

# Governance Risk and Best Value Committee

10.00am, Tuesday, 20 March 2018

## Audit Scotland Report: Equal Pay in Scottish Councils

Item number	7.6
Report number	
Executive/routine	
Wards	
Council Commitments	

### Executive Summary

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This report informs the Committee of Audit Scotland's Report on Equal Pay in Scottish Councils, which was published in September 2017. The Committee is advised that the City of Edinburgh Council was chosen as one of the fieldwork Councils and a summary of our implementation of the Single Status Agreement can be seen at Appendix 2 of the Report.

## Audit Scotland Report: Equal Pay in Scottish Councils

### 1. Recommendations

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- 1.1 The Governance, Risk and Best Value Committee (GRBV) is recommended to:
  - 1.1.1 Consider and note Audit Scotland's report, Equal Pay in Scottish Councils, both in terms of its general conclusions and those of specific relevance within the City of Edinburgh Council context; and
  - 1.1.2 Note the progress made by the City of Edinburgh Council in having fair and transparent pay arrangements and regular equal pay audits to deliver pay equality.

### 2. Background

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- 2.1 Historically, the pay and conditions of Council employees have been governed by different national agreements, for example pay and conditions for manual workers were different to those for administrative, technical and professional (APT&C) workers. The differences between these groups of employees arose from national bargaining arrangements with different unions and historically favoured roles traditionally carried out by men. Equal pay claims about these differences were common in the 1990s and Councils made expensive settlements for historical discrimination. National negotiations commenced in the late 1990s to work towards implementing new pay and grading structures which would ensure that Councils complied with equal pay legislation.
- 2.2 In 1997, a UK-wide national agreement was reached to unify the pay structures of different groups of Council employees and this became known as the Single Status Agreement (SSA) or the "red book". This agreement covered around 1.4 million workers across the UK, and Scottish Councils and trade unions negotiated the Scottish version of the SSA in 1999. By harmonising employment terms and conditions, and grading all jobs on the same pay scale, this agreement sought to eliminate pay inequality for all.
- 2.3 The Report compiled by Audit Scotland included interviews with a range of staff at 6 sample Councils and requested information from all 32 Councils. The City of Edinburgh Council provided detailed information as part of the audit and was selected as one of the sample councils.

### 3. Main report

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- 3.1 The Report identified a number of general key messages as a result of the audit which are as follows:
- 3.1.1 Under equality legislation, all employers have a legal responsibility to ensure that women and men receive equal pay for work of equal value. In 1999, Scottish Councils and trade unions entered into the SSA.
  - 3.1.2 The aim of the agreement was to harmonise local government pay and employment terms and conditions, and eliminate pay inequality.
  - 3.1.3 Implementing the SSA was a complex process which required each Council to undertake a large scale job evaluation exercise. Councils underestimated the challenges involved and all but one missed the agreed implementation date of 2004. It was not until 2010 that all Councils in Scotland had Single Status in place. This was 11 years after the agreement was signed, with implementation taking twice as long as initially planned. The City of Edinburgh Council implemented single status in 2010.
  - 3.1.4 Audit Scotland found there had been a lack of collective national leadership to overcome the challenges and address equal pay in a timely way. Councils initially worked on the basis that they could offset the costs of implementing Single Status with savings from changes to staff conditions and by improving staff productivity. Councils received no additional funding to implement their new pay and grading structures. In reality, Single Status brought significant costs and some Councils and trade unions found themselves balancing the risk of industrial unrest with affordability. This meant that some of the approaches taken by Councils when implementing Single Status did not always prioritise pay equality and were later found to be discriminatory.
  - 3.1.5 Councils sought to compensate workers who historically had been unfairly paid by offering payments if they signed compromise agreements. Councils paid around £232 million to approximately 50,000 workers in this way. The payments made were often of a relatively low value compared with the difference in pay over time, so some people refused them. Even while Councils were implementing Single Status, they continued to receive thousands of equal pay claims for historical pay discrimination.
  - 3.1.6 All Councils received equal pay claims after implementation of Single Status. There were many reasons for these claims, for example, claims against pay and bonus protection given to predominantly male workers and discrimination in job evaluation schemes. Since 2004, around 70,000 equal pay claims have been lodged against Scottish Councils. The cost of compensation agreements and settling claims, along with legal fees, amounts to around £750 million. The number of claims made against individual Councils varies widely, and some of this variation can be explained by how actively “no win no fee” lawyers have encouraged claims in different Council areas. At the time of publication of the Audit Scotland report, there were almost 27,000 live equal pay claims.

- 3.1.7 Councils need to be confident they have fair and transparent pay arrangements and take necessary action, such as regular equal pay audits, to deliver pay equality in line with their public sector equality duty. Elected members need to continue to oversee, scrutinise and challenge Councils' approaches to delivering equal pay and reducing the gender pay gap.
- 3.2 There are a number of implications specific to the City of Edinburgh Council which are as follows:
- 3.2.1 Single Status Agreement: The Greater London Provincial Council (GLPC) scheme was adopted for the purpose of job evaluation in the City of Edinburgh Council in 2010. The joint Trades Union side recommended the GLPC scheme to its membership. A ballot of Unison and T&G members confirmed over 90% acceptance of the scheme. Following a long process of testing, the GLPC scheme was developed into the Capital scheme that we currently use.
- 3.2.2 A Gender Impact Assessment (GIA) on Modernising Pay was conducted by an independent equal pay expert, Kay Gilbert, a Senior lecturer from Strathclyde University. The Capital Job Evaluation Scheme was found to be fit for purpose. Subsequent assessments of the job evaluation outcomes have confirmed that this continues to be the case. These assessments have been shared with the Trade Unions.
- 3.2.3 Any major changes in the Council structures will continue to be monitored in terms of the impact on gender. Of equal importance is the quality of job descriptions and recruitment processes to ensure that these are open, transparent, accessible and attractive to both genders.
- 3.3 Equal Pay Claims: The Council continues to manage historic equal pay claims raised against it. In total, over 6000 claims have been lodged against the City of Edinburgh Council.
- 3.3.1 Considerable progress has been, and continues to be, made in reducing the number of equal pay claims against the Council. In order to avoid costly litigation, the majority of these claims have been settled extra-judicially. The total cost of compensation payments between the original date of national SSA in 2004 and the actual date that staff moved to the CEC GLPC scheme in 2010 was in the region of £11.7m. The number of outstanding equal pay claims has reduced by 35% over the last 12 months.
- 3.3.2 At the date of this report, the City of Edinburgh Council has 597 claims outstanding, which is in the region of 9% of the total claims lodged and well below the national average of approximately 37.4%. The majority of these claims remain live because they are not eligible for an offer or an offer has been made, but remains unaccepted. We continue to strive to reduce these claims, especially where a Claimant is ineligible.

## 4. Measures of success

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- 4.1 A continuing reduction in ineligible equal pay claims (where the Council maintain that such cases are not eligible for an offer).

## 5. Financial impact

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- 5.1 An initial £10.5M was provided for the costs associated with implementing Modernising Pay on 4 October 2010. This figure reflected the recurring impact of an increase in the cost of salary progression, which is now a year on year recurring cost on the pay bill.
- 5.2 As of 31 March 2017, some £78.6m had either been paid out, or provided for, by the City of Edinburgh Council in respect of equal pay-related claims. This relates to historical claims extinguished by the implementation of Modernising Pay.

## 6. Risk, policy, compliance and governance impact

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- 6.1 This area of work represents a significant financial and reputational risk for the Council.

## 7. Equalities impact

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- 7.1 The Council will continue to abide by its public sector equalities duties.

## 8. Sustainability impact

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- 8.1 There is no adverse environmental impact arising from this report.

## 9. Consultation and engagement

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- 9.1 Continual partnership working with Trade Unions and the Claimants' representatives to seek to achieve a mutually beneficial resolution.

## 10. Background reading/external references

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- 10.1 Please see the [appendix](#).

**Stephen S. Moir**

**Executive Director of Resources**

Contact: Katy Miller, Head of Human Resources,

E-mail: [katy.miller@edinburgh.gov.uk](mailto:katy.miller@edinburgh.gov.uk) | Tel: 0131 469 5522

## 11. Appendices

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11.1 Equal Pay in Scottish Councils prepared by Audit Scotland September 2017.

# Equal pay in Scottish councils



ACCOUNTS COMMISSION 

Prepared by Audit Scotland  
September 2017


# The Accounts Commission

The Accounts Commission is the public spending watchdog for local government. We hold councils in Scotland to account and help them improve. We operate impartially and independently of councils and of the Scottish Government, and we meet and report in public.

We expect councils to achieve the highest standards of governance and financial stewardship, and value for money in how they use their resources and provide their services.

## Our work includes:

- securing and acting upon the external audit of Scotland's councils and various joint boards and committees
- assessing the performance of councils in relation to Best Value and community planning
- carrying out national performance audits to help councils improve their services
- requiring councils to publish information to help the public assess their performance.

You can find out more about the work of the Accounts Commission on our website: [www.audit-scotland.gov.uk/about-us/accounts-commission](http://www.audit-scotland.gov.uk/about-us/accounts-commission) 


Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.



# About equal pay



## What is equal pay?

The campaign for equal pay has a long history. Over time, women have often received less pay than men for doing comparable jobs. The Equal Pay Act 1970 was the first piece of legislation enshrining the right to pay equality between women and men. This Act made it unlawful for an employer to discriminate between women and men in all contractual terms of employment, including pay. [The Equality Act 2010](#)  replaces the Equal Pay Act 1970. All employers, public and private sector, must comply with equal pay legislation.

The Equal Pay Act 1970 set out ways an employee's work can be determined to be equal to that of another employee. These are restated in the Equality Act 2010 as:

- like work – work that is the same or broadly similar
- work rated as equivalent – when a job evaluation has rated two jobs as being the same or similar
- work of equal value – work found to be of equal value, for example in terms of effort, skill or decision-making.

## Equal pay in councils

Historically, the pay and conditions of council employees were governed by different national agreements, for example pay and conditions for manual workers differed from those of administrative, professional, technical and clerical (APT&C) workers. These differences between groups of employees arose from national bargaining arrangements with different unions and historically favoured roles traditionally carried out by men. Equal pay claims about these differences were common in the 1990s and councils made expensive settlements for historical discrimination. National negotiations in the late 1990s began to find a new structure that would ensure councils complied with equal pay legislation.



## What is the Single Status Agreement (SSA)?

In 1997, a UK-wide agreement was reached to unify the pay structures of different groups of council employees. This became known as the Single Status Agreement (SSA) or the 'Red Book'. This agreement covered around 1.4 million workers across the UK. Scottish councils and trade unions negotiated the Scottish version of the SSA in 1999. By harmonising employment terms and conditions, and grading all jobs on the same scale, this agreement sought to eliminate pay inequality for all.



## Guiding principles

### The guiding principles for the Single Status Agreement are to support and encourage the following:

- High-quality services delivered by a well-trained, motivated workforce with security of employment. To this end, councils are encouraged to provide training and development opportunities for their employees.
- Equal opportunities in employment; equality as a core principle that underpins service delivery and employment relations; and removing all discrimination and promotion of positive action.
- A flexible approach to providing services to the communities while meeting the needs of employees, as well as employers.
- Stable industrial relations and negotiation and consultation between councils as employers and recognised trade unions.

Source: *Single Status Agreement*, Scottish Joint Council, 1999

# About the audit

This audit examines equal pay in local government, focusing on the following five themes:

- how councils implemented the Single Status Agreement (SSA)
- how much councils have spent settling equal pay claims
- how councils demonstrate that they are dealing effectively with equal pay claims and minimising future risks
- how effective the governance and oversight arrangements of the SSA are
- what lessons can be learned for the future.

This audit provides an insight into how the SSA has been implemented. But it does not investigate councils' job evaluation schemes, or consider individual staff terms and conditions at councils.

Although it reports on the number of equal pay claims, it does not look at individual claims, or make audit judgements on past litigation.

We reviewed a range of documents during our audit. We interviewed a range of staff at six sample councils and requested information from all 32 councils. Data for costs relates to financial years 2004/05 to 2015/16. Other data such as number of claims lodged relates to 2004/05 up to 30 September 2016.

[Appendix 1](#) has more information about our methodology.

In carrying out this audit, we faced considerable difficulty due to the lack of good-quality data relating to the implementation of equal pay.

Equal pay and the gender pay gap are different but related issues. Equal pay focuses on discrimination where a woman is paid less than a man for doing the same or broadly similar work, work of equal value or work rated as equivalent. The gender pay gap calculates the difference between men and women's earnings and presents this as a percentage of men's earnings. The gender pay gap is influenced by a range of factors such as:

- occupational segregation, where women are still more likely to be in low-paid jobs
- unequal caring responsibilities
- a lack of flexible working, which makes it difficult to combine caring with employment
- men continuing to make up the majority of those in the highest paid and most senior roles.

The factors that contribute to the gender pay gap have not been the focus of this audit, but where appropriate we highlight the links between equal pay and the gender pay gap.

# Key messages


- 1** Under equality legislation all employers have a legal responsibility to ensure that women and men receive equal pay for equal work. In 1999, Scottish councils and trade unions reached the Single Status Agreement. The aim of the agreement was to harmonise local government pay and employment terms and conditions, and eliminate pay inequality.
- 2** Implementing the Single Status Agreement was a complex process that required all councils to undertake a large-scale job evaluation exercise. Councils underestimated the challenges involved and all but one missed the agreed implementation date of 2004. It was not until 2010 that all councils in Scotland had single status in place. This was 11 years after the agreement was signed, with implementation taking twice as long as initially planned.
- 3** There has been a lack of collective national leadership to overcome the challenges and address equal pay issues in a timely way.
- 4** Councils initially worked on the basis that they could offset the costs of implementing single status with savings from changes to staff conditions and by improving staff productivity. Councils received no additional funding to implement their new pay and grading structures. In reality, single status brought significant costs and some councils and trade unions found themselves balancing the risk of industrial unrest with affordability. This meant that some of the approaches taken by councils when implementing single status did not always prioritise pay equality and were later found to be discriminatory.
- 5** Councils sought to compensate workers who had historically been unfairly paid by offering payments if they signed compromise agreements. Councils paid around £232 million to approximately 50,000 workers in this way. The payments made were often of a relatively low value compared with the difference in pay over time, so some people refused them. Even while councils were implementing single status, they continued to receive thousands of equal pay claims for historical pay discrimination.
- 6** All councils received equal pay claims after implementation. There were many reasons for these claims, for example claims against pay and bonus protection given to predominately male workers and discrimination in job evaluation schemes. Since 2004, around 70,000 equal pay claims have been lodged against councils. The cost of compensation agreements and settling claims, along with legal fees, amounts to around £750 million. The number of claims made against councils varies widely. Some of this variation can be explained by how actively 'no-win no-fee' lawyers have encouraged claims in different council areas. There are almost 27,000 live equal pay claims and workers could potentially still make new claims against councils.
- 7** Councils need to be confident they have fair and transparent pay arrangements and take necessary action, such as regular equal pay audits, to deliver pay equality in line with their public sector equality duty. Elected members need to continue to oversee, scrutinise and challenge councils' approaches to delivering equal pay and reducing the gender pay gap.

# Single Status Agreement

## Pay inequality is rooted in long-standing traditional attitudes about women's place in society

Historically, women have often received less pay than men for doing comparable jobs. Many social and economic drivers led to discriminatory pay systems and the long-standing pattern of inequality. During the 1920s and 1930s, UK policy even reflected this practice of lower wages for women. Fundamentally, society often undervalues women's competencies and skills. In the local government context, roles predominantly done by women, for example catering, cleaning and caring, had lower pay scales than male-dominated roles such as grave-digging or refuse-collecting, even though they required similar skill levels. The campaign for equal pay continued throughout the decades, and the Equal Pay Act was passed in 1970. This prohibits any less favourable treatment between men and women in terms of pay and conditions of employment. Equal pay provisions are now in the Equality Act 2010.

In the late 1980s, councils attempted various measures to comply with legislation and address equal pay issues, for example by putting job evaluation schemes in place for manual workers. This exercise re-valued some women's jobs, and placed them on the same grade as jobs done by their male colleagues.

However, many of the male-dominated jobs included **bonus schemes**  or attracted other allowances, providing men with extra pay. This meant that, even where female-dominated roles had been re-valued, women continued to receive less money than their male colleagues for work of equal value.

## Background to bonus schemes

These locally negotiated schemes were initially introduced in the 1960s to address low pay and productivity within public sector manual working at a time of pay freeze. The schemes were typically applied to full-time roles carried out by male manual workers. So, for example, refuse collectors often received bonuses, while women in similar-level jobs, such as cleaning, did not. Over time, councils stopped monitoring productivity and the bonuses became an expected part of those workers' pay.

'Access to bonus payments is a crucial factor in determining employee earnings. Overall, more than half of male full-time manual staff receive bonuses, compared with only five per cent of female staff. According to a 1996 survey of council manual workers by the Local Government Management Board, bonus payments represented 15 per cent of average male earnings compared with just over one per cent of female earnings.'

Source: *Equal Opportunities Review No 76 November/December 1997*, edited by Michael Rubenstein

## Increasing equal pay claims and difficulties in eliminating pay inequality led to single status being agreed

Before the SSA, councils used different pay and grading structures across manual workers and administrative and clerical workers (APT&C); this made it difficult to identify and eliminate pay inequalities for similar work between these workers. In the 1990s, equal pay claims resulted in expensive settlements, mostly in relation to women being excluded from male-dominated bonus schemes. This led Scottish councils and trade unions to agree the SSA in 1999. The SSA replaced the old separate agreements and bargaining arrangements for different occupational groups, manual and APT&C employees. It aimed to harmonise both pay and employment terms and conditions and sought to eliminate pay inequality for all.

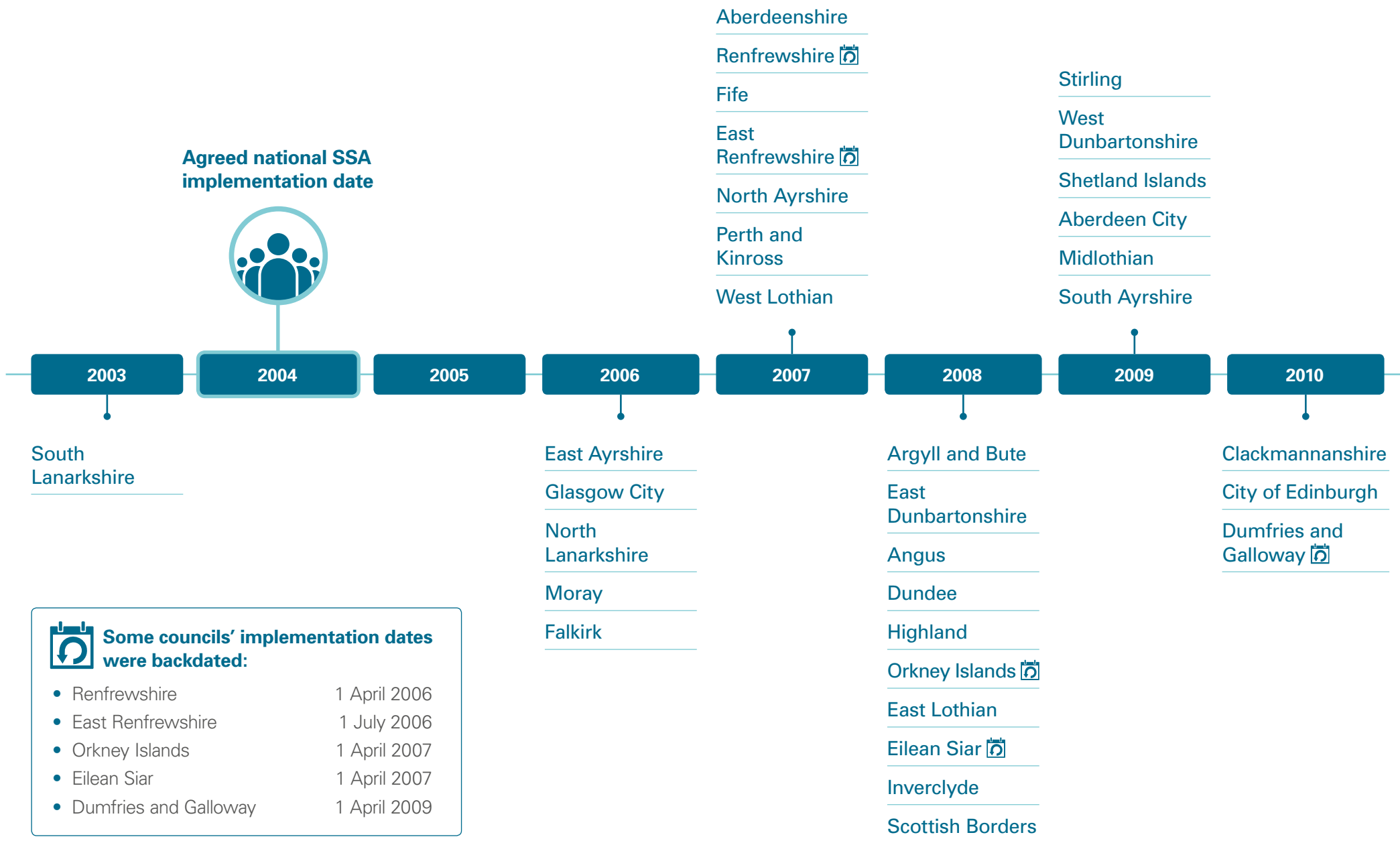
The original SSA signed in 1999 specified that single status should be in place by April 2002. This proved too ambitious and a revised date of April 2004 was agreed between councils and trade unions ([Exhibit 1, page 8](#)).

As separate employers, councils across Scotland took individual approaches to implementing single status and each one followed local processes to reflect its own circumstances. The Scottish Joint Council (SJC) issued guidance to help councils with their local implementation of the SSA. In 2006, an inquiry by the Scottish Parliament's Finance Committee into the cost of single status reported that unions preferred a national agreement covering all aspects of single status, but that councils sought to have local flexibility in all arrangements.<sup>1</sup> The Finance Committee recommended that councils, unions and COSLA urgently enter into discussions at a national and local level, facilitated by the then Scottish Executive, to ensure implementation within 12 months. There is no evidence this recommendation was taken forward, highlighting the lack of collective leadership nationally.

1. *4th Report, 2006 (Session 2): Report on the Financial Implications of the Local Authority Single Status Agreement*, Finance Committee, Scottish Parliament, 2006.


## Exhibit 1

### Councils' Single Status Agreement implementation dates



## Councils were required to undertake an extensive job evaluation as part of implementing single status

Before the SSA was implemented, there were separate bargaining arrangements in local government for pay and terms and conditions of different groups of staff, for example, manual workers and APT&C. This approach to pay and collective bargaining was not unique to local government. Before implementing Agenda for Change, the NHS had more than 20 committees bargaining separately for different groups of staff such as nurses and allied health professionals.

In 1993, there was a significant test case in England where female senior NHS speech therapists named male senior pharmacists and male clinical psychologists as comparators in their equal pay claim.<sup>2</sup> The Court of Justice ruled that an employer could not rely alone on the fact that the two jobs were paid according to two different collective bargaining agreements as a defence to comparing different occupations. To help deal with any inequalities in their approach to remunerating different groups of staff, employers across the public sector began introducing new **job evaluation**  schemes.

In 1999, to help councils implement SSA, the SJC developed a national job evaluation scheme (JES). Councils did not have to use the national scheme but most did. South Lanarkshire Council had established its own scheme before the national JES was developed. Glasgow City Council and the City of Edinburgh Council used other schemes. Regardless of the scheme, if done correctly job evaluation should have provided assurances that a council had a fair and transparent equal pay structure and protected it from future equal pay claims.

Developing a new pay and grading structure that was fair and accurate took time. But this aspect of the single status programme proved more time-consuming for some councils than others. For example, the number of jobs councils had to evaluate varied. Some larger councils had thousands of different types of jobs to evaluate, whereas others had only hundreds.



### What does job evaluation entail?

A key part of single status involved councils evaluating jobs under a single system that provides a consistent approach to defining their relative worth across the whole organisation.

Job evaluation does not determine actual pay, but places jobs in a rank order according to overall demands placed upon the job holder.

The SJC's JES scheme defines these demands across a range of factors such as knowledge and skills, responsibility, working environment, and dealing with relationships. Councils score local jobs and rank them through their locally agreed pay and grading structures. This approach across local government differs from the NHS's job evaluation scheme under Agenda for Change, which had a central negotiating group and enabled most jobs to be matched to nationally evaluated profiles.

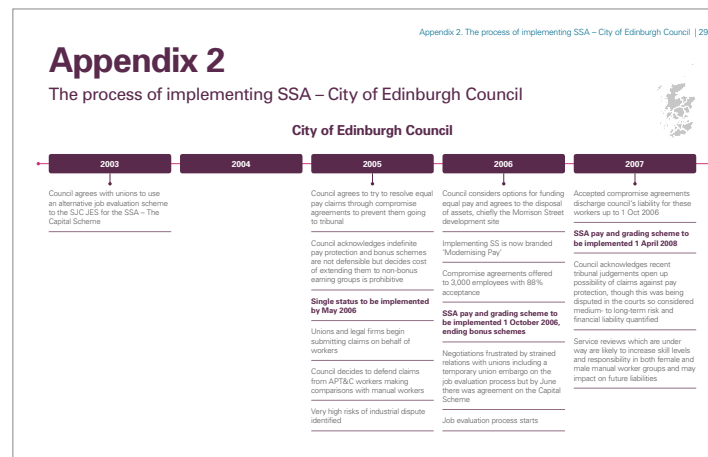
Once each council had completed its job evaluation exercise for single status, it transferred manual and APT&C employees to the new single pay and grading structure.

2. *Enderby v Frenchay Health Authority* [1993] EUECJ C127/92.

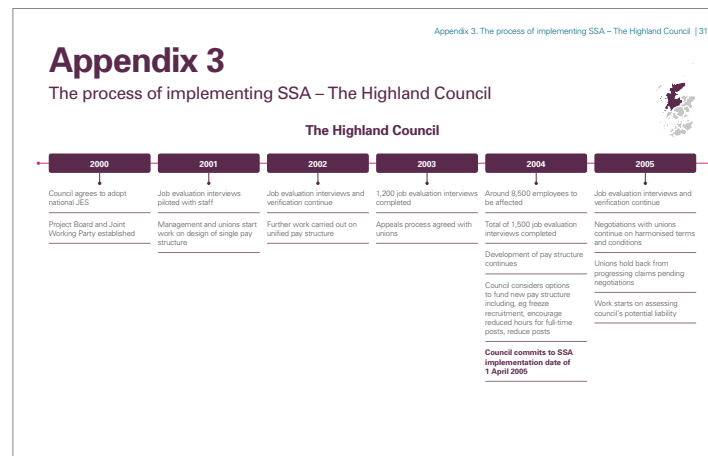
## Councils were expected to evaluate jobs and implement their pay and grading structures under the SSA in agreement with trade unions.

Some councils and trade unions faced difficulties reaching agreement on specific job evaluations and on new terms and conditions. This led to protracted negotiations and some councils faced industrial relations issues such as work-to-rule and industrial action. Our case study on [City of Edinburgh Council \(Appendix 2\)](#) and [The Highland Council \(Appendix 3\)](#) highlights how different the process was depending on local challenges. Some councils reported that dealing with the protracted and difficult negotiations on grading structures, along with equal pay claims, put a significant strain on their HR resources. Trade unions also faced this problem.

In its inquiry into the cost of single status in 2006, the Scottish Parliament's Finance Committee found that councils and unions failed to engage properly in constructive negotiations to implement single status agreements.<sup>3</sup> Ultimately, only eight councils introduced their new pay and grading structures in agreement with trade unions.



City of Edinburgh Council  
Appendix 2



The Highland Council  
Appendix 3

3. 4th Report, 2006 (Session 2): Report on the Financial Implications of the Local Authority Single Status Agreement, Finance Committee, Scottish Parliament, 2006.



## Councils faced difficulties in funding the changes under the SSA, slowing progress

Another factor in the slow progress in moving to single status pay and conditions was the cost. Councils did not receive any additional money to implement these new pay and grading structures. COSLA pay circulars in 2000 set out the intention to negotiate new pay structures on a cost-neutral basis.<sup>4</sup> In signing the SSA, councils and unions expected to offset the additional cost of addressing pay inequalities for one group of staff (predominately women) by modernising their workforces, reducing the pay of another group (predominately men), or doing both. In 2006, COSLA reaffirmed to the Finance Committee the intention to deliver single status on a cost-neutral basis.<sup>5</sup>

South Lanarkshire Council reported that it had managed the impact of single status on its budget by implementing it alongside a programme of Best Value reviews.<sup>6</sup> These delivered savings to offset the cost of single status. Councils considered various other measures to offset costs, such as recruitment freezes, encouraging staff to reduce their hours and rationalising terms and conditions. In reality, councils found it difficult to deliver single status on a cost-neutral basis. Some councils estimated the impact on their own local payroll. For example, the City of Edinburgh Council estimated it would add around £10 million each year to its wage bill. But nationally, the full cost of single status is unknown. There is no evidence of the cost to councils being estimated at a national level using cost modelling.

Negotiations with trade unions over cost-offsetting measures proved long and difficult. Our case study of implementation in [City of Edinburgh Council](#) and [The Highland Council](#) highlights these difficulties. Trade unions had to balance a number of priorities during the discussions with councils about new pay structures. In striving for equal pay, they were both representing their women members who were pursuing equal pay claims and trying to negotiate protection for the salaries of their male members.

The delays in implementing the SSA resulted in prolonged inequality and had financial implications. In 2004, councils began making compensation payments where they knew workers had been unfairly paid, generally to female manual workers who had been excluded from bonus schemes ([Exhibit 2, page 12](#)). In accepting these payments, workers were required to sign compromise agreements (now referred to as settlement agreements). Around 50,000 employees received this type of compensation.

In accepting compensation payments, employees agreed not to pursue claims with the Employment Tribunal Service (ETS). In 2003, amendments to the Equal Pay Act extended the limit on compensation for back pay from two to five years. In councils where the implementation date for SSA slipped they made additional compensation payments to female workers. These payments covered the gap for the period between the original date of SSA implementation in 2004 and the actual date that staff moved across to each council's new pay structure.

In 2009, a Local Government and Communities Committee inquiry into Equal Pay in Local Government reported that compromise agreements had not always been accepted by employees because settlement offers were too low.<sup>7</sup> No national and comparable data about the amount paid to employees in compensation is available.

However, the *Allen and others v GMB* tribunal case found that the settlements were much lower than the real value of employees' claims.<sup>8</sup> In some cases employees received 25 per cent or less of the value they could have been entitled to. When compromise agreements were not reached, many workers went on to lodge an equal pay claim.

4. *Industrial Relations: 1/2000, 2000 pay negotiations – local government employees*, Personnel Services Circular, COSLA, February 2000.

5. *4th Report, 2006 (Session 2): Report on the Financial Implications of the Local Authority Single Status Agreement*, Finance Committee, Scottish Parliament, 2006.

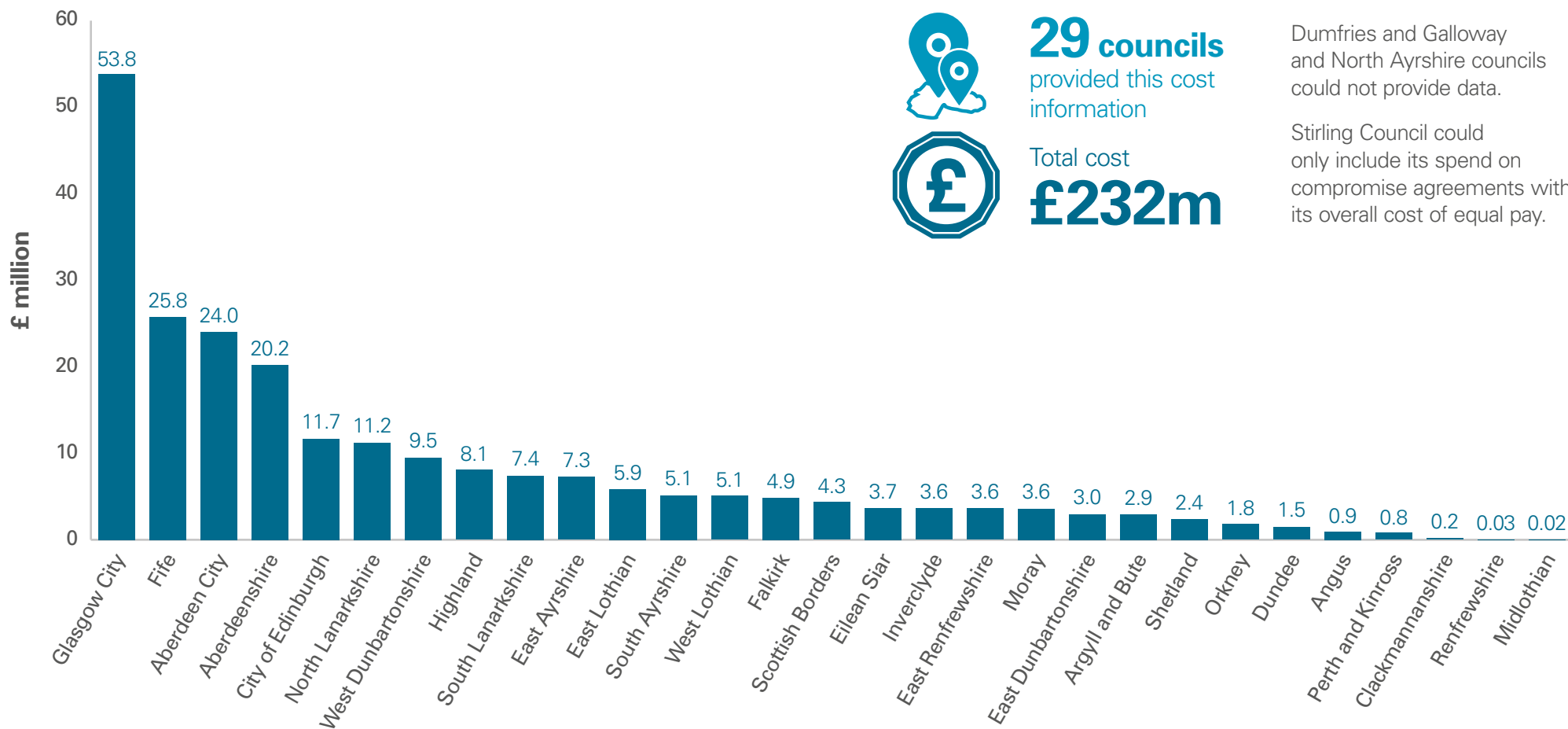
6. *Efficiency Statement 2006/07*, South Lanarkshire Council, 12 September 2007.

7. *12th Report, 2009 (Session 3): Equal Pay in Local Government*, Local Government and Communities Committee, Scottish Parliament, June 2009.

8. *Allen and others v GMB* [2008] EWCA Civ 810; [2008] ICR 1407.


## Exhibit 2

### Cost of compensation payments by council



## Councils' strategies for protecting some workers' pay were later found to be discriminatory

In implementing their JES, councils faced criticism from unions about the lack of clarity and information about how some roles were scored and evaluated. This affected the willingness of unions and councils to agree on pay and grading matters and impacted on the time it took to implement the SSA.

The outcome of the job evaluation for some workers was that pay for their new grade was lower than their old grade, particularly for the male-dominated roles that had historically received bonuses. Councils were concerned that any widespread pay cuts could bring about industrial relation difficulties and in extreme circumstances lead to industrial action. To lessen the impact for those who would lose earnings, councils used a range of measures, for example they **protected pay**  for some staff, predominately male, at the higher level for a period of time. This practice is known as red circling. SJC guidance stated that payment protection could be offered by councils for up to three years, but not how councils should apply it. As a result, the way in which councils used payment protection varied across Scotland.

Some councils protected basic pay and, despite a history of claims about women being excluded from bonus schemes, most councils also protected bonuses for a period of time after transferring to new pay structures.

Another approach councils adopted was to enrich some roles so that they would be graded at a level that prevented or minimised any potential loss in salary for some male workers.

The option of increasing the women's pay to the same level as the men – often referred to as levelling up – was consistent with the intention of single status and equal pay legislation. Councils did not pursue this option on the basis of affordability, although there is limited evidence to demonstrate that they fully costed this option. Ultimately the measures councils adopted kept men's salaries higher than women performing equivalent roles.

## Protected pay



Protection at assimilation on to the new spinal column for all employees including bonus earners will be for three years on a cash-conserved basis. This timescale has regard to the increased potential for equal pay claims should protection be allowed to extend beyond that period.

It is important to emphasise that bonus schemes may not in themselves be discriminatory provided they meet real business objectives and access is available to all. Councils should therefore be free to introduce council-wide reward strategies where this is considered desirable and following the full involvement of the trade unions.

Source: *Single Status Agreement*, Scottish Joint Council, 1999

## Pay protection arrangements were the focus of various legal cases

From 2007 onwards, legal challenges started to be made to locally negotiated arrangements for men whose pay was protected. In the cases of *Redcar & Cleveland Borough Council v Bainbridge and Others*, and *Surtees and Others v Middlesbrough Borough Council*, the Court of Appeal held that, except in limited circumstances, discriminatory pay protection arrangements could not be justified.<sup>9</sup>

In the Redcar case, the court found no evidence that the council had taken account of any negative impact on female employees when only offering payment protection to the male employees. Councils subsequently received many claims against discriminatory payment protection schemes. We cover the number of all claims councils received in [\(Exhibit 3, page 16\)](#).

In 2009, the Local Government and Communities Committee recommended that COSLA consult with trade unions and publish guidance to help councils understand the main points that were emerging from the complex case law about pay protection and what they should be doing to ensure that any pay protection scheme was fair.<sup>10</sup> There is no evidence any updated guidance was ever issued, highlighting a further lack of collective national leadership.

9. *Redcar and Cleveland Borough Council v Bainbridge and others; Surtees and others v Middlesbrough Borough Council* [2008] EWCA Civ 885 CA.

10. *12th Report, 2009 (Session 3): Equal Pay in Local Government*, Local Government and Communities Committee, Scottish Parliament, June 2009.

# Equal pay claims

## Workers made equal pay claims after councils had implemented single status


While councils were implementing single status they all received claims relating to historical bonuses. Councils also experienced equal pay litigation following implementation of single status.

Employees of Scottish councils lodged more than 70,000 equal pay claims against their employers between 2004/05 and 30 September 2016 ([Exhibit 3, page 16](#)).

Some councils had several discrete waves of claims. [Exhibit 4 \(page 17\)](#) shows the number of claims lodged by council. ‘No-win no-fee’ solicitors signed up many claimants. This impacted on the number of claims made against specific councils, particularly the larger councils such as City of Edinburgh, South Lanarkshire, Glasgow City and North Lanarkshire.

As many claims are resolved outwith a tribunal, the details are not generally published, but from the information that is available we know that workers have made claims against:

- payment protection
- job evaluation scheme issues including job grading.

Some councils used job enrichment measures to prevent workers losing pay under single status. A job enrichment scheme typically includes ‘measures that can improve earning opportunities and significantly reduce loss of pay or bonus’. Measures could include the creating of new roles, or re-adjusting the job weightings of workers – in predominantly male jobs – under the single status job evaluation scheme. If a council does not offer female employees the same measures, it can continue inequality in pay. There is little published information on the claims for this reason in Scotland, although it has been the subject of many legal and academic papers, for example in [Are litigation and collective bargaining complements or substitutes for achieving gender equality? A Study of the British Equal Pay Act](#) .

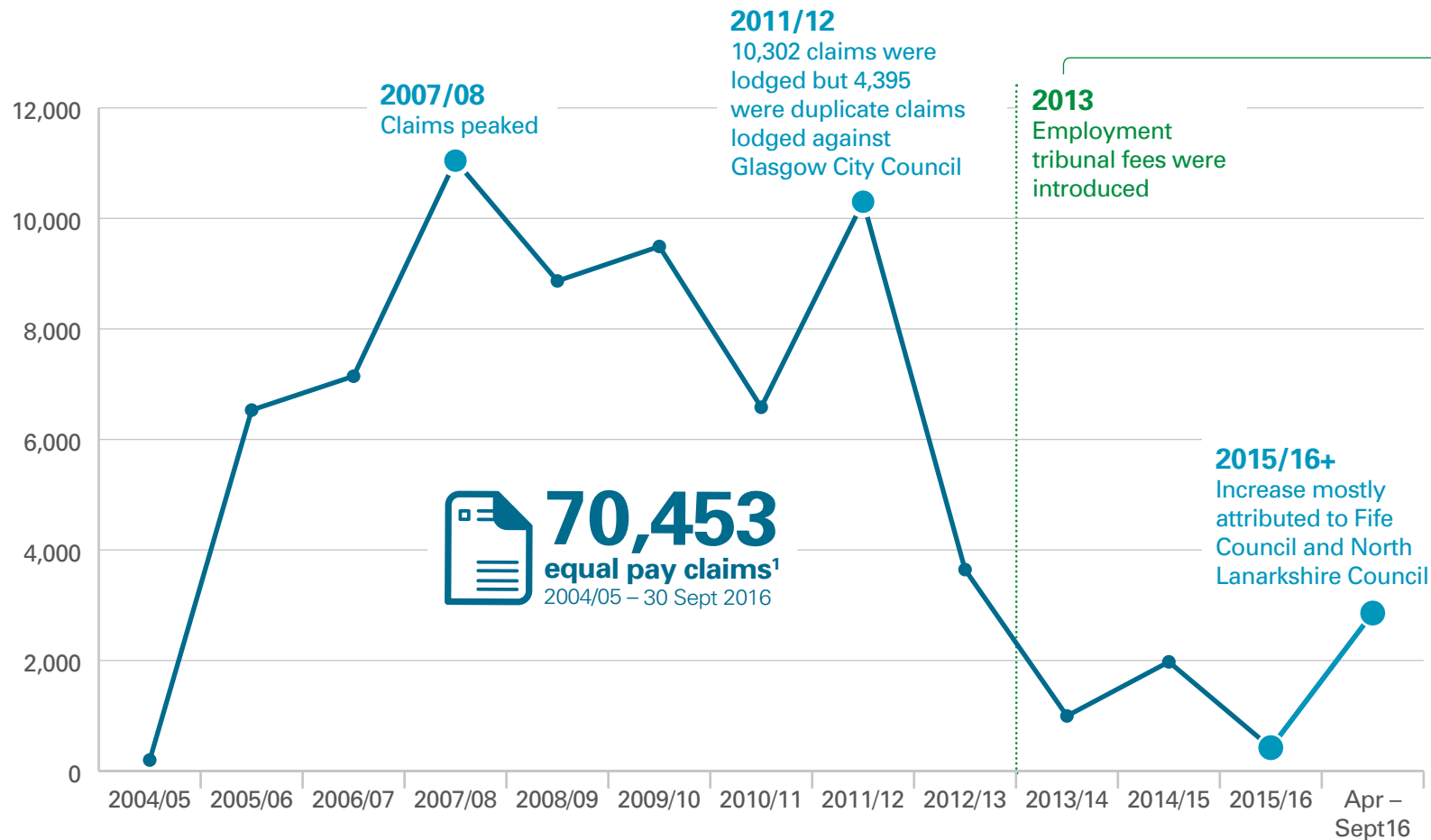
From 2004/05 to September 2016, the total cost of settling claims, including all compromise agreements and legal costs, has been around £750 million across all Scottish councils. [Exhibit 5 \(page 18\)](#) shows the cost by council over this period.

In 2009, the Scottish Government introduced a ‘capitalisation’ scheme. This was to allow councils to borrow capital to settle equal pay claims. Between January 2009 and April 2012 it granted 11 councils (Aberdeen City, Clackmannanshire, East Dunbartonshire, City of Edinburgh, Falkirk, Glasgow City, Highland, Midlothian, North Ayrshire, Scottish Borders and West Dunbartonshire) consent to borrow a total of £83 million. Six of these councils (Aberdeen City, Falkirk, Glasgow City, Midlothian, North Ayrshire, and West Dunbartonshire), used the scheme to borrow capital with the amount borrowed totalling almost £37 million. Only two councils (Glasgow City and North Ayrshire) borrowed up to their full allocation.<sup>11</sup>

11. *Consents to Borrow – Equal Pay*, Scottish Government, April 2013

### Exhibit 3

Total number of equal pay claims lodged with the Employment Tribunal Service against councils, 2004/05 to September 2016



#### Employment tribunal fees

Employment tribunal fees were introduced in 2013. People had to pay up to £1,200 to lodge a case with the ETS. This was potentially unaffordable for some and therefore a barrier to pursuing their equal pay claim.

In July 2017, the [Supreme Court ruled](#) that tribunal fees were unlawful under both UK and EU law because 'it has the effect of preventing access to justice.'

The UK government has agreed to take immediate steps to stop charging fees.

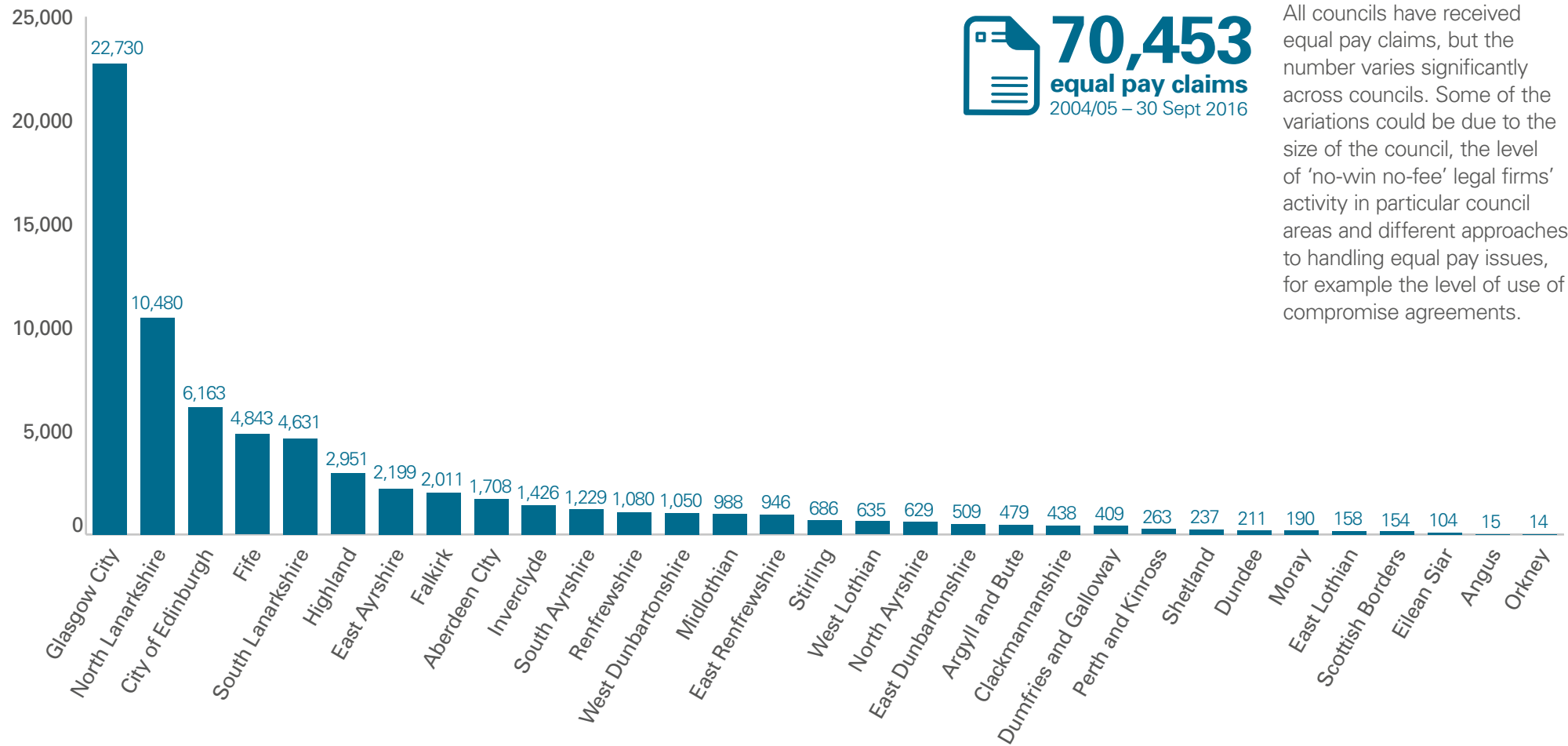
Notes:

1. Includes a minimum of 6,607 duplicate claims lodged across the 11 years.
2. Aberdeenshire Council could not provide the total number of claims lodged as it removes claims from its database once they have been settled. As at September 2016, it had 887 lodged claims that were live.
3. Falkirk Council has an additional 395 claims which have been withdrawn but for which it does not have dates when lodged. These are included in the Scotland total.
4. Eight councils hold data by calendar year and submitted their figures to the nearest financial year.
5. Angus Council's information provided is based on settlement dates not when lodged.
6. South Lanarkshire Council's figures represent the number of claimants rather than number of claims.

Source: Audit Scotland information request to Scottish councils, 2016

## Exhibit 4

Number of equal pay claims by council, 2004/05 to September 2016



All councils have received equal pay claims, but the number varies significantly across councils. Some of the variations could be due to the size of the council, the level of 'no-win no-fee' legal firms' activity in particular council areas and different approaches to handling equal pay issues, for example the level of use of compromise agreements.

Notes:

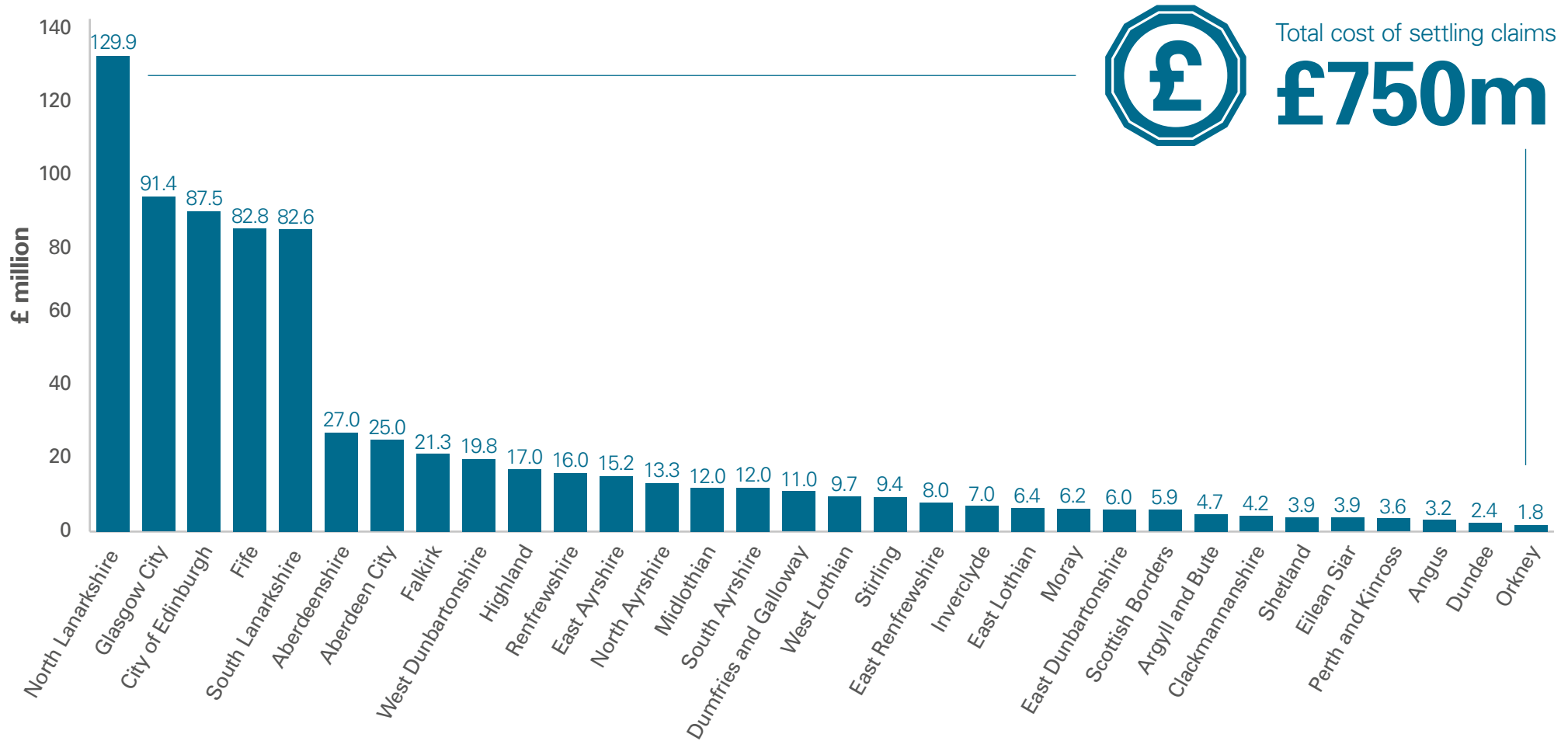
1. Includes a minimum of 6,607 duplicate claims lodged across the 11 years.
2. Aberdeenshire Council could not provide the total number of claims lodged as it removes claims from its database once they have been settled. As at September 2016, it had 887 lodged claims that were live.
3. Claims lodged against Glasgow City Council ALEOs are included.
4. South Lanarkshire Council's figures represent the number of claimants rather than number of claims.

Source: Audit Scotland information request to Scottish councils, 2016

### Exhibit 5

#### Total cost of equal pay claims and compensation, by council 2004/05 to 2015/16

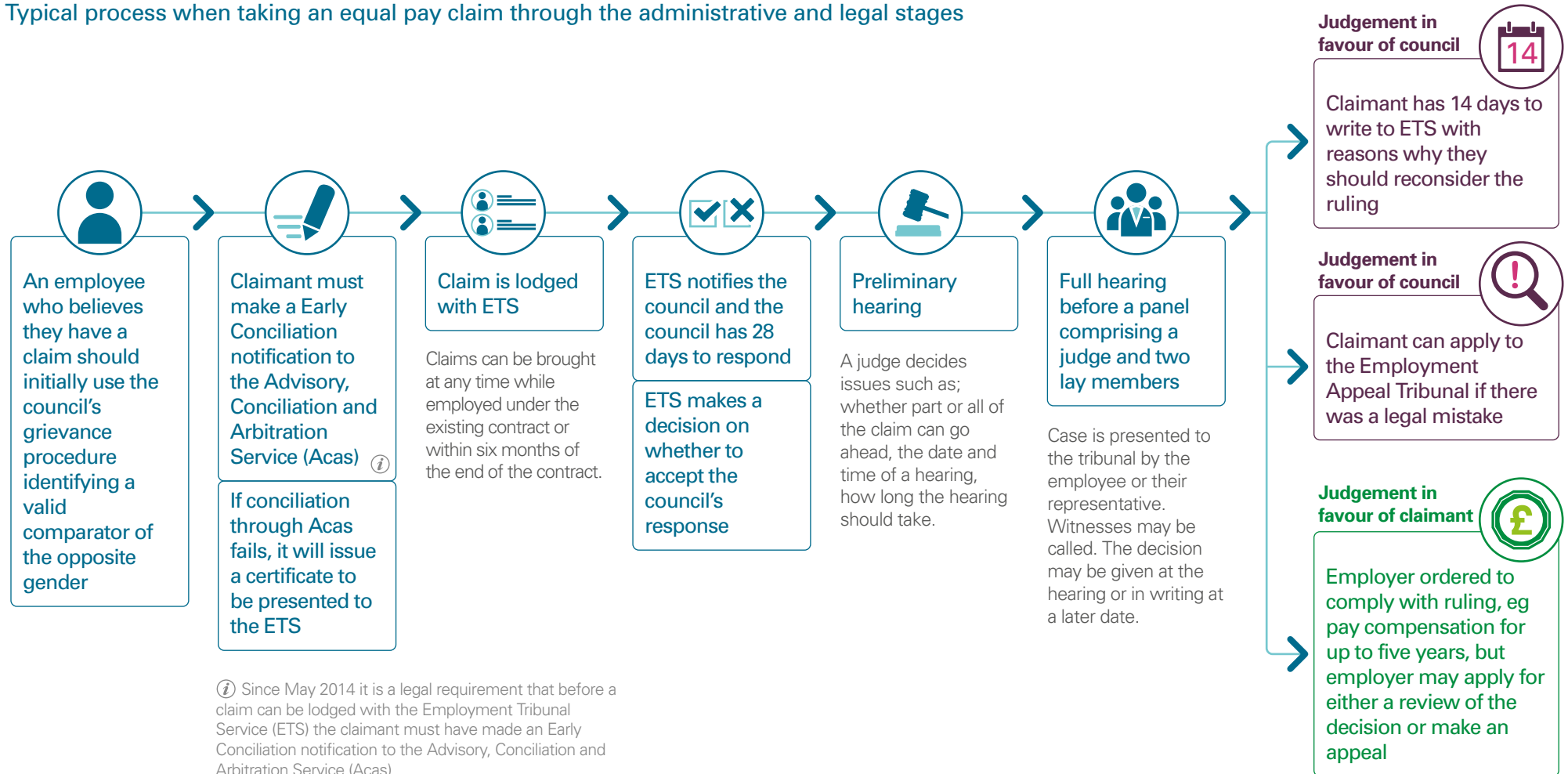
This includes legal costs, costs of equal pay claims and settlement/compromise agreements





## Exhibit 6

### Typical process when taking an equal pay claim through the administrative and legal stages



Source: Audit Scotland, 2017

Managing equal pay claims is an extremely complex process. A claim can escalate through many stages until agreement is reached. Negotiations between councils and employees' representatives may continue during the process and they can reach an agreement at any stage.

The process of taking an equal pay claim through the administrative and legal stages required to reach a conclusion can be very long and costly. Many claims are settled before they reach a tribunal hearing.

In bringing a claim, a claimant has to first establish a comparator for like work, work rated as equivalent and/or work of equal value. If a councils choses to defend the claim, the legal grounds on which pay differences can be justified are very complex.

## There are almost 27,000 pending or unresolved equal pay claims

At the end of September 2016, 27 councils reported almost 27,000 equal pay claims remained live with the ETS ([Exhibit 7, page 21](#)). Angus, Dumfries and Galloway, reported East Lothian, Orkney and Renfrewshire had no live claims. Nine out of ten live claims are from female workers. Live claims represent over a third of all claims lodged with the ETS since 2004/05. Seven councils have over 50 per cent of all their claims still recorded as live. Thousands of claims currently in the system in Scotland have been live for over a decade.

Reasons reported by councils for the length of time taken in resolving live claims include:

- processing and assessing the validity of claims
- waiting for full information on the nature of the legal challenge
- the grounds for a claim changing, for example if an individual changes their legal representation
- time taken for claims to progress through the ETS
- waiting for the outcome of tribunals.

Challenges to councils' approaches to implementing the SSA across the UK created a complex legal environment. This includes significant cases where employment tribunal rulings have been appealed and taken as far as the UK Supreme Court, with different rulings at each stage. Councils have commonly waited on legal rulings in national test cases in determining whether to defend claims as part of their strategies to minimise costs. Employees have successfully challenged how some councils have handled and defended claims. For example, in *Cannop and others v Highland Council*, female claimants successfully challenged the council's approach to delaying and defending claims on procedural grounds.<sup>12</sup>

Another example of councils' defences against equal pay claims was that female workers and their male comparators had to be co-located for a claim to be valid. For example, more than six years after claims were raised, Dumfries and Galloway Council lost a UK Supreme Court ruling in 2013 that clarified that women and men can compare earnings across locations for the same employer, as set out in EU law.<sup>13</sup> Similarly, City of Edinburgh Council lost a tribunal appeal from workers comparing themselves across locations.<sup>14</sup>

In another lengthy and complex case in 2014, the Court of Session ruled that female workers working in Glasgow City Council's arm's-length organisations (ALEOs) could legitimately compare their terms and conditions with male workers in the council.<sup>15</sup>

12. *Cannop and others v Highland Council* [2008] CSIH38; [2008] IRLR 634

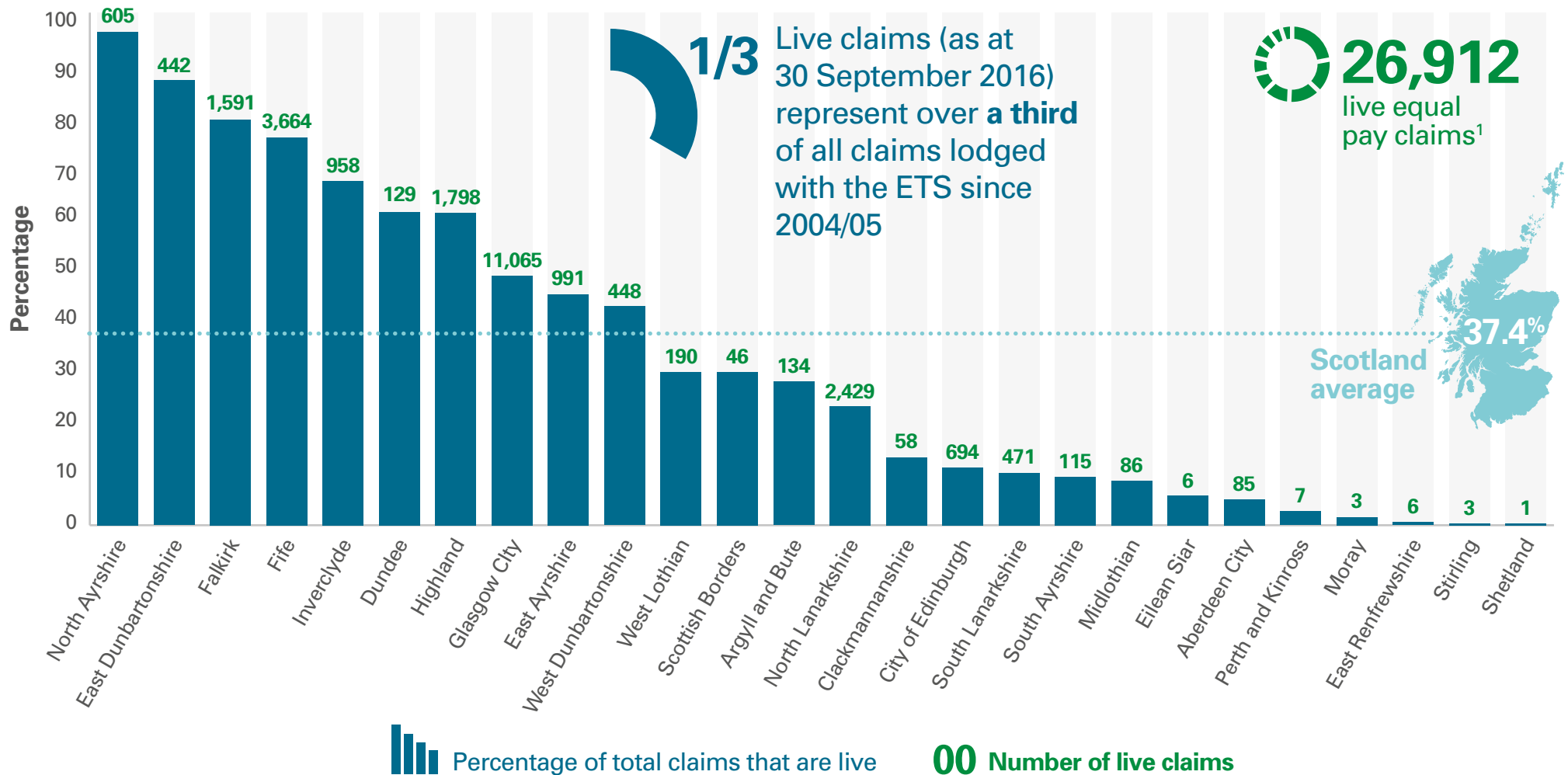
13. *North v Dumfries and Galloway Council* [2013] UKSC 45

14. *City of Edinburgh Council v Wilkinson* [2011] CSIH 70

15. *Glasgow City Council v Unison and Fox Cross Claimants* [2017] CSIH 27

## Exhibit 7

Live claims as a percentage of all equal pay claims lodged against councils



Notes:

1. Aberdeenshire Council could not provide the total number of claims lodged as it removes claims from its database once they have been settled. As at September 2016, it had 887 live claims which are included in the total.
2. Angus, Dumfries and Galloway, East Lothian, Orkney and Renfrewshire Council did not have any live claims as at 30 September 2016.
3. South Lanarkshire Council reported claimants not claims.

Source: Audit Scotland information request to Scottish councils, 2016

# Reducing the gender pay gap

The causes of the gender pay gap are complex. As well as discrimination in pay grading systems, other factors, including occupational segregation and inflexible working practices can contribute to female workers earning less than their male counterparts.

Ensuring women and men receive equal pay for equal work should contribute to closing the gender pay gap. But in Scotland, the pay gap between all male and female employees (full-time and part-time workers) is currently estimated at about 15 per cent.<sup>16</sup>

Since 2013, public bodies have been required to publish information on their gender pay gap every two years. However, this is reported in different ways by different organisations, which makes it very difficult to determine the true scale of the issue.

Identifying a direct link between equal pay and a reduction in the gender pay gap is difficult given the complex factors involved ([Exhibit 8, page 23](#)). Only 15 councils provided information on the difference in their gender pay gap since implementing SSA. Even where councils have provided information, the way they measure the gender pay gap varies, making it difficult to assess performance.

In June 2017, the Scottish Parliament's Economy, Jobs and Fair Work Committee recommended that the Scottish Government:

- develop a suite of indicators to measure the underlying causes of the gender pay gap, using comprehensive data
- change the way it measures and reports the gender pay gap in its National Performance Framework (NPF) to take into account part-time workers in Scotland.<sup>17</sup>



## Close the Gap

Close the Gap works in Scotland to influence and enable action to address the causes of women's inequality at work. Along with the Equality and Human Rights Commission (EHRC), it has highlighted limitations in the way public sector bodies calculate and report the gender pay gap. For example, in 2015 Close the Gap found that:

- only 50 per cent of the public bodies it examined published adequate gender pay gap information
- 35 per cent published inadequate gender pay gap information
- 15 per cent did not publish any gender pay gap information.

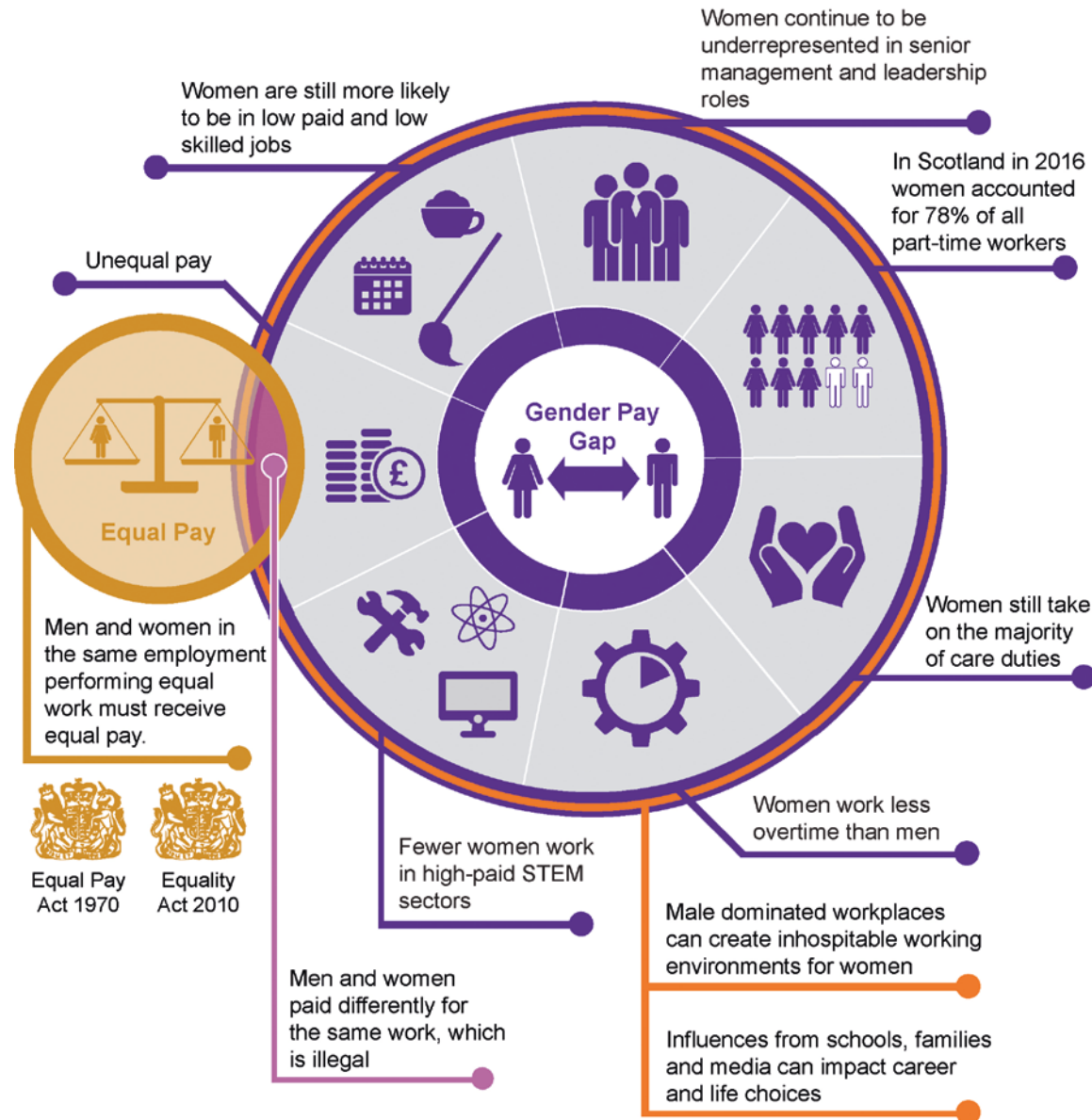
It also found there was limited evidence of the specific actions taken by public sectors bodies to tackle the causes of the gender pay gap. In 2016, Close the Gap published revised guidance to help improve compliance and promote good practice. It also recommended publishing an appropriate suite of measures, including both the mean and median pay gap figures for all employees, the full-time pay gap and the part-time pay gap.

16. *Annual Survey of Hours and Earnings (ASHE) – gender pay gap by country April 1997 to 2016*, Office for National Statistics, October 2016. This was calculated on the median hourly earnings excluding overtime.

17. *No Small Change: The Economic Potential of Closing the Gender Pay Gap*, Economy, Jobs and Fair Work Committee, June 2017.

## Exhibit 8

### What's the difference between equal pay and the gender pay gap?



# Governance and oversight of equal pay

The public sector equality duty was created under the Equality Act 2010 and came into force in April 2011. The public sector equality duty requires public authorities to take a proactive approach to tackling discrimination. Scottish specific duties were introduced in 2012. These set out a number of steps that employers must take to meet their public sector equality duty. For example, they must publish an equal pay statement every four years which contains their equal pay policy. They must also publish equality impact assessments on new or revised policies or practices. The Equality and Human Rights Commission (EHRC) guidance states that the equal pay policy should contain:

- a commitment to monitoring pay regularly in partnership with trade unions or employee representatives
- objectives and actions the council will take on equal pay, with a named senior manager responsible for implementation of the policy
- a commitment that the organisation will apply appropriate resources to achieve equal pay.

The EHRC also highlights that the most effective way of checking compliance with equal pay obligations is to carry out an equal pay audit. An equal pay audit involves comparing the pay of men and women doing equal work. Employers should look at the causes of any differences in pay. Where there are no valid reasons for the differences, they should take action to eliminate the inequality. Only 20 councils provided us with their latest equal pay audit but not all audits met with EHRC guidance.

Councils, along with all public bodies, published their most recent equal pay statements in April 2017. Close the Gap is assessing public bodies' compliance with the gender and employment aspects of the duty. The findings will be published in October 2017.

Councils should ensure that their pay system delivers equal pay, particularly as they go through periods of organisational change. For example, when delivering services through integration authorities for health and social care and ALEOs. Councils should take appropriate steps and follow good practice to go beyond legal compliance, to ensure they are meeting all their equalities duties ([Exhibit 9, page 25](#)).

Elected members have a corporate responsibility to ensure that the council is taking all the necessary steps to comply with equal pay legislation. As part of that responsibility, elected members should ensure that the council has appropriate arrangements in place to manage outstanding equal pay claims. Elected members need to know how many equal pay claims are outstanding at any one time and how the council is dealing with these claims. Of the 21 councils that have more than ten live claims, only four provided elected members with routine update papers on equal pay litigation between September 2015 and September 2016.

Elected members also have a broader duty to promote equality. As part of discharging their equality obligations, elected members should regularly receive monitoring information on the progress their councils and, where appropriate, integration authorities and ALEOs that deliver services on their behalf, are making in reducing the gender pay gap. They should use this information to challenge officers on this progress.

## Exhibit 9

### Actions for councils and elected members

#### Councils must ensure they are fulfilling their public sector equality duties in relation to equal pay

##### This includes:

- publishing an equal pay statement and equal pay policy
- assessing the impact of any changes that may affect equal pay
- publishing gender pay gap information.

##### In complying with good practice, councils should:

- use EHRC guidance for example when undertaking equal pay audits and developing equal pay policies
- use Close the Gap's guidance on meeting the public sector equality duty
- ensure their risk registers are up to date.

For those councils using the SJC job evaluation scheme, they should ensure they implement the most recent edition.

#### Questions for elected members in overseeing, challenging and scrutinising equal pay


- Have I been updated on the number of ongoing equal pay claims at my council? Am I satisfied they are being dealt with effectively?
- Have I been updated on the potential cost of equal pay claims?
- Have I been updated on the steps my council is taking to mitigate against the risks of equal pay claims? For example:
  - Have I seen my council's equal pay audit? Did it meet EHRC good practice guidance? Are there any pay gaps? Can we sufficiently justify any differences in pay gaps?
  - Have I seen action plans and progress reports against my council's equal pay policy?
  - Have I been updated on changes in case law that might affect my council?
  - Have I seen equality impact assessments on any changes to my council's pay and grading system?
  - Has my council fully implemented the SJC third edition guidance and recommendations?
- Have I been informed about whether my council has allocated adequate resources to proactively carry out equality work around equal pay/gender pay gap beyond responding to equal pay claims?

# Appendix 1

## Methodology

### Documents we reviewed for our audit

We reviewed a wide range of documents during our audit, including the following:

- *The National Agreement on Pay and Conditions of Service for Local Government Employees* (The Red Book), which includes guidance on implementing Single Status.
- [The Equality Act 2010](#) 
- Financial audit information and other work already carried out by local auditors.
- Delivering Equal Pay in Scottish Local Government, Unison Scotland submission to the Accounts Commission, May 2017.
- Scottish court papers.
- Inquiries carried out by Parliamentary committees in 2006 (Finance Committee), 2008 (Equal Opportunities Committee) and 2009 (Local Government and Communities Committee).

We asked councils for copies of:

- relevant minutes, papers and agendas for council meetings and appropriate council committees such as the Resources or Policy and Strategy Committee
- equality impact assessments and audits
- information on their gender pay gap.

### Research

We commissioned an employment law specialist to independently review the historical development of equal pay law.

### Data analysis

There is limited published information on equal pay in local government. We collected information from 32 councils across Scotland on the following:

- the number of equal pay claims lodged with the ETS (2004-16), how many are still live, and the outcome of those settled
- the cost of claims to councils
- when they implemented single status pay and grading structures
- if they used compromise agreements and how much they cost if they did
- information about how councils monitored progress with equal pay
- what challenges councils faced and lessons they learnt from implementing equal pay.

Councils record equal pay data in different ways, which made it difficult for us to directly aggregate and compare data. For example:

- some councils record claims by calendar year, others by financial year
- one council only maintained information on live claims on its database and did not hold information about claims that had been settled
- some councils could identify and quantify duplicate claims, while others could only indicate that their data included duplicates without specifying how many or when they had been lodged
- one council recorded data by the date settlements were made rather than when claims were lodged
- one council recorded the number of claimants rather than the number of claims.



## Interviews we carried out for this audit

We selected six councils to visit to further our understanding of how single status had been implemented. These were Angus Council, East Ayrshire Council, the City of Edinburgh Council, The Highland Council, North Lanarkshire Council and South Lanarkshire Council. These councils represent a mix in terms of size, rurality, the number and cost of claims, the job evaluation scheme used, and the length of time they took to implement single status.

At each of these councils we conducted interviews with typically:

- the chief executive
- the director or head of finance
- the director or head of human resources and legal
- other appropriate council officers
- the council leader and conveners of relevant committees
- union representatives from Unite and Unison.

We also interviewed the following stakeholders:

- The Convention of Scottish Local Authorities
- Trade unions at national level, including the Scottish Trades Union Congress and Unison (STUC), and some local representatives
- The Scottish Government
- Close the Gap
- The Society of Personnel and Development Scotland
- A Queen's Counsel, specialising in employment and discrimination law
- HM Court and Tribunal Service

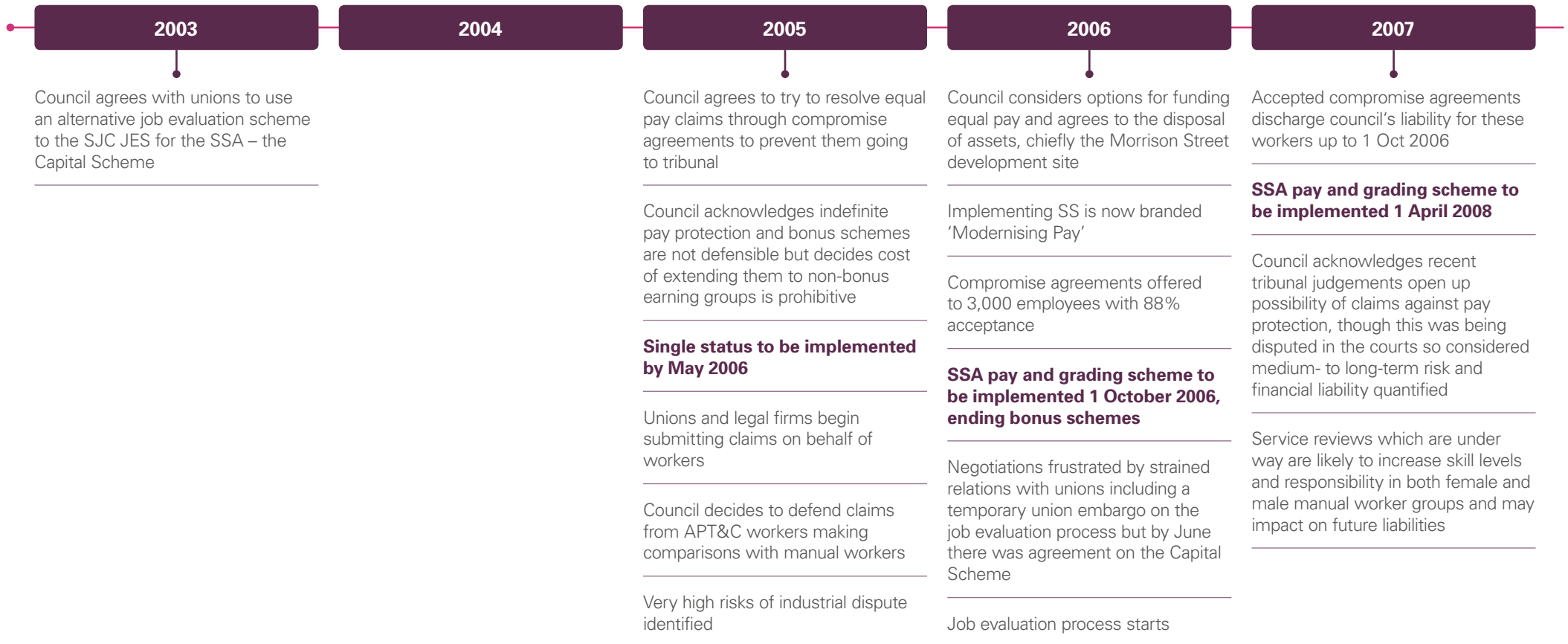
- Consultant to the COSLA job evaluation consortium
- Legal Office of the NHS
- A lawyer and an independent equal pay consultant.

# Appendix 2

## The process of implementing SSA – City of Edinburgh Council



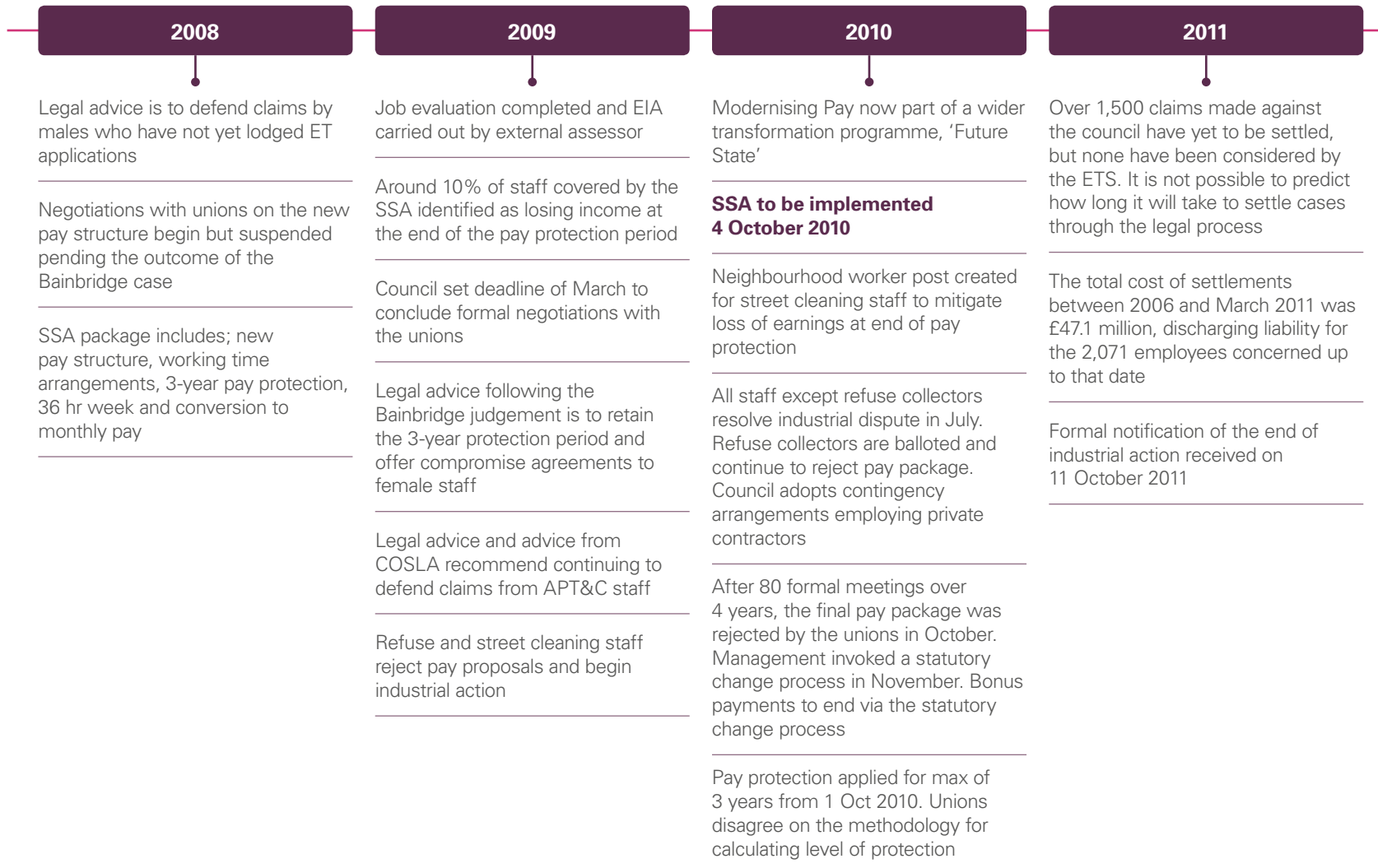
### City of Edinburgh Council





# The process of implementing SSA – City of Edinburgh Council (continued)

## City of Edinburgh Council

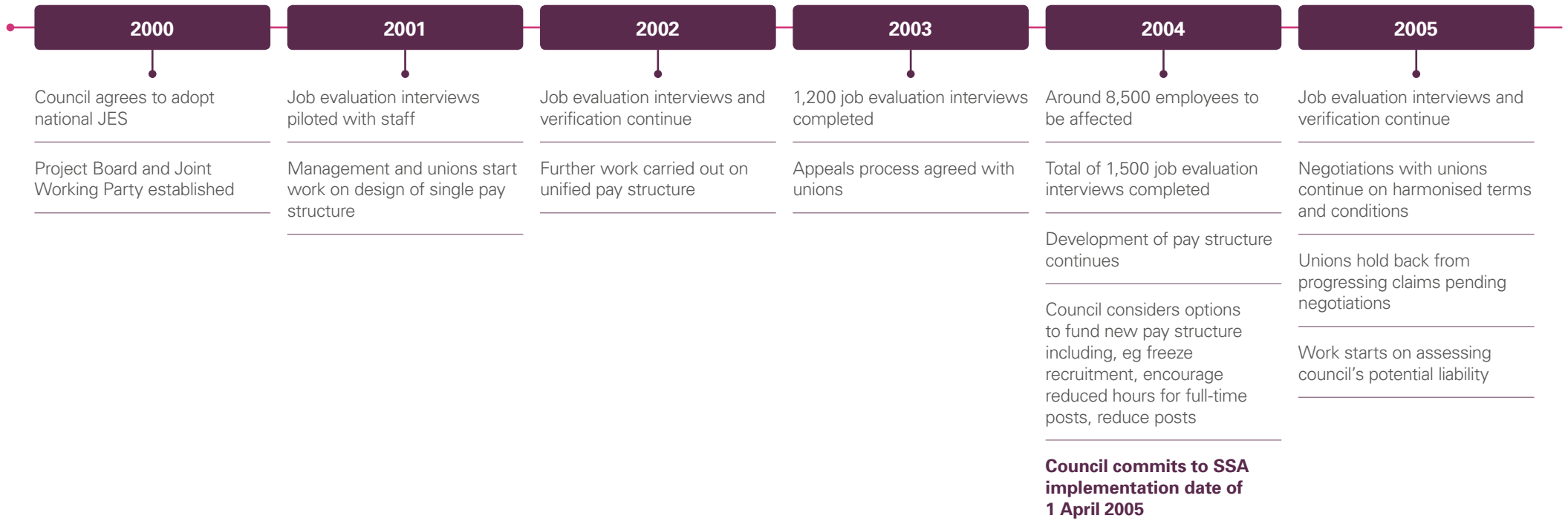


# Appendix 3

## The process of implementing SSA – The Highland Council



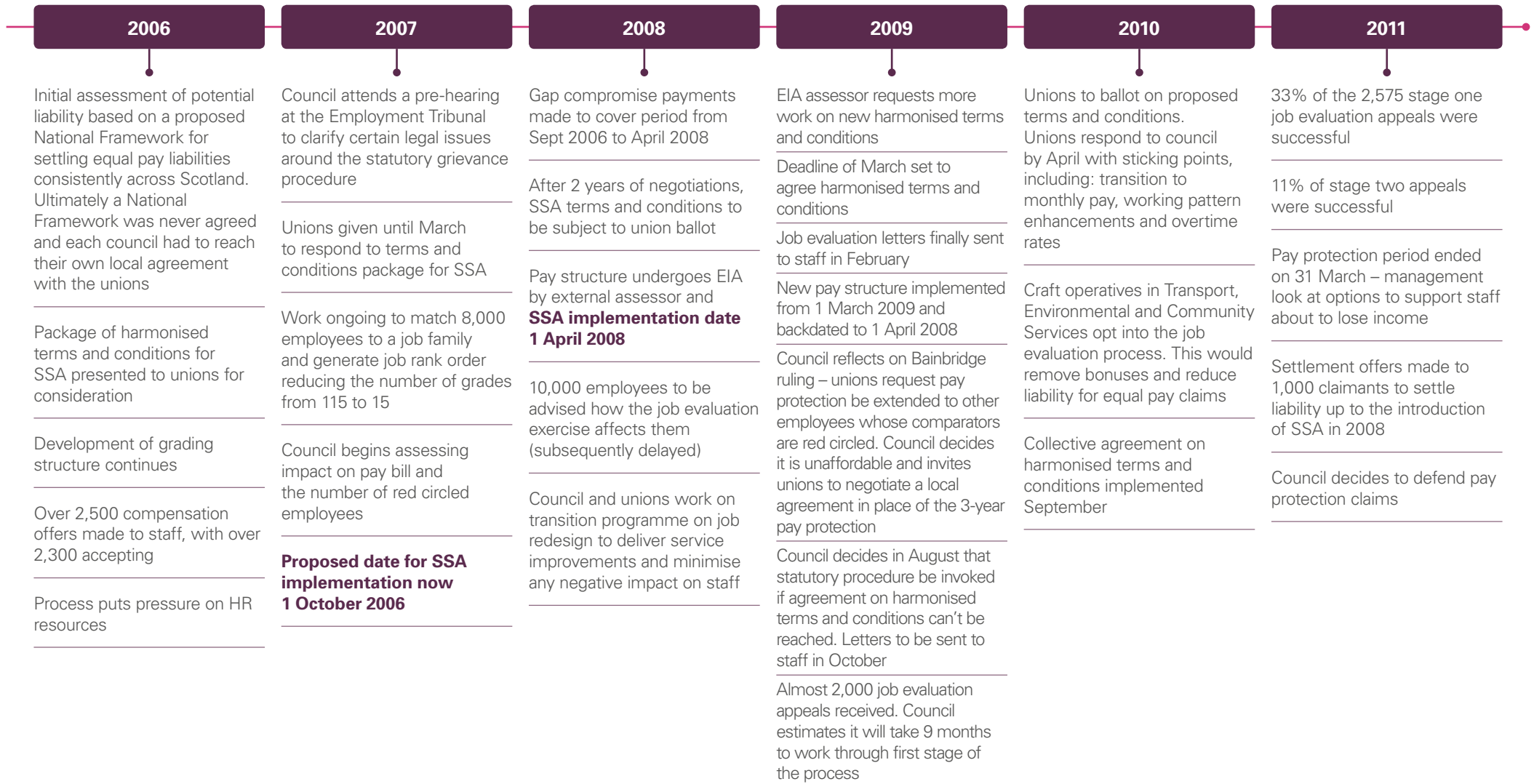
### The Highland Council





# The process of implementing SSA – The Highland Council (continued)

## The Highland Council



# Equal pay in Scottish councils

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ISBN 978 1 911494 37 9

This publication is printed on 100% recycled, uncoated paper

