

# HR Committee

26<sup>th</sup> September 2019



**Report of:** Director: Workforce & Change

**Title:** Pay & Reward – Inc. Apprentice Pay

**Ward:** N/A

**Officer Presenting Report:** Mark Williams (Head of HR)

**Contact Telephone Number:** 07795 446270

## Recommendation

That the Committee notes the report and provides its views on the proposal to change the Apprenticeship pay arrangements.

## Summary

The purpose of this report is to update the Committee on recent Pay and Reward developments and the proposed changes to the Apprenticeship pay arrangements.

## The significant issues in the report are:

- This report includes details of the Council response to the HM Treasury Pay Cap Consultation on the Exit Pay Cap.
- Information on the unions pay claim for 2020/21 that attempts to increase the pay of all local authority staff on NJC terms.
- Proposal to increase apprentice pay levels from April 2020 to the foundation Living Wage rate for apprentices 18 years old and over and 80% of the foundation Living Wage for apprentices under 18 years old.



## **Policy**

The Localism Act 2011 requires local authorities (the Full Council) to agree and publish a pay policy statement annually before the start of the financial year to which the statement relates. It is recommended to full Council by the HR Committee.

## **Consultation**

### **1. Internal**

Proposal to increase apprenticeship pay has been considered the Deputy Mayor – Finance, Governance and Performance. Further detailed work on the financial implications is required for consideration as part of the 2020/21 budget proposals. There will also be consultation with the trade unions before the proposals are finalised.

### **2. External**

Not applicable.

## **Context**

### **3. Background**

- 4.1. The Council has a key role to play in setting an equitable pay structure and ensuring those in the lowest paid jobs receive a fair living wage.
- 4.2. As we continue to transform our services to the public we are reshaping our workforce so that we retain and develop people with the right skills, abilities and potential to help shape how we deliver services. With a commitment to workforce development and 'growing our own' we continue to maximise opportunities to develop the skills and capability of our workforce to meet the changing requirements in public service. We continue to focus on attracting, developing and retaining a talented workforce whilst creating employment opportunities for citizens.

### **4. Exit Pay Cap Consultation**

- 5.1. Bristol City Council has responded to the HM Treasury Pay Cap Consultation which closed on 3<sup>rd</sup> July 2019 and has highlighted concerns about the merits of the proposals and the consequences for the employees who could be affected.
- 5.2. The scope of the cap as set out in the consultation document could cover workers who have long service and earn less than £23,500 a year. The absence of any review of the cap limit of £95,000 means that over time, more people with salaries below the national average will be affected. Concerns have also been raised about the absence of a robust Equalities Impact Assessment.
- 5.3. Reservations have also been raised around the discretionary exemptions process set out in the consultation as it will prevent democratically elected Councillors taking the necessary decisions to reform and manage the local government workforce.
- 5.4. The Council has urged HM Treasury to enter into discussion with the Local Government Association to arrive at a fairer process which does not affect staff on lower pay. Bristol City

Council fully accepts that the large discretionary payments to staff who are already highly paid should discontinue. However, the draft Regulations in their current form would affect lower paid staff and result in much lower pensions and/or cash payments for these staff who have many years of service which is not considered to be fair or reasonable.

## **5. Pay claim 2020/21**

- 6.1. UNISON, GMB and Unite, representing 1.4 million employees in schools and councils across England, Wales and Northern Ireland have submitted a pay claim that attempts to increase the pay of all local authority staff on NJC terms.
- 6.2. The claim for the year 2020/21 would see the lowest paid staff earning at least £10 per hour, and all other council employees receiving a ten per cent pay rise.
- 6.3. UNISON, GMB and Unite's joint claim also includes a one-day increase to employees' annual leave entitlement and a two-hour reduction in the standard working week. It also calls for a review of the workplace causes of stress and mental health issues.
- 6.4. The claim was submitted to the LGA on 24<sup>th</sup> July 2019 to be included as part of collective bargaining and meaningful negotiation for public employees, in line with Labour Relations Convention. The LGA are currently consulting regional employers on the pay claim.

## **6. Apprentice pay**

- 7.1. Our Corporate Strategy seeks to make Bristol a fairer, more equal city for everyone, but particularly for our children to grow up in. Growing the economy and reducing poverty are not separate areas of activity and 'trickle down' economics has failed to reduce inequality. Poverty is caused by issues such as unemployment, low wages and insecure jobs, ill health, lack of skills and high costs (especially for housing).
- 7.2. The Pay Policy Statement states as a development priority for 2019/20 to review 'the pay arrangements for apprentices'.
- 7.3. In May 2017 the Apprenticeship Levy was introduced requiring large employers to contribute 0.5% of their salary bill into a Government managed fund for apprenticeship training costs. These funds are retained for employer use for 24 months from transfer to levy account (a digital 'virtual' funding system). After 24 months unspent levy funds are transferred to HM Treasury. The Enterprise Act 2016 also introduced a public sector duty requiring local authorities and others to ensure that by 2020 2.3% of staff would be undertaking learning and development through apprenticeships.
- 7.4. However, to prevent Levy funds being passed from BCC to the Treasury, a potential risk from August 2019 onwards, there are two ways the council can mitigate this risk; one recruit more apprentices to increase usage of the levy by drawing down the cost of training and two maximise training courses available for current employees.
- 7.5. The Social Mobility Commission state "Apprenticeships could also be a powerful vehicle for social mobility, but the reality is not as clear cut; those from lower socio-economic backgrounds are clustered in lower returning and lower level apprenticeships. However, Level 2 and 3 apprenticeships (equivalent to GCSE and A Level), which are more likely to be taken up

by those from disadvantaged backgrounds, decreased by 16 and 38 per cent in 2017/18. In contrast, the number of higher level apprenticeships, which are typically entered by more affluent people, grew by 32 per cent. If this trend continues, it will make it harder for people with low qualifications to get a first step on the career ladder. Progression to higher levels of apprenticeship is also difficult; only 25 per cent of Level 2 apprentices progress to Level 3.”  
Social Mobility Commission - State of the Nation 2018-19

- 7.6. In line with Corporate and Organisational Improvement priorities, positive action is being taken to recruit underrepresented groups into new apprenticeship roles, and also to support existing staff from priority groups to progress through apprenticeship opportunities. BCC apprenticeship recruitment of existing staff and new employees from priority groups is currently 29%.
- 7.7. There is evidence from a variety of government and third sector sources that low wages in apprenticeships may serve as a barrier which prevents people from low-income backgrounds from accessing apprenticeships. Women (63% apprentice, 60% workforce) and people from BAME backgrounds (21% apprentice, 13% workforce) are disproportionately represented in lower paying apprenticeships.
- 7.8. Young workers are more likely to be in insecure roles or on zero-hours contracts than their older colleagues. Apprentice wages have been falling in real terms since 2009 and reduced purchasing power is felt particularly harshly by those who are already at the bottom end of the wage spectrum. LPC (2017) National Minimum Wage: Low Pay Commission Report
- 7.9. It is essential that the Council attracts and retains the right talent to lead and deliver great services to Bristol’s citizens. Offering apprenticeships is a proven and effective method of attracting and retaining staff.
- 7.10. Proposals have developed to increase apprentice pay levels from April 2020 to the foundation Living Wage rate for apprentices 18 years old and over and 80% of the foundation Living Wage for apprentices under 18 years old. The proposals are not yet finalised and further detailed work is being undertaken and there will be detailed consultation with key stakeholders. However, it is already evident that there will be a number of benefits of changing the current arrangements:-
- Increasing the rate will improve the attractiveness of the council to younger people seeking apprenticeship roles.
  - The number of young people working in the organisation is likely to increase. Currently only 3.92% of the workforce are aged 24 or under.
  - Using apprenticeships will help to ensure that we are developing the skills we need for the future, to grow our economy in ways that also supports our City.
- 7.11. The proposed pay rates are below:-

Year	Age	Current pay <sup>^</sup>	Proposed pay <sup>^</sup>
One (30 hours per week)	All ages	£5.00 per hour - £7,821 per annum	See below
Two (35 hours per week)	Under 18	£5.00 per hour - £7,821 per annum	£7.20 per hour - £13,140 per annum*
Two (35 hours per week)	18 - 20	National minimum wage £6.15 per hour - £11,124 per annum	Bristol's living wage £9 per hour - £17,364 per annum*
Two (35 hours per week)	21 - 24	National minimum wage £7.70 per hour - £14,053 per annum	Bristol's living wage £9 per hour - £17,364 per annum*
Two (35 hours per week)	25 and over	National minimum wage £8.21 per hour - £14,983 per annum	Bristol's living wage £9 per hour - £17,364 per annum*
Three (37 hours per week)	All ages	Bristol's living wage £9 per hour - £17,364 per annum	Bristol's living wage £9 per hour - £17,364 per annum

<sup>^</sup> Per annum value based on the total hours per week for each year

## Proposal

7. That the Committee notes the report and provides it views on the proposed changes to the Apprenticeship pay arrangements.

## Other Options Considered

8. None.

## Risk Assessment

9. The Living Wage is an hourly rate set independently and updated annually which is calculated according to the basic cost of living in the UK. The UK Living Wage is calculated by the Centre for Research in Social Policy who could determine that it be increased again.

## Public Sector Equality Duties

- 16a) Before making a decision, section 149 Equality Act 2010 requires that each decision-maker considers the need to promote equality for persons with the following "protected characteristics": age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. Each decision-maker must, therefore, have due regard to the need to:
  - i) Eliminate discrimination, harassment, victimisation and any other conduct prohibited under the Equality Act 2010.
  - ii) Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to --
    - remove or minimise disadvantage suffered by persons who share a relevant protected characteristic;
    - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of people who do not share it (in relation to disabled

people, this includes, in particular, steps to take account of disabled persons' disabilities);

- encourage persons who share a protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

- iii) Foster good relations between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to –
  - tackle prejudice; and
  - promote understanding.

- 16b) The proposal if accepted positively impacts on the lowest paid staff, as set out in the report. A positive impact for the youngest age group of employees, aged 16-24 where there is a higher representation than the whole council workforce profile. The impact is also likely to be positive for BAME staff who are more highly represented in the potentially impacted group than the wider council profile. Positive action is being taken to recruit under-represented groups into new apprenticeship roles, and also to support existing staff from these groups to progress through apprenticeship opportunities. The Council is aiming to increase BAME apprenticeships and also increase apprenticeship take up by other groups that face barriers to recruitment, including Care Leavers, Disabled People, 16-19 year olds and people over the age of 50. The implementation of the proposal will be monitored over the first year to assess whether the increase in pay rates has changed the representation of the impacted group.

## **Legal and Resource Implications**

### **Legal**

There are no specific legal implications arising from this Report. The proposed increase to the pay of Apprentices should be incorporated in the Pay Policy Statement applicable for the financial year 2020/2021 and approved by Full Council.

**Husinara Jones, Team Leader/Solicitor, 10<sup>th</sup> September 2019**

### **Financial**

#### **(a) Revenue**

The proposal if accepted would have financial implications for the increase in pay for current apprentices and the additional cost of bringing in apprentices to assist in delivery of the required 2.3% of staff undertaking learning and development through apprenticeships by 2020. These implications including funding streams will be submitted and considered as part of the 20/21 budget setting proposals and will be subject to the formal budget setting process.

**Kevin Lock, Finance Manager, 17th September 2019**

#### **(b) Capital**

Not required because this report is for information only.

### **Land**

Not applicable.

## **Personnel**

As set out in the report.

**Mark Williams, Head of HR, 18<sup>th</sup> September 2019**

### **Appendices:**

- A.** HM Treasury Exit Pay Cap Consultation and Bristol City Councils Response
- B.** UNISON, GMB & Unite's - Pay claim 2020/21

## **LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

### **Background Papers:**

None.