 and £11 in 2023 to provide some headroom, if the forecasts came in at the top of the ranges we had seen over the previous two years. It is clear that both of these figures are now inadequate as targets and will likely change again during the pay negotiation process.

The problem for the NJC is caused less by in-year comparisons but more the practicalities of *when* the government announces the increase to the NLW for each forthcoming April (usually in October / November) and the NJC's negotiating timescales, which, as is currently evident, almost always run past the usual implementation date of 1 April due to the timing of the local government funding settlement, trade unions' pay claim, the consultation process and sometimes the electoral timetable.

Even if we were to do just the bare minimum required to simply remain compliant with NLW legislation and allowing for forecasts to jump again beyond the LPC's latest projections, but nothing else (in terms of a 'normal' pay award), we would need to do the following:

- A bottom rate of £10.50 in 2022 would require deleting SCPs 1-5
- A bottom rate of £11.50 in 2023 would require deleting SCPs 6-10
- Not allowing for any increase on any other SCPs or any restoration of differentials

This would result in:

- 35 per cent of the entire FTE workforce on the new bottom pay point
- Cost in the region of £366m (2.41 per cent on national paybill) over the two years from 2022

Of course, this scenario is completely unworkable from the point of view of operating a pay structure; would severely compromise managerial hierarchies and would take up the majority of the budget councils have put aside for pay which we know from the March briefings is in the region of 2 per cent for this year. Plus, of course, a pay deal that included retrospectively deleting pay points would be unlikely to be welcomed by councils because of the, potentially significant, impact on local grading structures.

While all councils have different grading structures utilising the pay spine, the pay points potentially in scope for removal under this scenario could cover roles such as planning assistants and support officers; legal apprentices, assistants, clerks and secretaries; many roles in schools potentially up to and including teaching assistants; maintenance and cleaning staff; IT assistants and technical support officers; helpdesk assistants, team leaders and supervisors and many other entry, first and second step supervisory roles, all of whom would end up earning the same, lowest rate of pay. Notwithstanding the retention and morale issues this would create, it could also lead to huge equal pay challenges in many areas.

Given that the scenario above will not come to pass, the National Employers have few opportunities to consider anything other than a pay award that applies to the pay spine as currently configured. As mentioned above, retrospectively deleting pay points is probably not an option in 2022; doing so could only be considered in the later part of a multi-year deal, should that be achievable.

Projected increases to the lower earners' pay is more or less guaranteed due to the increases to the statutory NLW, but it is also important to remember that the NLW is just one element of what will need to be considered by the National Employers in the forthcoming pay negotiations. To secure an agreement will require consideration of more than just ensuring compliance with the NLW; it will also need to take account of other factors such as the wider economic backdrop of rising inflation, cost of living, energy and fuel prices, all of which will understandably be the focus of the unions' attention in the negotiations. The National Employers are also acutely aware of the recruitment and retention challenges councils are facing.

As has been made clear in previous communications, including at the March briefings, this year's pay challenge is of a different order of magnitude to recent years. In terms of potential costs, you will understand that the National Employers can only ever make estimates based on the national paybill. Costs for individual councils will vary from place to place: those councils with relatively few staff on the bottom pay points are likely to incur lower costs than councils (and schools) with large numbers of staff on those pay points.

Whilst we cannot provide a running commentary once the negotiations get underway; I shall of course provide updates whenever I can.

The National Employers look forward to hearing from you at the forthcoming regional pay briefings.

Yours sincerely,

Naomi Cooke

Naomi Cooke
Employers' Secretary