

Living on the EDGE: Pay in Local Government

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A report by the New Policy Institute for Unison



LIVING ON THE EDGE: PAY IN LOCAL GOVERNMENT

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Responsibility for the content of the papers remains solely with the authors.

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SUMMARY

INTRODUCTION

The local government workforce in England and Wales is a big part of the public sector – and a very big part of the local public sector – yet there is little understanding among the general public of who is in it. The two main archetypes, teacher and town hall bureaucrat, either do not apply at all or apply to just a few.

This lack of understanding is made worse by misleading comparisons by politicians and policy makers between the public and private sectors. The reason why such comparisons are misleading is that they overlook the huge differences in jobs and pay *within* each sector. This report aims to correct this by showing who belongs to the local government workforce, what they do, what they are paid, and how they compare with the private sector and the rest of the public sector.¹

KEY FINDINGS

1. 1.7 million people worked in local government in England and Wales in 2010, around a quarter of the 6.9 million working in the public sector. Three quarters of the local government workforce are women. Well over half of the workforce work part-time.
2. Local government (like the rest of the public sector) has a much higher proportion of women in its workforce than the private sector. Local government has a much higher proportion of part-time jobs than the rest of the public sector.
3. Two thirds of the jobs in local government are manual or clerical jobs, almost exactly the same proportion as in the private sector. In the rest of the public sector, only one third of jobs are manual or clerical.
4. Eight per cent of full-time workers and 38% of part-time workers in local government earned less than the Living Wage of £7.20 an hour in 2011. This is a quarter of the workforce.
5. Both full-time and part-time hourly earnings in local government are well below those in the public sector as a whole. Part-time hourly earnings in local government are above those in the private sector (where a quarter earned £6 an hour or less in 2010).
6. High inflation coupled with a pay freeze that began in April 2010 slashed the real value of earnings in local government by 13% between April 2009 and February 2012. A fall this big is unprecedented. Continuing high inflation means that earnings will fall further still.
7. Thanks to the pay freeze and inflation, typical full-time hourly earnings in local government have sunk back to the levels of the early 1990s. Typical part-time hourly earnings have fallen back to 2002 levels.
8. Low paid local government employees usually need benefits and tax credits to keep their household out of poverty. The higher but still modest minimum income standard is rarely reached.

9. Low paid local government workers and their families are in a financially precarious position. A reduction in hours, a child leaving school or a partner whose eligibility for contribution-based social security ceases can all take the household to the edge of poverty. This is despite the fact that the local government employee continues to work. Pay for these workers is poverty pay.
10. Quality of service considerations – and in the case of care workers and others in personal service occupations, considerations of the human rights of clients – are grounds for improving the pay and conditions as well as the training of local government employees. The pretence that jobs such as caring for elderly, frail or otherwise vulnerable people requires but little skill is a symptom of our society's inability to recognise and value some of the things in life that matter most.

CONCLUSIONS

Before 2010, it had been the norm for decades that pay would keep up with, and sometimes do a bit better than, inflation. Since 2010, that norm has been smashed. What will replace it?

To begin with, the impression was given that however severe, the squeeze on public sector earnings would only be temporary. By promising an increase of £250 each year to those on less than £21,000, George Osborne also gave the impression that it would be a 'fair' squeeze in which those on low pay would be cushioned.

From bitter experience, the local government workforce know how misleading these impressions are. Pay in local government had already been frozen by the time the Chancellor announced the freeze across the public sector. Uniquely among public sector workers, low paid local government workers have not had that £250. The vast majority of those who have been denied even this pittance are women, many of them working part-time.

Osborne's announcement in autumn 2011 that the two-year public sector pay freeze would be followed by two further years in which pay goes up by 1% is an attempt to make permanent what first seemed only temporary – to make it, in other words – the new norm. The local government workforce, facing the prospect of a third year of severe restraint in April 2012, is the guinea pig. Will that be what happens? If so, the outlook is not only bleak for living standards but also for the quality of services that are delivered or paid for by local government, and for local economies dependent on local government earnings.

1. LOCAL GOVERNMENT WORKERS: WHO ARE THEY AND WHAT DO THEY DO?

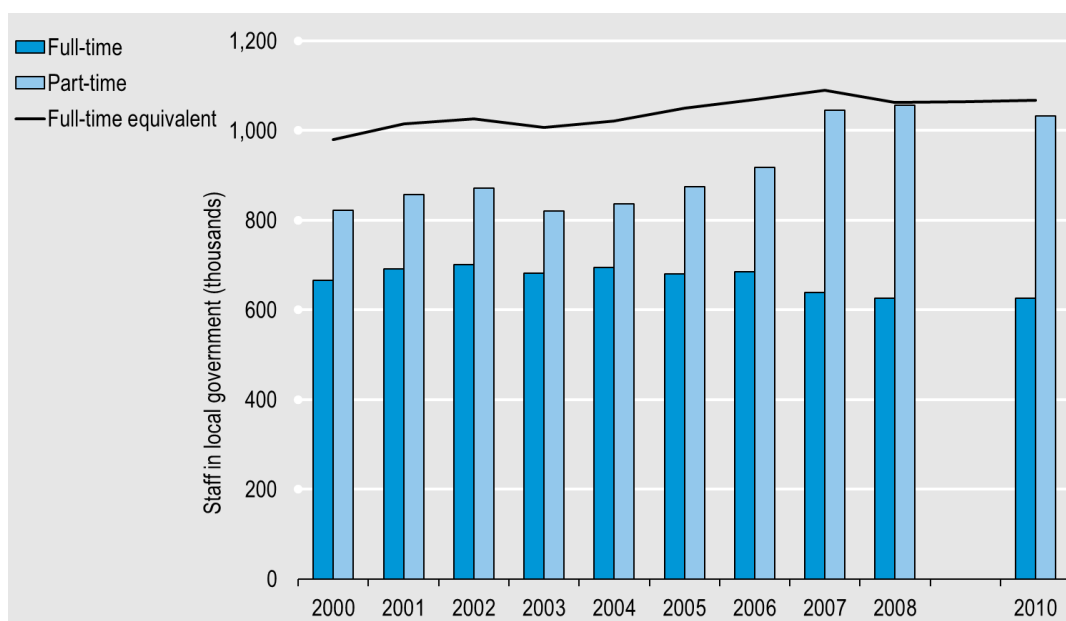
THE LOCAL GOVERNMENT WORKFORCE

In autumn 2010, some 1.7 million people were employed by local government in England and Wales. Most local authorities and their employees are represented by the National Joint Council for Local Government Services – the group who are the subject of this paper. Three quarters are women. Well over half work part-time.²

Most part-time workers in local government – nearly nine out of ten – are women. A majority of the women in this workforce – about six out of ten – work part-time. By contrast, most men in the workforce work full-time; even so, one quarter of men work part-time.³

Over the ten years from 2000, the local government workforce grew by 200,000. Figure 1 shows that all that growth was in the number working part-time. Full-time numbers have been falling steadily since 2006. Part-time numbers started growing quickly after 2006. While part-time numbers seem now to have stopped growing, a shift from full-time to part-time as councils try to save money probably means that the proportion who are part-time will continue to grow even if the total does not.

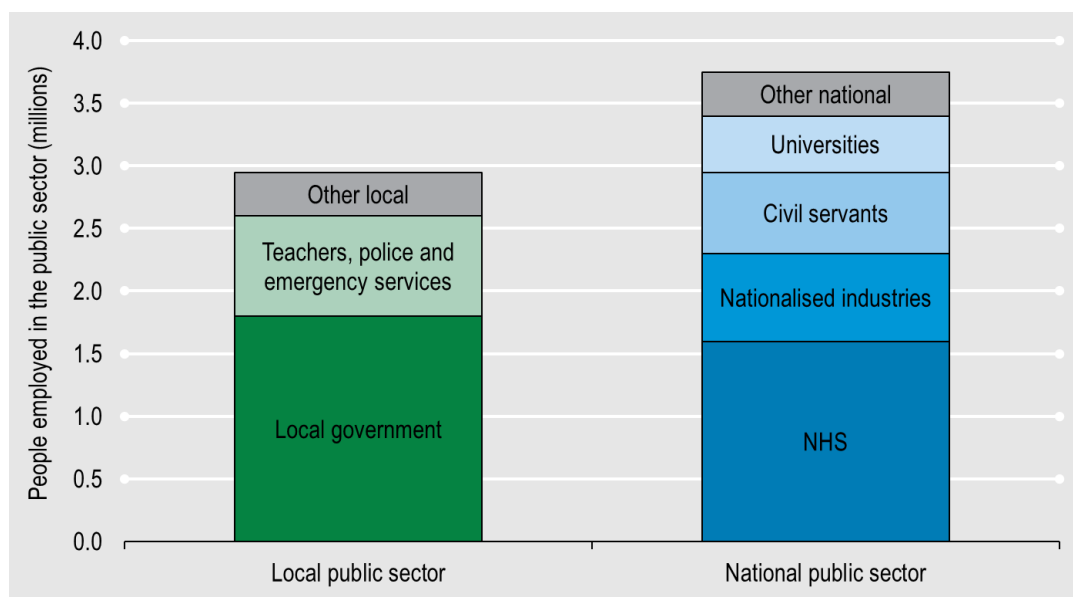
Figure 1: Numbers of full- and part-time staff in local government 2000-2010



Source: LGS Census, various years, from Local Government Employers via Unison.

LOCAL GOVERNMENT IN THE PUBLIC SECTOR⁴

In 2010, 6.9 million people worked in the public sector in England and Wales. Figure 2 shows the main groups that go to make up the public sector. After local government, which with a quarter of the total is the largest single group, comes the NHS (1.6 million) then teachers, police officers and emergency service staff (1 million).⁵

Figure 2: numbers employed in the public sector

Source: NPI analysis of the Annual Population Survey 2010.

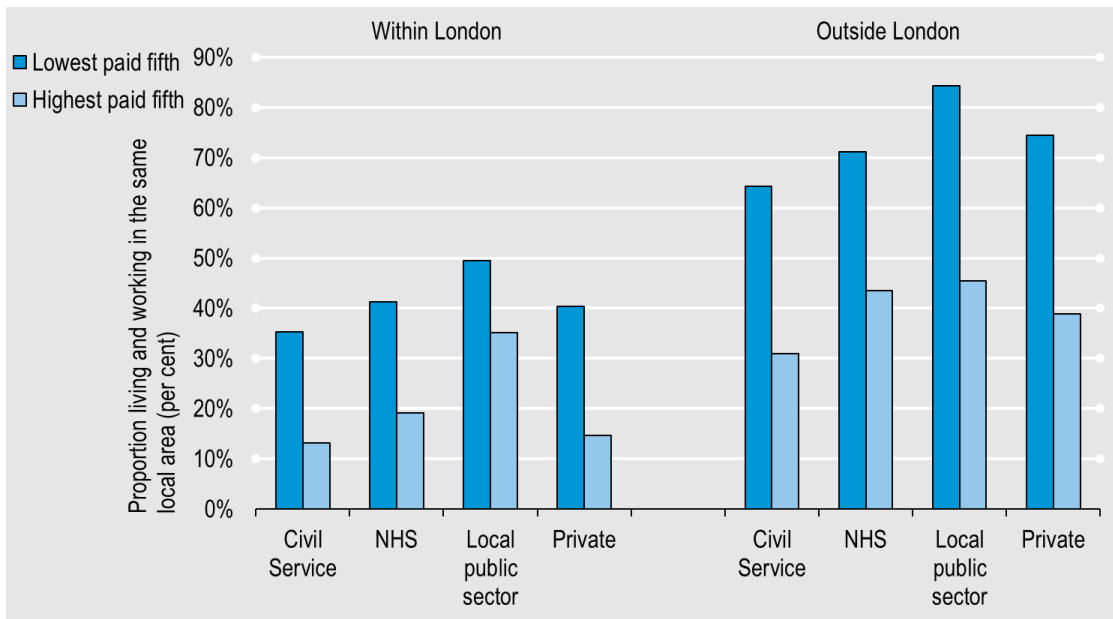
Across the public sector as a whole, two thirds of the workforce are women. Across the economy as a whole, just under half are women. In having a majority of women, local government is therefore like the rest of the public sector – ‘only more so’ – but unlike the private sector.

In other parts of the public sector, many more of the women are in full-time jobs. What really makes local government stand out, even from the rest of the public sector, is therefore the high proportion of part-time jobs. Overall, about 1 in 8 of all jobs done by women and about 1 in 8 of all part-time jobs, are in local government.

With an average age of nearly 44, the local government workforce is almost three years older than the workforce as a whole.⁶ Whereas half the local government workforce are aged 45 and above, only two fifths are in that age group across the economy as a whole. Conversely, those under 35 make up less than a quarter of the local government workforce but more than a third for the economy as a whole.

Local public sector workers are also the most likely of any group to live and work in the same local area. Figure 3 shows that across all sectors, more low earners than high earners live and work in the same area. The proportion is always lower within London than elsewhere. Outside of London, 84% of the lowest paid local public sector workers live and work in the same area.⁷ Within London, that proportion is 49%. One of the reasons why these high proportions are important is that they mean that increases in earnings contribute that much more strongly to local economic development.⁸

Figure 3: the proportion of people who live and work in the same local area

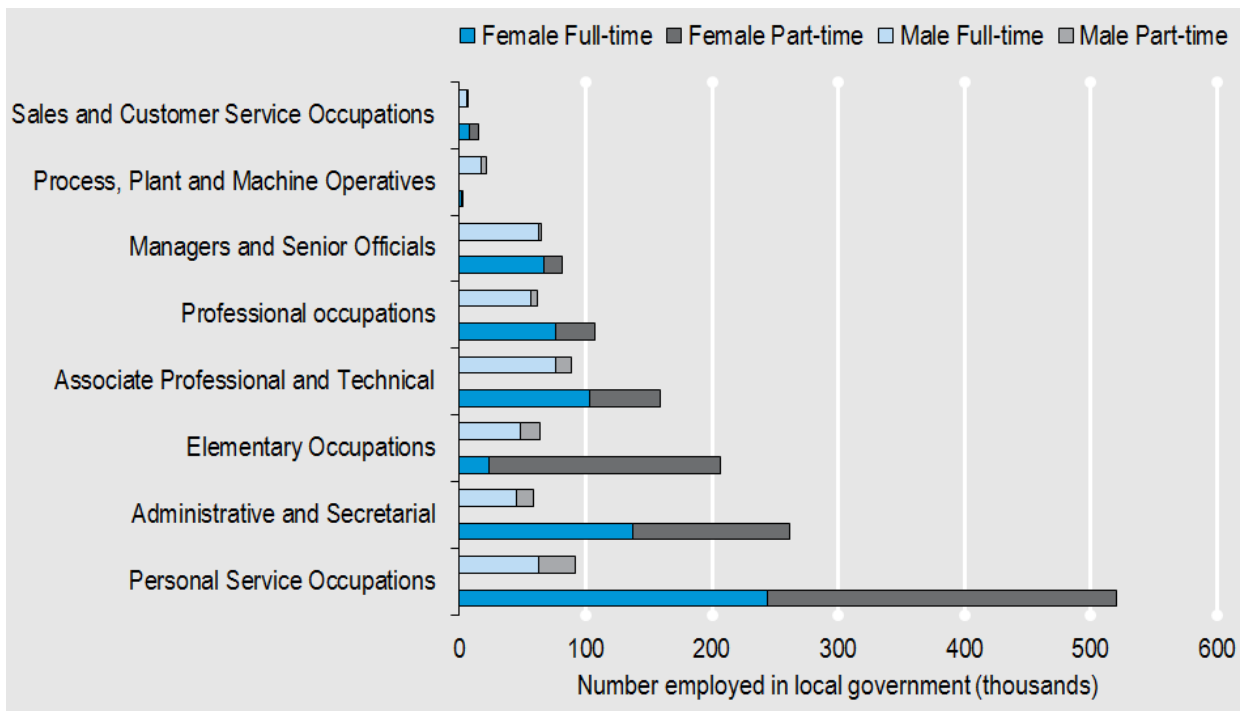


Source: NPI analysis of the Annual Population Survey 2010.

JOBS IN LOCAL GOVERNMENT

What about the jobs done in local government? Figure 4 classifies those jobs according to the nine major ‘occupational groups’ used by official statisticians. The biggest of the groups – ‘personal service occupations’ – accounts for a third of all local government jobs. ‘Administrative and secretarial’ and ‘elementary occupations’ account for another third. ‘Associate professional and technical’, ‘professionals’ and ‘managers’ account for most of the rest.

Figure 4: the size of the major occupational groups in local government⁹

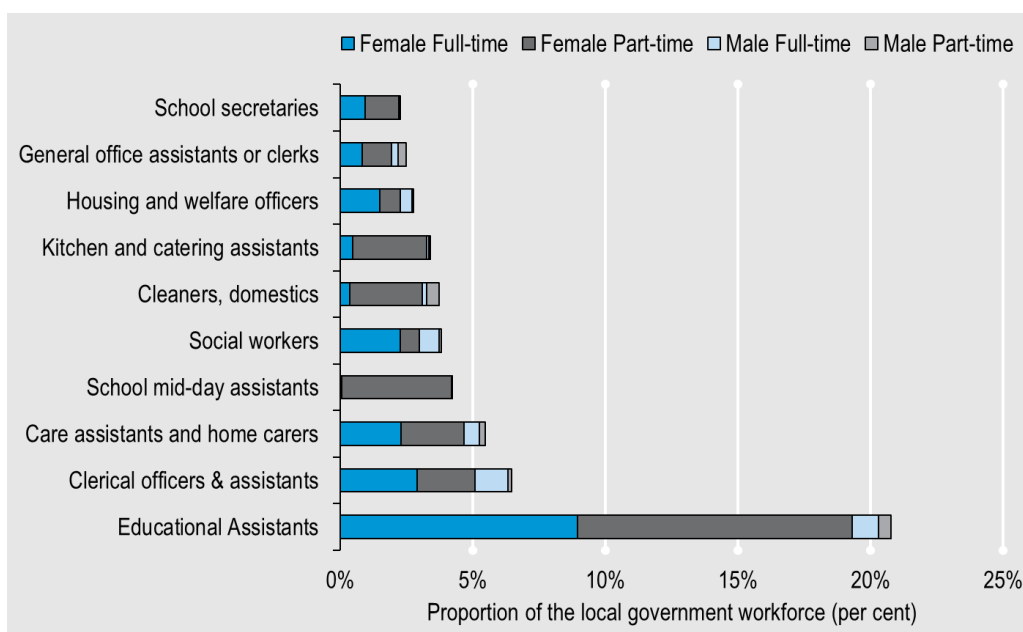


Source: NPI analysis of the Annual Population Survey 2010.

Figure 4 also shows how women make up a very large share in each of the biggest three groups. By contrast, the men are spread much more evenly across the groups. Despite, making up three quarters of the workforce, women only account for just over half of managers and professionals.

Although there are more than 200 different jobs in local government, half the workforce carry out just eight of them. As figure 5 shows, by far the most common job is educational assistant, with a fifth of the workforce in this role. Over 90% of educational assistants are women and over half work part time.¹⁰ All of them have an above (local government) average proportion of women. School mid-day assistant kitchen and catering assistant are jobs done almost exclusively by women.

Figure 5: the top ten jobs (measured by size) in local government



Source: NPI analysis of the Annual Population Survey 2010.

Other jobs beyond this list with sizeable numbers of people doing them include general office assistant, school secretary, caretaker, nursery nurse, accounts clerk and bookkeeper; social services manager and library assistant. Taken together, the top 20 jobs account for two thirds of all local government jobs.¹¹

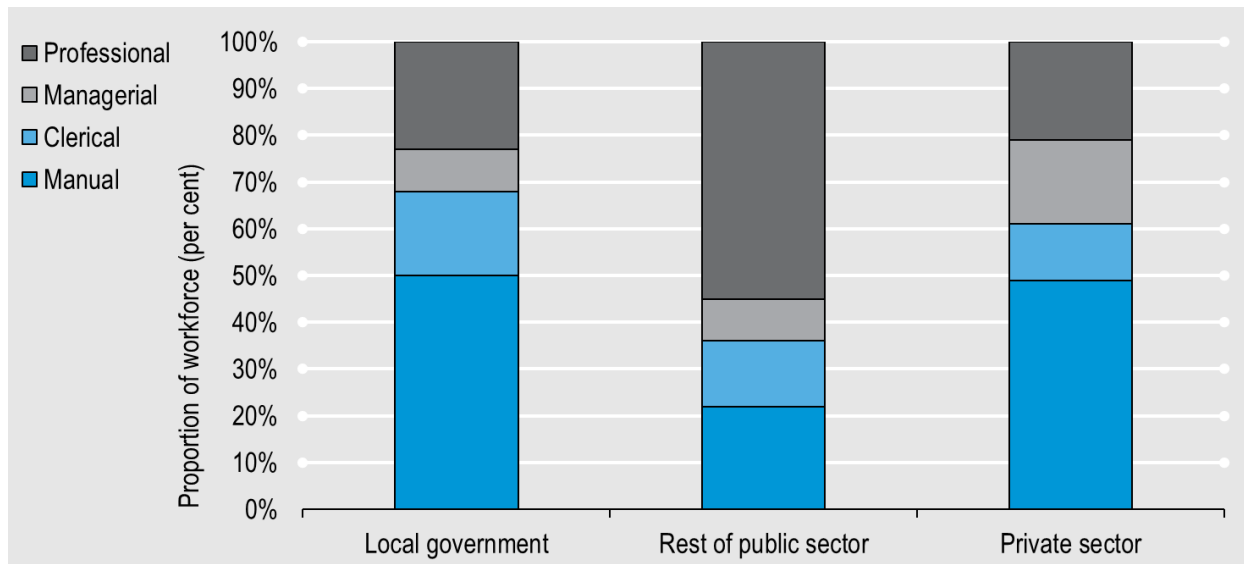
One other point is that most of the people in the ‘personal service’, ‘administrative and secretarial’ and ‘elementary’ occupational groups are in one of these top 20 jobs. By contrast, there are lots of different ‘professional’ and ‘managerial’ jobs; no one or two job types dominate these occupational groups to anything like the same extent.¹²

CONCLUSION: MOST JOBS ARE MANUAL OR CLERICAL

How does the jobs picture compare with both the rest of the public sector and the private sector? Figure 6 provides a simplified answer in which the nine occupational groups are combined to produce four overall groups:

- **Manual jobs**, carried out by those such as school meals workers, care assistants, home care workers invariably useful ('front-line'), physically and emotionally demanding, with just a few different types of jobs each done by lots of people, lacking a career structure, and usually carried out standing up. These are the jobs in the 'personal service', 'elementary' and (for completeness though both tiny in local government) 'machine, plant and process operators' and 'sales and customer service'.
- **Clerical jobs**, sharing many of the characteristics of manual jobs although more likely to be carried out sitting down and less likely to require physical exertion. Although not all are 'front-line' some, like school secretaries and library assistants, certainly are.
- **Professional jobs**, characterised by a high degree of specialisation based on specialist knowledge, leading to many distinct types of jobs each done by just a few people (although social worker and housing and welfare worker are exceptions here) Both 'professional' and 'associate professional and technical' jobs belong here.
- **Managerial jobs**, characterised only by the presence of the word 'manager' in the title, this is the most varied of the groupings.¹³

Figure 6: types of job: local government, public and private sectors



Source: NPI analysis of the Annual Population Survey 2010.

Presented like this, figure 6 says two clear things about local government. The first is that, with half of all jobs being manual and just a fifth professional, local government looks like the private sector. The second is that local government looks completely different from the rest of the public sector where more than half of all jobs are professional and just one fifth are manual. Manual and clerical together account for two thirds of all local government jobs; in the rest of the public sector they account for just one third.

2. LOCAL GOVERNMENT EARNINGS: LIKE PUBLIC SECTOR OR PRIVATE?

HIGH, LOW AND MID-POINT EARNINGS: 2010

What do workers in local government earn, and how does it compare both with the public sector as a whole and the private sector? Just looking at a single average is not enough because it can hide what is going on with high and low pay. To answer the question accurately, this chapter looks at full- and part-time earnings separately, using the *median* (or mid-point) rates of full-time and part-time hourly pay as the main measures.¹⁴ By definition, half of full-time employees earn less than the full-time median. Half of all part-timers earn less than the part-time median.

To give a bit more information about the position at different points on the pay scale, figure 7 also shows the rates of pay at the *lower* and *upper quartiles*. A quarter of employees earn less than the lower quartile. Three quarters earn less than the upper quartile.

Figure 7: hourly earnings in 2010, local government and public and private sectors¹⁵

	Public sector	Local government	Private sector
Part-time:			
One quarter earn less than:	£7.66	£6.63	£6.00
Half earn less than:	£9.99	£8.01	£6.92
Three quarters earn less than:	£16.75	£9.91	£9.27
Full-time:			
One quarter earn less than:	£10.77	£8.72	£8.18
Half earn less than:	£14.78	£11.15	£11.36
Three quarters earn less than:	£20.13	£14.84	£17.15

Source: ONS, *Annual Survey of Hours and Earnings 2010 revised tables 13* (public and private sector); Unison (local government).

Looking at part-time work first, hourly earnings in local government always lie between the public sector as a whole and the private sector. For example, at £8.01 an hour, mid-point earnings in local government are just over £1 above the private sector (£6.92) and around £2 below the public sector as a whole (£9.99).

Local government is also between the two sectors at the lower end of full-time earnings, one quarter in local government earning less than £8.72. Higher up the pay scale it is a different picture. Here, local government earnings are lower than the private sector and the public sector as a whole. At the mid-point, local government is behind the private sector, although not by very much.

One point of reference with which to compare these figures is the Living Wage. This is the minimum hourly rate of pay needed to allow a working family to have the minimum essentials of life. In 2011, the London Living Wage was £8.30 an hour while the national Living Wage (outside London) was £7.20.¹⁶ We estimate that 35% of those in part-time jobs in local government and 7% of those in full-time were earning less than the national Living Wage. Allowing for London's higher Living Wage pushes these percentages up, to 38% and 8%. Overall, about one quarter of all local government employees earn less than the Living Wage.

The lowest paid doing part-time work in local government are better paid, by 63 pence an hour, than the lowest paid in the private sector. There are some differences in the nature of the jobs that are done.¹⁷ The real point here is how badly paid those at the bottom of the private sector are with 25% earning at most 20 pence an hour more than the National Minimum Wage (£5.80 an hour through most of 2010). Ten per cent earned the Minimum Wage or less.

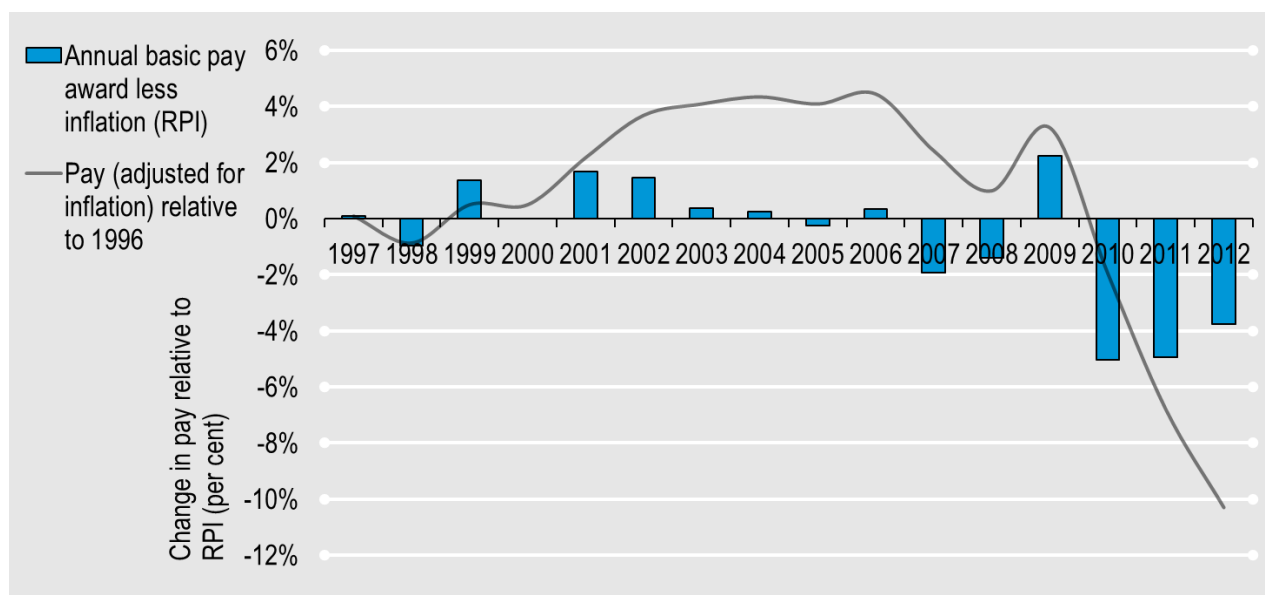
How far is this comparison with the private sector altered by other elements of a local government employee's remuneration apart from pay itself? The biggest of these is the employer's contribution to the local government pension. Many local government workers, especially those on the lowest pay, do not belong to this scheme. We estimate that about 5% should be added to the rates of local government pay shown in figure 7 to reflect the value of the employer's contribution to the employee. Five per cent does not change comparisons drawn from figure 7 in any fundamental way.¹⁸

PAY AWARDS IN LOCAL GOVERNMENT: 1997 TO 2011

The basic driver of local government pay, both full-time and part-time, is the combination of annual pay awards and offsetting inflation. Before moving on to look at how the picture presented in figure 7 has changed over the last few years, we look at what pay awards and inflation have done to the pay scale.

Figure 8 shows two things. The bars show how much pay has gone up each year as a result of the annual pay award but after deducting the effect of price inflation over the previous year. The line shows the cumulative effect of the pay awards.

The story here is quite straightforward. After four years during which pay awards either matched inflation (1997 and 2000) or matched them over two consecutive years (1998 and 1999), pay grew by 2% more than inflation in both 2001 and 2002. Over the next five years, as awards only just exceeded inflation, pay stayed about 4% higher (after inflation) than it had been in 1996. After that, it began to fall back. Inflation outstripped the pay award in both 2007 and 2008. The increase in 2009 was mainly due to negative inflation in the first year of the recession. Pay freezes in 2010 and 2011 coupled with inflation meant falls of around 5% in both 2010 and 2011. Thanks to inflation, pay is expected to have fallen further, by nearly 4%, up to the point when the next pay award (April 2012) would be due. The cumulative effect of the last three years is that pay has fallen by 13% since 2009 and is now more than 10% below where it was in 1996.¹⁹

Figure 8: cumulative value of 'headline' NJC pay award after inflation

Source: NPI calculations using headline pay increases, from Local Government Employers via Unison²⁰

The changing value of the headline pay scale underlies what has happened to local government earnings but it is not the only factor. Pay awards are not always uniform. The re-grading of jobs, driven by the 1997 Single Status Agreement,²¹ or occasionally performance-related pay progression, can change the distribution of jobs across the scale.

Other aspects of remuneration are negotiated locally. In 2010 the Local Government Employers sent a document entitled 'Reducing Workforce Costs' to every constituent local authority calling on them to cut pay, conditions and hours at local level in order to cut costs. Since then, local government workers in many councils have seen further reductions in their overall earnings and conditions of employment to those resulting from pay freezes.

For example, the evidence from a survey of Unison branches in 2010/11 clearly demonstrates an erosion of several of these in a minority, sometimes a sizeable minority, of local authorities. Top of the list in terms of the numbers involved are changes to car allowances.²² Local government staff who have to use their car to do their job include home care and social care workers, housing workers, social workers, trading standards officers and highways engineers. Other elements of remuneration under pressure at the local level include overtime and unsocial hours payments, increments to pay, sick pay and redundancy.²³ For low paid care workers, cuts to unsocial hours payments can make a huge difference to their living standards, especially if they work part-time (and are not therefore entitled to any overtime payments).

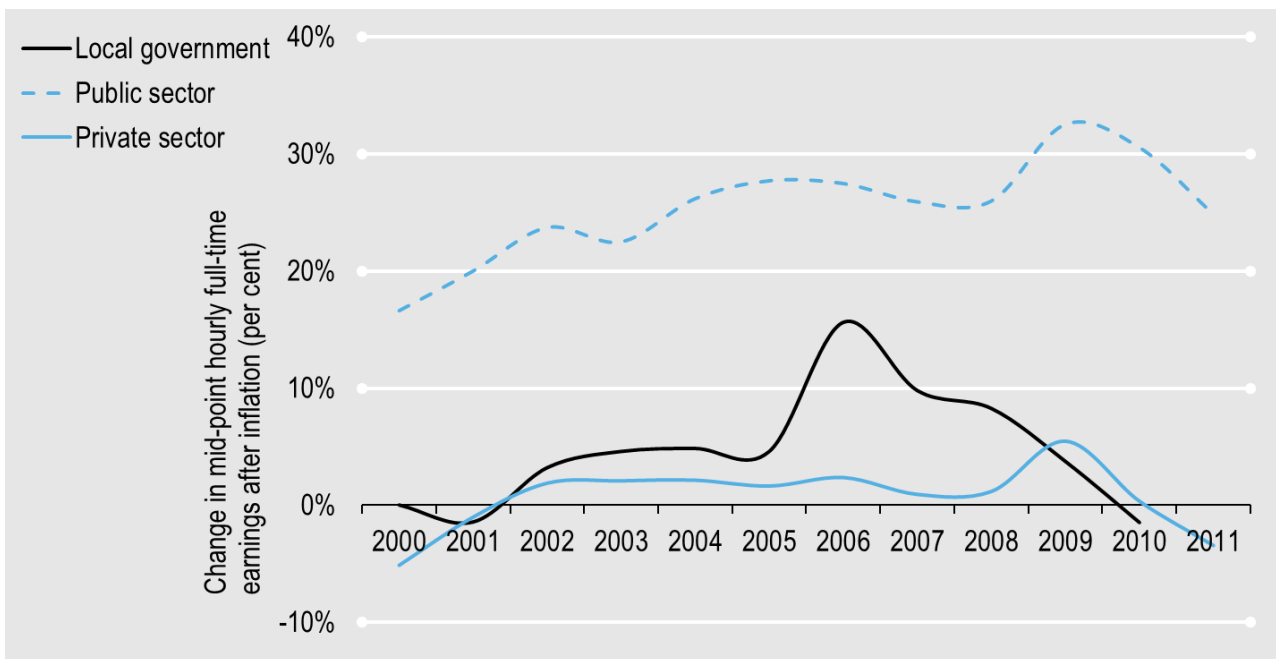
Finally, it is also important to look at what has happened at the very top of local government. Here the picture is, to say the least, rather different. According to the Audit Commission, mid point basic pay for chief executives of district councils rose 59% (before inflation) between 1998 and 2007 while that for chief executives of single tier and county councils rose 75%. In 2008 basic pay rose again by nearly 6%. After allowing for the effects of inflation, this means that chief executives of district councils saw their basic pay go up by 27% over ten years while their colleagues in the bigger councils enjoyed a rise of more than 50%.²⁴ This is a very different picture from figure 8.

MID-POINT EARNINGS COMPARED: 2000 TO 2011

Figure 9 shows what has happened to mid-point full-time earnings in local government, the public sector as a whole, and the private sector since 2000. All mid point values are expressed as the difference (after inflation) from the local government mid-point in 2000. The key points here are:

- Mid-point private sector earnings in 2011 were back to where they were 11 years earlier. Modest gains between 2000 and 2002 quickly evaporated after 2009.
- Mid-point public sector earnings, which were 17% above the local government mid-point in 2000, were 25% above that baseline in 2011. However, at least part of the step up in 2009 is artificial, reflecting the statistical effect of the nationalisation of RBS, Lloyds and HBOS which pushed up the public sector figure (banks being better payers, even at lower levels, than the public sector which they joined).²⁵
- Mid-point local government earnings in 2000 were close to the private sector and far away from the public sector as a whole. From 2002, that started to change, almost certainly as a result of the impact of Single Status pay reviews. But this advance was not sustained. The 10% gap that had opened up with the private sector by 2006 proved to be temporary. By 2010, local government was back where it had been in 2000.²⁶

Figure 9: mid-point hourly full-time earnings after inflation, local government and the two sectors²⁷



Source: *Annual Survey of Hours and Earnings*, table 13, various editions, ONS, for the public and private sectors; NPI analysis of local government using data (available only to 2010) supplied by Unison. 'Inflation' is RPI.

The comparable graph for part-time earnings show several of the same features. In particular, the public sector is always above both local government and the private sector. Local government was closing the gap with the public sector as a whole up till 2006 after which it once more fell back. But there are two important differences. First, despite falling back after 2009, part-time earnings in local government has continued to stay ahead of part-time earnings in the private sector.

Second, in both local government, the public sector as a whole and the private sector, mid-point part-time earnings have grown faster than mid-point full-time earnings. As a result, they were still showing gains (compared with 2000) in 2011.

The reason why part-time earnings have increased a little further than full-time earnings in local government is that several of the annual awards since 2000 included increases above the headline rate for those on the lowest points of the pay scale (most of whom work part-time).²⁸ Given how many part-time jobs there are in local government, this is also part of the explanation for the stronger showing by part-time earnings in the public sector as a whole. The increase, albeit smaller, in the private sector may in part be due to the strongly rising minimum wage up to 2005.²⁹

CONCLUSION: AN UNPRECEDENTED SQUEEZE

By early 2012, on the eve of what would be expected to be the next pay award, the cumulative effect of the basic annual pay awards offset by inflation amounts to a 10% cut compared with 1996. Although comparisons before 1996 are more uncertain, this looks like the levels last seen in the mid 1980s. Mid-point *full-time* earnings are now worth roughly about the same as in the early 1990s. Mid-point *part-time* earnings, thanks to the gains made in the last decade, have 'only' fallen back to where they were in 2002.

In his Autumn Statement to parliament in 2011, the Chancellor, George Osborne, cited the fact that public sector pay had risen twice as fast as private sector pay over the past four years. This was the reason given for extending the public sector pay freeze for a second year and holding increases in the two years thereafter to just 1%. Osborne's claim depends on ignoring the effect of the bank nationalisations in 2009 (which artificially increased public sector pay and artificially decreased private sector pay).³⁰ But what is clear here is that pay in local government is nothing like pay in the rest of the public sector anyway. Except at the top, it is much more like private sector pay.

Local government pay has already been frozen for two years. At a time of high inflation, this has reduced its real value by 13% since April 2009. With inflation forecast to stay at about 3% a year through to 2014, annual pay awards of anything less than that between now and then will mean the real value of pay falling even further. A pay squeeze this big is unprecedented – and since inflation has turned out to be higher than forecast, it is bigger than would have been forecast in 2010 when Osborne first announced the freeze.

Last but not least, the promise made when that freeze was announced, in the June 2010 Budget, has not been kept. Here is what Osborne said:

The truth is that the country was living beyond its means when the recession came. And if we don't tackle pay and pensions, more jobs will be lost. That is why the Government is asking the public sector to accept a two-year pay freeze. But we will protect the lowest paid. In the past I have said that we would be able to exclude the one million public sector workers earning less than £18,000 from a one year pay freeze. Today, because we have had to ask for a two year freeze, I extend the protection to cover the 1.7 million public servants who earn less than £21,000. Together they make up 28 per cent of the public sector workforce. They will each receive a flat pay rise worth £250 in both these years, so that those on the very lowest salaries will get a proportionately larger rise.³¹

Normally when a Chancellor says 'will' in a Budget speech, it happens. That last sentence is crystal clear. Yet low paid local government workers saw no such increase in April 2011. Nor did they retrospectively for the freeze which began in April 2010. When later challenged on this, Osborne replied that he 'not expect the local government settlement for 2011/12 to necessarily take the same form as the Budget 2010 announcement'.³²

3. FAMILY INCOMES IN LOCAL GOVERNMENT: ON THE EDGE?

This chapter considers how far the earnings of local government workers are sufficient to provide a household with a basic standard of living. Its focus is on the poorest paid quarter of part-time workers (earning up to £6.63 an hour) and the poorest paid quarter of full-time workers (earning up to £8.72 an hour).³³ It also looks at how resilient these earnings are when required to stretch further and how they can be expected to change in the future.

We have chosen to look at the people in the bottom quarter of the pay scale as it includes a significant proportion of the workforce and not just those in extreme situations. This represents around 280,000 part-time workers and around 160,000 full time workers.

HOUSEHOLD INCOMES IN THE GOOD TIMES

How far do these rates of pay allow a worker to meet the basic needs of their household? To do this, this chapter compares net earnings and net household income for a range of households with what is in effect the official poverty line.³⁴ The households are a mix of single adults, lone parents and couple households, working full- and part-time.³⁵

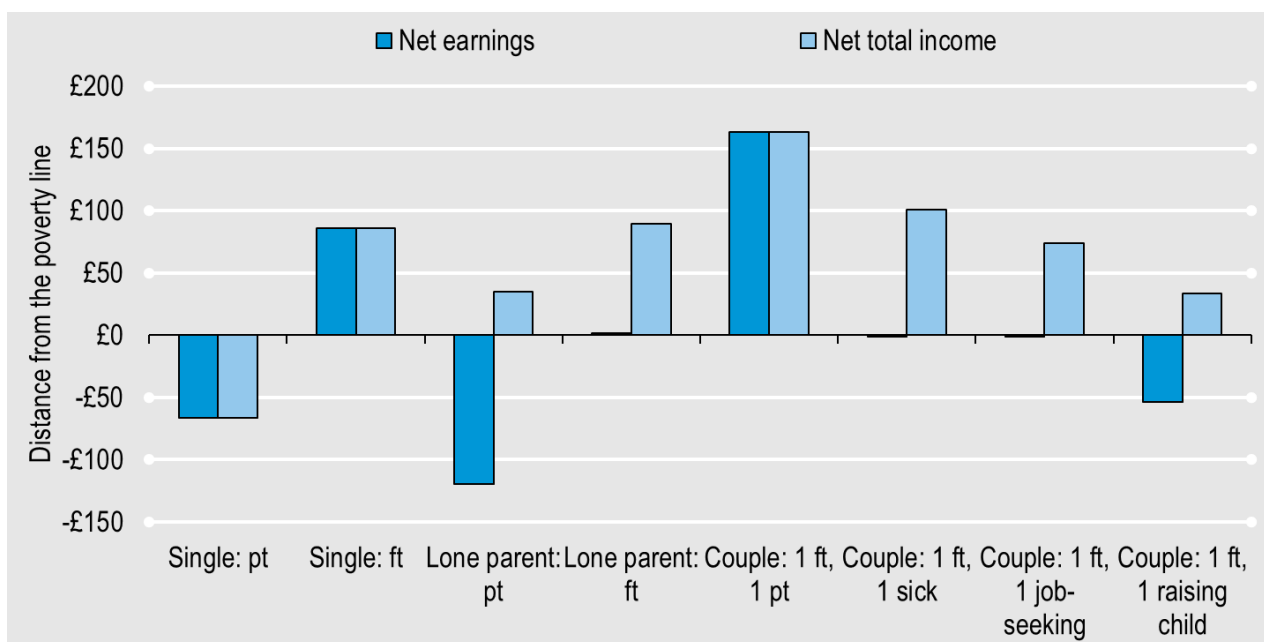
Figure 10 shows the difference between households' net earnings and total net income on the one hand and the poverty line on the other. Net earnings for each household represent how much the household has to spend on food and housing after tax.³⁶ *Total* net income is net-earnings *plus* any additional benefits the household may be entitled to e.g. working tax credit.³⁷

Looking firstly at total net income, the figure shows that all households are clearly above the poverty line except for the single adult working part time. While it is reasonable to expect a healthy working age person without dependents to work more than 16 hours per week, this assumes they are able to find full-time work (around 1.2 million people in the UK are reportedly working part-time because they cannot find full-time work)³⁸. For such individuals, £6.63 an hour is clearly insufficient.

Net earnings tell a very different story. The only households where net earnings are safely above the poverty line are the single adult working full-time and the couple household where both adults are working. For all other households, where there is a dependent, net earnings are at or below the poverty line.

In summary, of the 440,000 local government workers on or below these rates of pay, it is likely that those living in households that are not in full employment, or which contain dependents, rely on benefits to top up their earnings and keep them out of poverty. Whilst these rates of pay seem enough for an individual to meet their needs, for vulnerable households it is poverty pay.

Figure 10: net earnings and total net income in relation to the poverty line: in the ‘good’ times³⁹

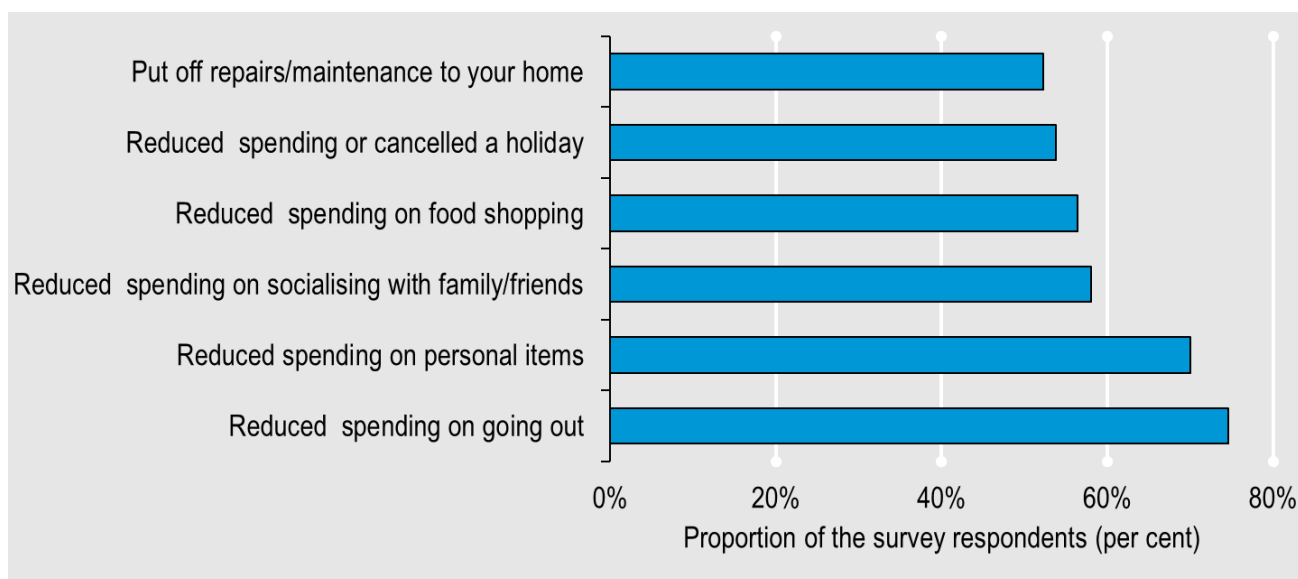


Source: NPI calculations. Net earnings are after council tax and council tax benefit

HOUSEHOLD EXPENDITURE: RESPONDING TO ADVERSITY

How have local government workers’ behaviours and fears changed as a result of earning constraints set out in chapter 2? A survey of trade union members working in local government conducted in 2011 provides some answers.⁴⁰ Figure 11 shows the items where spending was most often reduced during 2010. There were six items where over 50% of respondents had cut back spending.

What is striking is that around three quarters of respondents had cut back on at least one item and many had cut back on more than just one item. The top six items in figure 11 cover a wide range – they are not just luxuries. In particular, over half reduced spending on food shopping. Clearly, local government workers have had to be resourceful and make savings in a range of areas in order to continue to make ends meet.

Figure 11: strategies adopted in 2010 to cope with rising cost of living

Despite the majority of survey participants reducing spending in some way in 2010, 93% reported that their household expenditure had increased. 38% had experienced a fall in income and 50% experienced no change. Falling or flattening incomes at a time of high inflation has clearly caused a decline in the standard of living that local government workers are able to achieve.

Data from the survey also shows that local government workers are not optimistic about their future economic prospects. Over 80% said that worries about their financial situation had increased in 2010 and a staggering 90% claimed that worries about job cuts and redundancies have increased.

HOUSEHOLD INCOMES WHEN THINGS GO WRONG

Since local government workers are concerned about job security, making ends meet and sustaining their income, we now look at how resilient local government earnings would be if some of these worries were realised. Using the same approach as before, we examine what happens when a household experiences a change in their situation that affects its income.

Figure 12 shows how total net income relative to the poverty line can change for households as their circumstances change. Here we illustrate three possible scenarios.

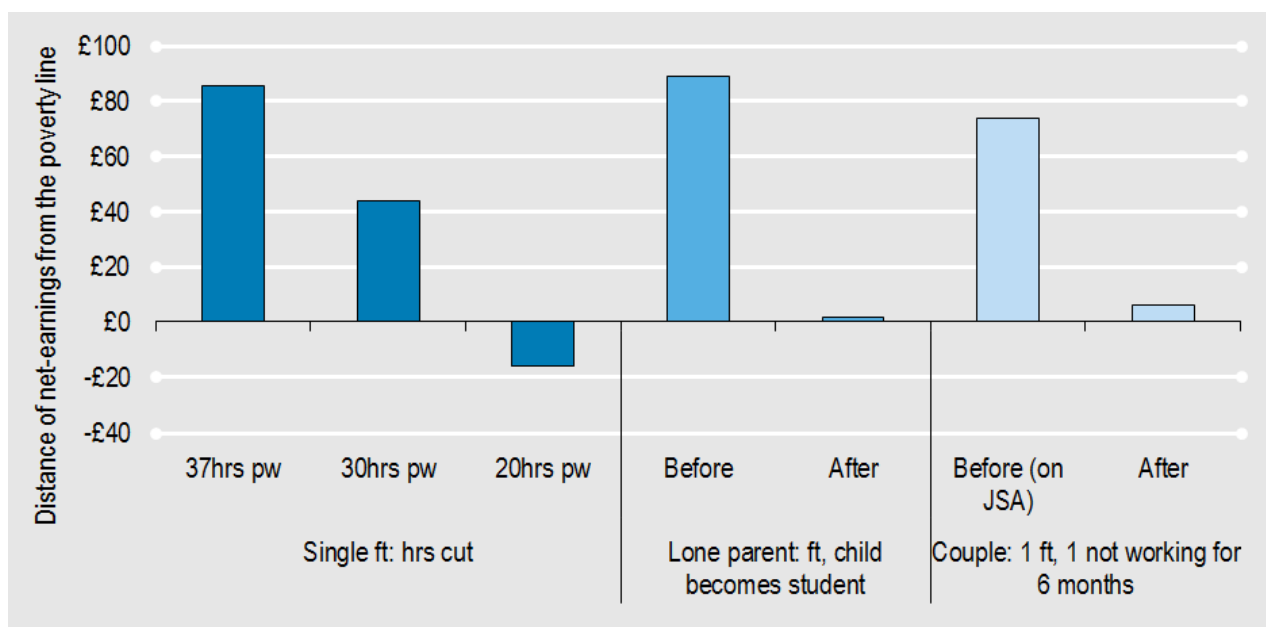
- A single adult working full time in local government has their hours cut (but not their hourly rate of pay) from 37 to 30 hours a week, and then again, to 20 hours a week.
- A child, living with their lone parent, leaves school, continues to live at home, and does not get a job. This now young adult might be neither in employment, education or training ('NEET') but they might also be going to college or university but continuing to live at home to keep their debts down.
- A couple, one of whom is working full-time in local government and the other of whom is unemployed, remain like this for more than six months, at which point entitlement to contribution-based jobseeker's allowance (JSA) ceases. A very similar scenario can be constructed around the loss of entitlement to contribution-based employment and support allowance (ESA),⁴¹ something which would happen once that person had been in receipt of the contribution-based version of that benefit for more than 12 months.

In the first scenario the cut in hours from 37 to 30 per week still leaves the local government employee above the poverty line, albeit a good deal less comfortably so. The cut to 20 hours causes the single adult to fall well below it. In order to meet her basic needs she will have to find additional part-time or alternative full-time employment.

In the second scenario, the same two people – parent and child, albeit now no longer counted as such – move from a position of relative comfort (some £89 a week above the poverty line) down to the poverty line itself (a drop in net income of 25%). Given the levels of young adult unemployment, such a scenario is far from unlikely, particularly among the local government workforce given its (average) age. In short, lower end local government earnings are sufficient to support two people if benefits are available – but not if they are not.

The third scenario makes the same point. Entitlement to contribution based JSA is limited to six months. Entitlement to contribution-based ESA (except for someone in the ‘support group’) is limited to one year. At this point the non-worker can apply for means tested benefits (JSA or ESA) but their partner’s earnings will almost certainly mean that they are actually entitled to nothing.

Figure 12: income in relation to the poverty line: when things go wrong



Source: NPI calculations.

CONCLUSION: ON THE EDGE

Local government workers in the bottom quarter of the pay scale are likely to struggle to make ends meet. What has happened to local government pay is not simply a story of the lowest paid workers in the public sector being squeezed hardest, those in the middle – and even at the top points – of the pay scale are hurting too. Those nearer the top in full-time ‘professional’ jobs are paid less than their public and private sector equivalents. Many part working, vulnerable households and those with dependents are forced to rely on state benefits to lift them above the poverty line. When entitlement to these benefits ends, for whatever reason, the household can rapidly find itself on the poverty line.

It is perfectly possible to argue that such examples highlight the inadequacy (or meanness) of benefits. The government argues that the bill for benefits is far too high. Very well: but in that case, it is also perfectly possible to argue that employers who have been able to keep pay rates down have also been the beneficiaries. As benefits are cut back and withdrawn, the poverty pay that was previously disguised by those benefits is now revealed.

What might the wider consequences of poverty pay be? The squeeze on pay and conditions hits staff morale hard. It is widely believed that service quality is affected by the physical and mental well-being of those delivering the service seems like commonsense. If nothing else, the flexibility around time that can make such a difference to service users and customers is far less likely if the people delivering the services are themselves pressed for time – either because they are already working long hours and need to go home, or because there have another part-time job somewhere else to help make ends meet.

A report from the Equalities and Human Rights Commission on older people and human rights in home care has highlighted the dangers of treating such sensitive work as if it could be reduced to a few crude, measurable outputs. Noting the dangers that a lack of numeracy and communication skills may pose to the correct dispensing of medicines, the report went on to record and endorse the idea of a “robust induction that ‘exceeds mandatory standards’ and covers all aspects necessary to deliver high quality care – including human rights considerations such as dignity, respect and autonomy.”⁴² It is against this background that the very low level of spending on training within local government should be seen.

Low paid jobs may not require high academic qualifications but that does not mean they need little skill or are somehow simple and routine. A homecare worker who has to lift, wash and dress a frail elderly person certainly requires physical strength allied to technique. But to leave that elderly person with their dignity and self-respect intact as well – that requires something quite different, a capacity to create just the right kind of relationship that is almost beyond words. To pretend that a job requiring such a combination is somehow ‘low skilled’ says something very disturbing about our society and its need to undervalue some of the things that are most important.

END NOTES

- ¹ The work towards this report has been supported by Unison, the public service trade union that represents local government workers. The views expressed here, and any errors it contains, should be attributed to the New Policy Institute.
- ² *Local Government Pay and Workforce, facts and figures 2010/11* (LGA, 2011) gives the total but neither the gender nor full/part time splits. These have been taken from the *Quarterly Public Sector Employment Survey* (ONS, 2010 third quarter) on which the LGA figures are based. This survey, though covers a larger group. While the gender split is probably reliable (being corroborated, for example, for the 1.7 million by the *Annual Population Survey*), there is more uncertainty about the full/part-time split.
- ³ Measured by hours worked, 'part-time' equates to about 40% of full-time. If this seems on the low side, that is because a big part of this workforce works in schools (though not as teachers) on term-time only contracts.
- ⁴ In the rest of this chapter, and unless otherwise stated, the source of all statistics is the Annual Population Survey.
- ⁵ Strictly speaking, 'local government' as defined here is the group whose pay and conditions are negotiated by the National Joint Council for Local Government Services (NJC). That is why teachers, police officers and a small number of others are shown separately in figure 2.
- ⁶ The gap is greater (by about one year) for women than men. Among those in the local government workforce, the average age of women (44) is almost two years more than the average of men.
- ⁷ These fifths are measured in relation to pay across the whole economy and not just within the particular sub-sector itself. Since local government employees are more likely to be low paid, this means that a higher proportion of them will be in the groups with the highest rates of re-spend.
- ⁸ Three factors need to be brought together to estimate the size of this effect, namely the proportion of staff who live locally, the proportion of their net income that is re-spent within the local economy, and the share of their gross earnings that ends up as household income. There has been some research on the second of these factors in a few specific areas (*Economic footprint of West Lothian Operational Services* (final report), 2009, p68, APSE Best Value Consultancy and CLES Policy Advice). With the third factor, the big thing is whether the household is receiving tax credits or not (since if it is, effect on net household income of an increase in gross pay is reduced by 41 pence in the £). Account must also be taken of how any pay increase is funded, in particular whether it is paid for entirely by an increase in council tax (which in itself reduces spending in the local economy). Our initial attempts to bring these factors together suggests that among low paid, local government staff who do not receive tax credits, the link between pay and local economic development, even if financed by council tax, is positive and sizeable. More research on this question is needed before reliable conclusions can be drawn.
- ⁹ Source: NPI analysis of APS 2010.
- ¹⁰ Education assistants are a larger group than just teaching (or classroom) assistants of whom (according to the School Census) there are some 210,000. Comparison with the Schools Census (via Local Government Group) shows consistency with the APS on the total number of non-teachers working in schools. On this basis, the category of education assistant in the APS would also appear to include some child care staff, key support workers and welfare assistants.
- ¹¹ The other jobs in the top 20 are playgroup leader and assistant, ICT manager, personal assistant and other secretary, personnel and industrial relations manager; and office manager
- ¹² Jobs the top 20 take the following proportions of each occupational group: personal service (92%); administrative and secretarial (84%); elementary occupations (76%); associate professional and technical (27%); professional (41%); managers and senior officials (39%)
- ¹³ The former socio-economic classification used by the ONS reflected this, placing as it did professionals in class 1 but managers only in class 2.
- ¹⁴ The Annual Population Survey used in chapter 1 is not regarded as a reliable source for detailed statistics on pay. For the public and private sectors, the preferred official source for pay is the *Annual Survey of Hours and Earnings* (ASHE). Data for local government, is as supplied by Unison, from the Local Government employers
- ¹⁵ Source: ONS, *Ashe 2010 revised tables 13* (public and private sector); Unison (local government).
- ¹⁶ The figure for London is calculated annually by the Greater London Assembly. The figure for the rest of Britain is calculated by the Centre for Research in Social Policy at Loughborough University. Although the statistics in figure 7 are for 2010, the fact that local government pay was frozen in 2011 means that they can reasonably be set against these living wage levels.

- ¹⁷ For example, many local government jobs, particularly front-line manual jobs such as school meals and cleaning are not the same as catering and cleaning jobs in the private sector. School meals workers are also 'eyes and ears' for teachers and often develop important relationships with children. Cleaning standards in schools and public places have to be of a very high standard. In-house care workers often administer medicines, carry out stoma care and have high dependency clients, while private sector agencies carry out the more routine household tasks for clients.
- ¹⁸ Local government employer contributions rates vary: the interim report of the Independent Public Service Pension Commission (table 2.C) suggested 13% as a reasonable average. But this does not mean that 13% should be added to local government earnings when making comparisons with the private sector. That is because a low income pensioner – as many members of the local government pension scheme will be – with an occupational pension saves the government money in the form of lower pension credit, lower council tax benefit and (if renting their home) lower housing benefit. The pensioner only gets part of the benefit of the pension. The amount to be added to earnings should reflect this. Our submission to the Independent Public Service Pension Commission suggested that on average, almost half of an LGPS pension finished up with the government via higher taxes and lower benefits. Assuming average employee and employer contribution rates of 6.5% and 13.2% respectively, if half the benefit goes to the government, the employer is in effect contributing just 3.4% to the employee. To this is added the 1.6% reduction in employee national insurance that employees belonging to a pension scheme enjoy.
- ¹⁹ In his first Budget speech in June 2010, the Chancellor announced a two year public sector pay freeze. With no offer in April 2010, local government pay had, in effect, already been , frozen. To help offset the two year freeze, he also promised a £250 increase in each year for those earning less than £21,000 a year. Except for a few individual local authorities, this has not been paid to local government employees.
- ²⁰ 'Inflation' is RPI. The March 2012 figure uses the Office for Budget Responsibility forecast for first quarter 2012: <http://budgetresponsibility.independent.gov.uk/pubs/Economy-Supplementary-Tables-AS11.xls>, Economy Supplementary Tables November 29 2011 table 1.5
- ²¹ The Single Status Agreement was designed to ensure that local government complied with equal pay legislation and required all councils to evaluate jobs according to an agreed job evaluation scheme. Although still not complete, it has led to increases in pay for some groups, although recent pay freezes and local cuts to pay and conditions may well be eroding the benefits of Single Status agreements.
- ²² According to the survey of Unison branches, a fifth of local authorities had made changes to car allowances in the last twelve months. A quarter were thought to be contemplating doing so.
- ²³ One in ten local authorities had reduced overtime payments in the year. One in six were thinking about doing so. Around one in six were also thought to be thinking about cutting back on unsocial hours payments. One in eight were thinking about freezing increments to pay. One in ten were looking at sick pay. One in six had altered redundancy terms. One in six were thought to be considering it.
- ²⁴ *Tougher at the top?* Audit Commission, 2008, para. 116,; letter from the *Joint Negotiating Committees for Chief Executives & Chief Officers of Local Authorities*, 16 October 2009. Figures for the the full-time and part-time medians and inflation are as per figures 7 and 8.
- ²⁵ Although it does not look like this because of the way the chart has been drawn, the increase in the real value of the public sector median between 2008 and 2009 (equal to 5% of its own 2008 value), is only 1% more than the real increase in the private sector median calculated on the same basis. Analysis of alternative gross weekly earnings for 2009 from *Annual Survey of Hours and Earnings* in which these banks have continued to be included in the private sector, suggests that nationalisation added 0.4% to the public sector median and reduced the private sector median by 0.6%. Taken together, these effects wipe out the apparent divergence in the growth of the two sector medians between these two years.
- ²⁶ The jump in the median in 2006 is a result of the way in which the calculation of the local government median from grouped data is sensitive to small changes in group sizes (which in this case means the median –just – moving up to the next point on the pay scale). Unlike the public and private sector medians, less significance should therefore be attached to the individual values in the local government series here.
- ²⁷
- ²⁸ 2001, 2002, 2003, 2007, 2008 and 2009. Since the 2004 award was a three year deal, increasing pay at the bottom above the headline rate has been the norm in this period.

- ²⁹ Rises in the minimum wage pushed up part-time pay at the very bottom of the private sector, leading to a bunching at and just above the minimum wage. This bunching took place during the period (up to 2005) when the minimum wage was rising quite fast in real terms. So in 2000, some 9% of part-time private jobs were paid at (or below) the minimum wage of £3.60 an hour. 15% were paid up to the minimum wage plus 5% (£3.78). Ten years later, 10% were paid the minimum wage (£5.80 an hour) while 30% were up to minimum wage plus 5% (£6.09).
- ³⁰ <http://www.npi.org.uk/m-blog/view/was-osborne-right-on-public-sector-pay/>. The comparison is also distorted by the collapse of bonus payments at the start of 2009. Given what had happened to the economy and the financial sector the previous year, that is exactly what should have happened. It is also obviously no reason for holding down public sector pay
- ³¹ Budget statement by the Chancellor of the Exchequer, 22 June 2010. http://www.hm-treasury.gov.uk/junebudget_speech.htm
- ³² Letter to NJS General Secretaries, 30 January 2011.
- ³³ The full-time annual equivalents are £12,787 and £16,830, that is, SCP7 and SCP17.
- ³⁴ The practice over the last 15 years has been to treat 60% of median net household income, adjusted for the number of people in the household, as the poverty line. In 2009/10 (the latest year for which the official statistics are available), the poverty line was worth £166 a week for a single adult, £248 a week for a couple with no children, £265 a week for a lone parent with two children under 14 and £347 a week for a couple with two children under 14. These sums of money have to cover everything the household has to pay for including their housing costs.
- ³⁵ A part-time worker is assumed to be working 16 hours per week at an hourly rate of £6.65 (the lower quartile rate for a part-time worker). A full-time worker is assumed to be working for 37 hours per week at an hourly rate of £8.75 (the lower quartile rate for a full-time worker).
- ³⁶ Net earnings are after local government pension contributions, national insurance, income tax, council tax and council tax benefit).
- ³⁷ This is calculated using a model developed by NPI (see the appendix for the methodology and a breakdown of the sources of income).
- ³⁸ *Monitoring Poverty and Social Exclusion* (2011) NPI.
- ³⁹ Net earnings is after council tax and council tax benefit
- ⁴⁰ The survey was jointly undertaken by Unison and the Public and Commercial Services Union PCS. The result shown here cover members of both unions.
- ⁴¹ This would happen to someone placed in the 'work related activity group' after they had been receiving the benefit for more than one year.
- ⁴² Close to home: An inquiry into older people and human rights in home care, 2011, p75, Equalities and Human Rights Commission.