

## EQUALITY IMPACT ASSESSMENT

**SERVICE:-**

**Pay/remuneration and final year salary enhancement**

**LEAD OFFICER:-**

**DAVID THOMAS**

**SERVICE OBJECTIVES:-**

- The Council is facing very significant budgetary pressures as a result of the recession and although a programme of service reviews is proposed there is a time lag before the full impact of savings identified in the service reviews can be realised. In the interim, there are substantial budgetary pressures which need to be addressed.
- In order to limit the impact on the Council's budgets it is proposed that a pay freeze be implemented for the next two financial years, commencing in 2010/11. This will be in addition to the suspension of the performance related pay scheme.
- It is also proposed that the policy which allows for final year salary enhancement (up to 10%, subject to the Chief Executive's approval) for staff who have completed 10 years service, be abolished with effect from 1 April 2011

**Does the service involve, or have consequences for, any of the people served or employed by Runnymede?** Yes

**If so, please state for whom:**

e.g. Staff in "... " section / residents in receipt of benefits / users of "... " service

- Staff - The pay freeze will apply equally to all staff irrespective of age, gender, race or disability. The proposed changes to the last year salary enhancement also have the potential to impact on all staff both directly and indirectly. Some will be affected much sooner than others.

**Could the service be delivered differently because of people's racial group, ethnicity, disability, gender, religion, belief, sexual orientation or age, for example, because they have particular needs, experiences or priorities?**

Disability	<input type="checkbox"/>	Age	<input checked="" type="checkbox"/>
Race	<input type="checkbox"/>	Religion	<input type="checkbox"/>
Gender	<input checked="" type="checkbox"/>	Sexual orientation	<input type="checkbox"/>

**Do you know how these groups could be affected? ....if "yes", please state how** (eg. Existing customer feedback , statutory constraints on your service)

UNISON have been consulted about the proposed changes.

The Chief Executive has also written to all staff asking for feedback and held all staff briefings to obtain feedback.

**If "no", who will you consult to find out? How will you ensure you consult 'hard-to-reach' groups?**

## **RESEARCH/CONSULTATION**

Please give details of any consultation the service has already undertaken to establish that it is accessible for all members of the community. This might include feedback when work has been completed for tenants, or Residents' panel feedback or regular service reviews.

### **Pay freeze**

It is known that the national employers are proposing a pay freeze in 2010/11 and many other local authorities in Surrey are having to consider similar policy proposals.

The Chief Executive has received no comments following his letter to staff on this issue.

#### **Unison comments:**

UNISON has re-iterated on a number of occasions the devastating effect that a pay freeze will have on staff, in addition to the other hardships they have experienced - a sustained reduction in staff benefits, the suspension of PRP for all but those not at top of scale that receive a 'good' or above appraisal and a number of external economic factors, all of which were detailed in our original pay submission of 2%.

The Local Government Association's Labour group is against an across-the-board pay freeze for the sector, and believes lowest paid should get a 1% rise. Sir Jeremy Beecham, who is due to stand down as the party's deputy-chair at the association later this year, said the proposed 0% rise for the 1.4 million staff who are part of the England, Wales and Northern Ireland collective bargaining process would wrongly penalise some staff.

#### **He said:**

"Whilst we are all too aware of the growing pressures on council budgets, the officers and leading members of the LGA Labour Group believe a pay offer should be made reflecting the Government's call for a 1% cap. Some local government employees will benefit from contractual increments or multi-year deals. In particular, for the low paid no increase would be unjust".

The sentiment appears to counter the announcement from Local Government Employers that no cost-of-living rise would be offered to staff at all levels in 2010-11.

### **Final year salary enhancement**

The practice of offering this enhancement to staff is unusual and believed to be unique in Surrey.

It is known that of the workforce that have completed 10 years service 59% are women and 63% are aged 50 or over.

The Chief Executives consultation has revealed that those older staff who are approaching retirement are most concerned about this change in policy.

## **IMPACT ASSESSMENT**

From the data you have available, is it possible to establish whether any specific group might be more adversely (or positively) affected than others, consider what the potential impact might be. Could the policy lead to direct or indirect discrimination? If you don't know, it may be that you need to undertake more consultation to find out.

It is often helpful to review the impact under the headings of the different equality strands, ie. Race/disability/gender/age/religion or belief/sexual orientation/age.

### **Pay freeze**

The pay freeze will apply equally to all staff regardless of age, gender, race or disability.

Unison comments:

UNISON asked the Chief Executive to provide a breakdown of the effects of a pay freeze on all pay scales (available data) and by gender so that Members of the Committee could better envisage what the pay freeze meant in practical terms for staff at all levels of the organisation.

Also Members will be aware that a pay freeze will have a greater effect on staff with children, those with travel expenses to come to work, those with mortgages, staff renting accommodation and so on.

Also, on the issue of pay, very rough calculations show that for every £1,000 in salary, depending on what pay rises within the economy are and based on a 2% pay rise

- in year 1 they suffer a £20 loss
- year 2 a £40.40

So for someone on £20,000 they lose £808 over the 2 years.

Staff will then suffer a further detriment in not receiving pay rises on this loss, as well as the loss going forward. A further loss is that the staff in the pension scheme will then suffer a loss in retirement. Assuming that staff have 20 years service, then they will lose 33% of the lost pay as a pension. A guesstimate would be approximately £330 a year.

So staff could suffer a loss over there life time of say, £15,000 in pay and then a loss of £6,660 in pension, at total of **£21,660** [before tax]. This is a conservative estimate based on assuming 15 year still to work and then 20 years drawing a local government pension.

In our view, the chart showing the effects of a pay freeze on pay scales within the organisation should be appended to the Impact Assessment and it was anticipated that it would be included.

### **Final year salary enhancement**

If the Council implements the changes to the enhancement it will impact initially on any member of staff who has been at Runnymede for 10 years or more, a higher proportion of those who currently fall in to this category are women and those aged 50 or above.

The continuation of the current enhancement will also indirectly impact on all staff who contribute to the Surrey Pension fund. This is because a proportion of the cost of the enhancement is met by the Fund. It is feared that the continuing practice of making enhancements will put pressure on the fund and could impact on the contributions made to other staff in future. Indeed the cumulative impact on the Pension Fund over a number of years could be substantial. This in turn (and subject to overall fund performance) is likely to affect the contributions required from the Council.

Unison comments:

UNISON also consulted its members on the removal of the final year salary enhancement. A number were adversely affected and understandably concerned. This was balanced by a significant number who felt it should be removed immediately.

UNISON would find it helpful if approximate figures of those affected and the saving that will be achieved by its removal is included (available data), again by gender and pay scale, assuming the full 10% were paid, acknowledging that any payment, and indeed the full 10% is discretionary and that a number of recent retirees have not received that amount.

UNISON also had concerns with regard to issues of equal pay. For example, but not exclusively, fewer women and/or part time workers have the opportunity to accrue the same levels of service as other staff, thus preventing them from being eligible for the scheme.

### **DOES THE POLICY REQUIRE AMENDMENT OR RE-CONSIDERATION?**

Either outline changes required or indicate why none are necessary.

See below

### **What actions or changes will you feed into your service as a result of this EIA?**

This might include improving data collection in order to give a clearer picture of your service-users. It may include, for example: physical adjustments to a building, arranging for information to be sent out to individuals in alternative formats or languages, meeting with people face-to-face to explain your service, consulting with a wider group of people to understand how your service is received and its impact on them.

The proposed pay freeze is regretted but the Council's financial position is such that the only alternative to a pay freeze is the curtailment of services and redundancies. It is felt that this approach would cause greater hardship and it is felt that the proposed pay increase is a proportionate means of achieving a legitimate aim.

The possibility of providing a differential pay policy for the lowest paid workers has been considered and was dismissed because this would discriminate against those on higher pay and it would be difficult to identify at what point the differential would apply. There could also be implications for entitlement to state benefits.

Arrangements have been made to phase in the withdrawal of the enhanced final year salary scheme so as to minimise the impact on those staff who are in their last year of service. Further adjustments cannot be recommended without increasing the vulnerability of the pension fund and increasing the impact for all current contributors.

Date completed: January 2010