

FINANCE COMMITTEE

Tuesday 9 December 2008

Session 3

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FINANCE COMMITTEE

† 30th Meeting 2008, Session 3

CONVENER

*Andrew Welsh (Angus) (SNP)

DEPUTY CONVENER

*Jackie Baillie (Dumbarton) (Lab)

COMMITTEE MEMBERS

*Derek Brownlee (South of Scotland) (Con)

*Joe FitzPatrick (Dundee West) (SNP)

*James Kelly (Glasgow Rutherglen) (Lab)

*Alex Neil (Central Scotland) (SNP)

*Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD)

*David Whitton (Strathkelvin and Bearsden) (Lab)

COMMITTEE SUBSTITUTES

Roseanna Cunningham (Perth) (SNP)

Murdo Fraser (Mid Scotland and Fife) (Con)

Lewis Macdonald (Aberdeen Central) (Lab)

Liam McArthur (Orkney) (LD)

*attended

THE FOLLOWING GAVE EVIDENCE:

Alistair Brown (Scottish Government Finance Directorate)

Jim Caldwell (FDA)

Malcolm Currie (Prospect)

Lesley Doherty (Scottish Government Finance Directorate)

Jimmy Farrelly (Unite)

Alex McLuckie (GMB)

Eddie Reilly (Public and Commercial Services Union)

Dave Watson (Unison)

CLERK TO THE COMMITTEE

Susan Duffy

SENIOR ASSISTANT CLERK

Mark Brough

ASSISTANT CLERK

Allan Campbell

LOCATION

Committee Room 1

† 29th Meeting 2008, Session 3—held in private.

Scottish Parliament

Finance Committee

Tuesday 9 December 2008

[THE CONVENER *opened the meeting in private at 13:32*]

14:15

Meeting continued in public.

Public Sector Pay

The Convener (Andrew Welsh): Good afternoon and welcome to the 30th meeting in 2008 of the Finance Committee. I ask members of the committee and of the public to turn off all mobile phones and electronic equipment, because they interfere with the broadcasting system.

The committee agreed that it would like to hold a number of evidence sessions on public sector pay. We will hear from three panels of witnesses today and will take further evidence from the Convention of Scottish Local Authorities and the Cabinet Secretary for Finance and Sustainable Growth in the new year.

On our first panel, we have officials from the Scottish Government: Alistair Brown is deputy director of finance and Lesley Doherty is assistant head of pay policy. As the Scottish Government's public sector pay policy governs pay in central Government, the purpose of this session is to consider the various elements of that policy as it relates to senior appointments and to all other staff, and to examine how such policy works in practice. Would you like to make a short opening statement?

Alistair Brown (Scottish Government Finance Directorate): Yes, thank you. After saying something about the pay policies, I can, if the committee wishes, follow that up with a few remarks on the process that is followed when bodies' remits under pay policy are reviewed.

The strategic aims of our pay policy are set out in chapter B of the main public sector pay policy document, "Public Sector Pay Policy 2008-09", which we forwarded to the committee last week. To recap, those aims are that public sector pay increases should be "affordable and sustainable", and that public sector pay policy should provide flexibility for bodies so that pay and reward systems suit their business needs and should support pay that is "fair and non-discriminatory". The objectives that flow from those aims include those of allowing public sector employers to

address low pay; ensuring that public sector employers can recruit, retain and motivate suitable staff; and ensuring that staff receive pay increases when they are due.

The bodies to which the policies apply are summarised in chapter A of the pay policy document. Briefly, they apply to the Scottish Government and its associated departments, such as the National Archives of Scotland; agencies, such as Historic Scotland; non-departmental public bodies, such as Scottish Enterprise; public corporations, such as Scottish Water; and senior managers in the national health service.

The staff policy, which is the main policy that we sent, covers 48 bodies that employ 30,000 staff, who account for around 6 per cent of public sector employees in Scotland, the aggregate pay bill for whom is around £1 billion. Additionally, as the committee knows, significant numbers of public sector staff in Scotland are employed in the NHS and local government. There are also civil servants who work for United Kingdom departments, such as the Department for Work and Pensions.

As the convener noted, the Scottish Government produces two pay policies each year: one for staff and one for senior appointees. At the moment, 38 senior employees are covered by the senior appointees policy. They are all chief executives who are employed by NDPBs and public corporations. The senior appointees policy covers a total pay bill of £3.6 million, excluding bonuses. In addition, it applies to the fees of about 100 chairs and about 700 members of boards, panels and tribunals.

The nature of public sector pay policy is that it sets the limits of what ministers are prepared to approve when it comes to pay increases and other factors. The terms that a body proposes to include in its pay remit under the policy will depend on what it believes that it can afford and on what it calculates that it needs to offer to its staff in order to secure its business ends.

The pay policy for staff sets out several metrics and the limits to which a pay remit can extend for each metric. What I will describe is a bit technical, but it is important. The key metrics are the basic award, which is sometimes called the cost-of-living increase; the average increase for staff in post, which includes the basic award plus progression and non-consolidated bonuses; and the total pay bill increase. The 2008-09 policy applies parameters of 2 per cent to the basic award; 3.75 per cent to the average increase for staff in post; and 4.5 per cent to the total pay bill. For chief executives, the metrics are similar—the parameters are 2 per cent for the base pay award and 3.75 per cent for the total award.

The 2008-09 policy for staff differs from previous years' policies and from the UK policy by introducing significant additional flexibilities, of which I will name four. One important flexibility is that bodies to which the policy applies have scope to go above an average increase of 3.75 per cent for staff in post when they can show the need to address key pay priorities, including equalities and recruitment, retention and motivation issues, subject to a maximum increase in the pay bill of 4.5 per cent. In addition, bodies have scope to fund pay bill increases above 4.5 per cent when the balance is met through pay bill savings.

Another key flexibility is that bodies have scope to meet the costs of harmonisation and of pay reviews outside policy limits when those costs arise as a direct result of the Government's programme to simplify the public bodies landscape. Finally, the 2008-09 pay policy excludes from the pay remit calculation notional costs, such as those that are associated with additional leave entitlement.

I thought that that information about the policy would help the committee. If I am not testing your patience, could you spare me another minute to talk about the process, convener?

The Convener: Please continue.

Alistair Brown: The aim of the process is to enable public bodies to submit outline or draft remits for agreement by ministers, or officials on ministers' behalf, that they fall within the policy. We have improved the process for the 2008-09 pay round by taking account of comments from those who were involved in previous rounds. In response to comments from bodies, colleagues in trade unions and other sources, we included a firm timetable in this year's policy; described an escalation process—the action that we need to take when a pay remit gets stuck; introduced clearer documentation; and established a more explicit approvals process that uses red, amber and green ratings.

When a body submits a draft remit that falls clearly within the policy, officials have the delegated authority to approve that. When a body's draft remit is novel or contentious or when the body wishes to use discretionary flexibilities, the proposal is referred to the Scottish Government's remuneration group. That is a sub-committee of our strategic board that is chaired by an independent non-executive director. The remuneration group's task is to consider carefully cases that public bodies present, alongside advice from the pay policy team, and to decide on proposed pay remits. The RG deals with the vast majority of cases, but it recommends the referral of some cases to ministers for decisions. Ministers must also approve the Scottish Government main pay remit, which covers Scottish Government and agency staff.

We aim to streamline the approvals process further. We made progress in 2008, but we know that there is further to go. We are anxious to learn as we go along and we have invited comments from public bodies, trade unions and others on how the 2008-09 policy processes have worked. We will feed those comments back into the 2009-10 policy, about which we will start to think very soon.

I hope that that introduction is helpful to the committee.

The Convener: It certainly is. You have painted a clear picture of a major and complex aspect of Government. I thank you for the clarity of your introductory explanation and I now invite questions from members.

Alex Neil (Central Scotland) (SNP): Most of my questions are about the pay policy for senior posts. I stress that I am not talking about any individual who may or may not have held a post, but about the post and the job. I acknowledge that much of the pay policy has been inherited and that it has not necessarily been recently devised.

As I went through the briefing papers, the more I read about the pay gap between those at the bottom and those at the top, the more my hackles rose. People at the front end—for example, in the health service—have been restricted to pay increases that are in line with or below inflation, while some of the chief executives of quangos have been paid mega film-star bonuses. Frankly, that is not a fair pay policy. I draw your attention to three particular groups of quango—I am sure that my colleagues could pick others—Scottish Water, national health service boards and the two national enterprise agencies, Highlands and Islands Enterprise and Scottish Enterprise.

I will compare the pot of money that is available for bonuses for staff throughout the organisations with the pot that is available for bonuses that are paid to the chief executives. Scottish Water, for example, had a total bonus figure of about 2 or 3 per cent. However, the chief executive got a bonus of 38 per cent of an already overinflated salary, not to mention all the other perks. How on earth can you justify a 38 per cent bonus for the chief executive of Scottish Water?

The Convener: There you are. That was a long and specific question. Who wishes to deal with Mr Neil's raised hackles?

Alistair Brown: I will make a start, and invite Lesley Doherty to add anything that she wants.

Mr Neil is right that Scottish Water comes within the ambit of the Scottish ministers' pay policy that governs chief executives' pay. Clearly, in setting the pay level for an individual post, it is necessary to take into account the market, or the perceived

market, for the level of responsibility in that kind of organisation. When a body makes a proposal on its chief executive's pay, the pay policy asks it to gather comparable market information about the pay of individuals holding senior responsible posts in bodies of a similar size and complexity. I cannot honestly tell you, Mr Neil, when Scottish Water last brought forward market information, but it will have been relatively recently and probably within the past three years. I will check that point with Lesley Doherty.

Lesley Doherty (Scottish Government Finance Directorate): I think that that is correct. The percentage at which Scottish Water bonuses will be paid was determined at the start of the regulatory period, about three or four years ago.

Alistair Brown: I think that it was three years ago.

Lesley Doherty: The bonuses are linked to corporate and business objectives and were considered carefully by ministers at the time.

Alex Neil: So the bonus in question was set three or four years ago.

Alistair Brown: Yes. The percentage of the bonus will have been set at the same time as market information was brought forward on the salary or salary range. We can consider the specific case of Scottish Water in terms of the supporting information that a body would provide. I expect that Scottish Water looked at salaries in water companies in England, for example, and used those as a comparator. Scottish Water would have researched pay rates, including bonus amounts, for the chief executives of, say, Anglian Water or Yorkshire Water. That is my understanding, but we can confirm that.

Alex Neil: My colleague wants to come in, but I will obviously have further questions.

Jackie Baillie (Dumbarton) (Lab): I just want to tease this out. My understanding is that the bonus is comprised of two parts. The first part is a maximum—I stress that—of 40 per cent of basic pay. Under the terms of your guidance, that would need to be signed off by a special process.

Alistair Brown: That is correct.

Jackie Baillie: The second bonus, which is what I believe you have been describing, has been set to cover a period of time and is much smaller. The horror that has been expressed is about the first bonus, which was paid at 38 per cent last year and which has still to be confirmed for this year. Can you describe the special sign-off process that that requires?

14:30

Alistair Brown: Ms Baillie is right to draw

attention to the special nature of the bonus arrangement that applies to Scottish Water, which is a public corporation subject to regulation by the water industry commissioner. I am not intimately familiar with the details of the bonus, but I know that the chief executive of Scottish Water is contractually entitled to consideration for a significantly larger bonus than other chief executives in public sector bodies. The matter will have been specifically considered and agreed by ministers at the time by reference to market comparators. Because that bonus has to be earned year after year, its allocation in any given year is primarily a matter for the remuneration committee of Scottish Water, but it is subject to approval through the policy process. Either the remuneration group or ministers themselves will agree the bonus year by year.

Alex Neil: Has anyone at any time asked the consumers—Scottish Water's customers—what they think about the level of service that they are getting?

Alistair Brown: I am not aware that we have.

Alex Neil: I am sure that they would not sign up to those film-star bonuses.

I have two questions that relate to both HIE and Scottish Enterprise. First, as a result of the reorganisation of both agencies in recent years, their total budgets and consequent responsibilities have been reduced by about 40 per cent. When that happened, there should surely have been a review of the salary, bonus and total remuneration package for the senior management team—in particular for the chief executives and, in the case of Scottish Enterprise, the deputy chief executive. Instead, although their budgets have gone down by 48 per cent, the bonus has gone up to 15 per cent, which is 5 per cent above the recommended 10 per cent. Where is the consistency or fairness in that?

Secondly, can you tell us about the large pay-offs? Taxpayers who are currently getting statutory redundancy pay must wonder why people who have served not a great number of years in quangos are getting huge pay-offs of £138,000, £200,000 and so on. I will not mention names, but in one recent pay-off at HIE, the chief executive confirmed that the person who was made redundant would have been given a post in the restructured agency on his existing salary. Why on earth was he declared redundant and paid a huge amount in a pay-off settlement? Surely someone is redundant only when there is no job for them in the organisation.

The Convener: There are again a number of questions in there. Would Mr Brown like to respond?

Alistair Brown: I will do my best, although I do not think that I can respond to all the questions.

Alex Neil: By the way, I am not blaming you.

Alistair Brown: I will take the questions in turn.

You suggested that the reduction in the headline budgets of Scottish Enterprise and HIE might lead to a review of the pay range on which their chief executives were placed. I am not aware that such a review has taken place.

Alex Neil: Is it not a matter of policy, given the amount of restructuring that took place in those organisations? The chief executives ensured that everyone else had to reapply for their jobs and the status and remuneration of jobs that people had to reapply for were completely changed to save money, but the chief executives seem to be immune from any of that. That is not fair.

Alistair Brown: I am neither agreeing nor disagreeing with your point. I can offer to speak to colleagues in the enterprise, energy and tourism directorate and seek some further information for the committee on that point.

The Convener: I remind the committee that restrictions apply to such evidence taking. Members should respect that.

Perhaps you will write to us on some of these matters, Mr Brown. That would be helpful.

Alistair Brown: Yes.

The Convener: Do you wish to continue to answer the questions?

Alistair Brown: Yes. On the question about pay-offs, I understand that the calculation of the amounts that are due to individuals whose contracts are terminated or whatever are checked out by human resources professionals and, if necessary, lawyers. They represent the amount to which each individual is legally entitled. Clearly, it should not happen that a payment to an individual exceeds the amount to which they are entitled.

Alex Neil: When we compare the entitlements of people at the top of the ladder with those of people further down the ladder, some of the former appear to be excessive. As you rightly said, a key objective of the pay policy is fairness, but two completely separate pay policies seem to apply: one for people on the front line who are doing the work and another for those at the top of the tree. My point is that those at the top of the tree seem to be taking the taxpayer for a ride. It is no wonder that we have industrial relations problems in the public sector when those who deliver our front-line services see the chiefs running away with substantial amounts of money.

Clearly, people who are being made redundant should be looked after properly. My point is that

that should happen for everybody, not only for people at the top. People in senior categories who are being made redundant have entitlements that are far in excess, relatively speaking, of those for people on the front line.

The Convener: Mr Neil makes his point well, but we need also to bear it in mind that there are areas into which we should not drag you, Mr Brown.

Alex Neil: It was a fair policy question.

The Convener: Do you wish to respond, Mr Brown?

Alistair Brown: I will provide advice to the committee in writing, just as soon as I can, on the composition of recent payments following redundancy, severance or whatever, and with particular reference to HIE.

Alex Neil: And Scottish Enterprise, too. Although that example is an earlier one, similar issues arose. I am putting questions about the policy of fairness.

Alistair Brown: Yes.

Alex Neil: We have to define fairness. I do not dispute the payments—people were legally entitled to them—but who wrote the contracts that resulted in such payments for people at the top when those lower down the ladder were not entitled to similar levels of pay-off when they were laid off?

Alistair Brown: I will write to the committee just as soon as I can to cover some of that.

The Convener: I remind members that we will have the cabinet secretary's responses when he gives evidence. He can go into areas that officials are loth to, and answer questions that it would not be fair to ask them.

Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD): I acknowledge what you say, convener, but my question follows on from Mr Neil's line of questioning.

The agencies that have been mentioned thus far appear to be those that operate different rules for different levels in the organisation. I understand that the new Scottish Water chief executive has been in place since March this year. Was the appointment made under the public sector pay policy for senior appointments, with which we have been provided, albeit that that document is dated October 2008? Perhaps no substantive change was made before that time. When he was appointed, did the cabinet secretary review the chief executive's contractual terms and entitlements, including those for bonus payments?

Alistair Brown: The senior appointments policy has not changed greatly. Most of the

improvements and changes that I described earlier relate to the policy that governs staff pay. Most of the terms in the current pay policy for senior appointments—dated October as you said—would have applied for the past year and would therefore have applied to the appointment of the new chief executive of Scottish Water. The body would have had the opportunity to review contract arrangements and pay ranges. I am afraid that I do not have at my fingertips the exact details of what happened. Would it be acceptable if I wrote to the committee with those details?

The Convener: That would be appreciated.

Jeremy Purvis: That would be helpful.

The public sector pay policy was agreed to in April 2008. In the foreword, the cabinet secretary says:

“We have to achieve our aims within the tightest financial settlement provided to any Scottish Administration, so we need to spend the resources available in the best possible way to have the maximum impact on delivering our Purpose.”

He goes on to talk about the constraints. I agree with Mr Neil that it jars horrendously if, in the same week as that policy statement from the cabinet secretary, there is an agreement that provides a 40 per cent bonus to the chief executive of one of the agencies that operates under that policy.

It is helpful that the public sector pay policy for senior appointments has been provided to the committee. Paragraph 18 describes the mechanism for revising an existing pay range. You may wish to come back to the committee on this point, too. One of the triggers for a pay revision is when the role and responsibility of the post has changed substantially since the previous review. I would have thought that a 40 per cent change in the size of an agency, with a core element of that agency—the skills function—having moved away, would be such a trigger. Is that the case? Are you aware whether the chief executive of Scottish Enterprise is undergoing a revision to the pay package that ministers put in place for him because his post and responsibilities have substantially changed?

Alistair Brown: I am not aware that that is happening. I would like to look into it further and to address that point in the further written response to the committee.

Jeremy Purvis: I am grateful. Just so that I am clear, is “not aware” a way of saying that it has not happened?

Alistair Brown: No.

Jeremy Purvis: It is just that you are not aware whether it has or has not happened.

Alistair Brown: That is correct.

Jeremy Purvis: I want to double-check what your responsibility is within the Government.

Alistair Brown: In the finance directorate I have overall responsibility for operating ministers’ pay policy.

Jeremy Purvis: So you would be aware if such a revision were taking place because, according to the policy, you should be informed of it.

Alistair Brown: I would not necessarily be aware that a revision was happening. I would be aware if a revision were concluded and proposals came in from the sponsored body—from Scottish Enterprise.

Jeremy Purvis: So, six months into the changes that were ratified in April, you are not aware that a revision has happened. It would be helpful if you could come back to the committee on that.

Alistair Brown: I have given Lesley Doherty a moment to remind me whether there is something that I ought to be aware of, and she confirms that we have not received any proposals.

Jeremy Purvis: Is it correct that you will advise ministers on the pay levels for the two new quangos, Skills Development Scotland and the Scottish Futures Trust?

Alistair Brown: We have a role in that. The pay levels for individual NDPBs—as we prefer to call them—are a matter for the so-called sponsor team in the Scottish Government. For example, the director responsible for Scottish Enterprise is David Wilson, the director of the enterprise, energy and tourism directorate. The director responsible for Skills Development Scotland is Dr Andrew Scott, who looks after lifelong learning. However, we would certainly see the proposals that come in for consideration by the remuneration group and then by ministers.

Jeremy Purvis: Can you confirm that, under the policy that is in operation, ministers will provide the final sign-off for the salaries that are agreed for those two quangos?

14:45

Alistair Brown: Ministers’ approval will have been sought for the pay ranges for the posts. The placing of an individual chief executive within the pay range is properly a matter for the board of the organisation.

Jeremy Purvis: And the bonuses or benefits for the two posts are not yet known.

Alistair Brown: You are referring to the chief executive of Skills Development Scotland and—

Jeremy Purvis: The chief executive of the Scottish Futures Trust. That post is being

advertised at the moment. I have another question about the Scottish Futures Trust, but I will let you answer the previous question first.

Alistair Brown: The policy is clear. The maximum bonus would normally be 10 per cent of basic salary. If a body wants to propose a higher bonus, that would have to be seen and approved by ministers, because it would fall outside the parameters of the policy.

Jeremy Purvis: If I may, convener—

The Convener: Others are waiting.

Jeremy Purvis: In answer to a parliamentary question that I asked about who will determine the salary and conditions of the chief executive of the new NDPB or quango, the Scottish Futures Trust, the cabinet secretary replied that that was a matter for the Scottish Futures Trust, which is a limited company fully owned by ministers. I was surprised that there was no reference to the public sector pay policy. Can you explain that?

Alistair Brown: The only light that I can shed on that for Mr Purvis's benefit is that the Scottish Futures Trust is very new and, as far as I am aware, ministers have still to take a final decision on whether the public sector pay policy will apply to it.

Jeremy Purvis: Oh, really?

Alex Neil: Better get your application in.

Jeremy Purvis: I think that I will be behind Mr Neil in the queue.

The Convener: Last question, Mr Purvis.

Jeremy Purvis: The new body has been constituted and registered at Companies House, and the post of chief executive has been advertised, so there has been consideration of the role and the responsibilities, but as far as you are aware—and you are the person to know—ministers have not stated whether the pay policy for senior appointments will apply to the post. Is that correct?

Alistair Brown: That is the position. Yes.

The Convener: I think that you have had more than your fair share of questions, Mr Purvis.

I say again that we are throwing lots of questions at Mr Brown and we must allow him to answer them. David Whitton has been patient.

David Whitton (Strathkelvin and Bearsden) (Lab): The guidance that has helpfully been provided states:

“Chief Executives are either on a spot rate ... or on a pay range”.

Who decides?

Alistair Brown: The body would make a proposal and the remuneration group and, if necessary, ministers would reach a decision on whether a pay range or a spot rate was appropriate. However, the policy encourages a move from spot rates to pay ranges.

David Whitton: That brings me to my next question. Looking at the list of chief executives, I note that nine are on spot rates and that there are some anomalies. For example, the chief executive of Scottish Enterprise is on a pay range, but the chief executive of Highlands and Islands Enterprise is on a spot rate. Why is that?

Alistair Brown: I am not sure that I can give you a firm answer here and now. I observe that there has been a move away from spot rates towards pay ranges. For example—

David Whitton: I am interested to hear that, because the chief executive of VisitScotland is still on a spot rate. As far as I know, he has been there for a wee while. Should he not have been moved on to a pay range by now?

Alistair Brown: The specifics of that would be a matter for negotiation between the individual and the employer. A change would involve a change in the contractual terms of employment, albeit a minor one, between the chief executive and the employer.

David Whitton: Okay. You told us that the figure for the 38 chief executives' salaries was £3.6 million.

Alistair Brown: That is correct.

David Whitton: How much were the bonuses in total?

Alistair Brown: I do not have a figure for those with me.

David Whitton: Will you be able to provide one?

Alistair Brown: We should be able to provide the committee with the figure for the most recent year, 2007-08.

David Whitton: That would be useful.

Strategic aim c) in “Public Sector Pay Policy 2008-09” is:

“To make sure that public sector pay is fair and non-discriminatory.”

Given what we have heard about the differences between how you remunerate chief executives and how you remunerate those at the other end—on the front line—do you think that the Government is meeting that aim? I do not know whether you can answer the question.

Alistair Brown: I cannot really comment on the Government's policies, but there are several mechanisms or processes in the pay policy that

seek to promote equality and fairness. For example, the effect over time of constraining the total pay rise for organisations that are calculated to be higher-paying organisations—a definition of which is provided—is to cause pay rates to cohere and converge.

David Whitton: I understand from your earlier remarks that, at the moment, we are maintaining rises in public sector pay at a flat rate—2 per cent—but doling out bonuses of 10 per cent and, in one case, up to 38 per cent to chief executives. How is that non-discriminatory?

Alistair Brown: The question goes to the heart of the policy, which is a matter for ministers. I am sorry if that sounds evasive, but the key parameters of the policy are reviewed each year, agreed by ministers and published.

David Whitton: Thank you.

The Convener: Is the system capable of simplification? Different bodies are acting at different stages, and there is incrementalism from the past. How difficult would it be to get a simpler, clearer system?

Alistair Brown: We tussle with that question. Our aim is to make the system as easy to operate as possible, within the requirements of providing flexibility. Flexibility tends to bring complexity, because it means that the policy must adapt to the different requirements and priorities of the bodies that it covers. In my view—to some extent, these things are in the eye of the beholder—the policy for 2008-09 is somewhat more complicated than previous policies. Again in my view, that flows from the desire to provide more flexibility, to allow bodies to respond to key pay priorities such as equality or to attract, retain and motivate staff.

Jackie Baillie: I will start with a general question. I do not know a great deal about the pay policy unit, but I would be interested to learn whether it includes anyone with a personnel or HR qualification.

Alistair Brown: I do not have one. I do not think that any of my colleagues in the unit does, but they have other kinds of qualifications.

Lesley Doherty: They have statistical and finance qualifications but not HR qualifications.

Jackie Baillie: That is interesting, given that you are dealing with pay and personnel issues. I recognise that the Government operates through generalists, but it might be helpful to have someone with a personnel or HR qualification when you negotiate with folk from the trade unions.

Alistair Brown: For clarity's sake, I explain that we in the pay policy team do not have negotiating-type contact with trade unions. We set and

administer pay policy on behalf of ministers. Public bodies come to us with proposed remits that set the boundaries of pay offers to unions. Our job is to check and advise on whether the proposed remit fits within the policy; if it does not, we will help the body to adjust it so that it does. Once a body gets a remit agreed, it can negotiate within it with staff and staff representatives.

Jackie Baillie: That is hugely helpful, because you have set yourself up for my next question. The criticisms that are made are that there is no negotiation—you have just described the process—or consistency and that there are interesting job evaluation and benchmarking exercises, delays and bureaucracy. I would like to examine a couple of those issues, if the convener will let me do so.

The Government sets a framework, decides whether pay proposals are acceptable and then, with a capped limit, imposes decisions on NDPBs. It has been suggested that there should be some kind of negotiating machinery through which NDPBs can negotiate directly with those who set the pay limits.

Alistair Brown: I did indeed walk into that question.

Jackie Baillie: You did.

Alistair Brown: One issue that you are getting at is the extent to which ministers discuss policies with others before they finalise them. That is, of course, a matter for ministers. However, I know for a fact that, earlier this year, before the staff pay policy was finalised in April, Mr Swinney had two meetings with trade unions to give them the opportunity to make points to him. I do not think that he has characterised those meetings as negotiations in any sense, and I do not think that they were negotiations; rather, they provided an opportunity for the trade unions to have discussions with him before ministers collectively agreed and finalised the policy.

Jackie Baillie: Okay. I will pursue such matters later with the trade unions.

You are involved in job evaluation and benchmarking exercises, which are HR functions. I am struggling to understand something. The Scottish Commission for the Regulation of Care, which cares for vulnerable people, is benchmarked not against local government or health services, as people such as I would assume that it would be, but against the Deer Commission for Scotland. Why?

The Convener: Take a deep breath, Mr Brown.

Alistair Brown: There is a general approach to benchmarking public sector jobs—in fact, there is a choice of approaches. I think that around half of the bodies to which the policy applies use the job

evaluation and grading support—JEGS—system, and there is also the Hay job evaluation scheme, which is a widely used private sector scheme offered by the Hay group. The name of the third scheme escapes me.

Lesley Doherty: The Croner reward scale.

Alistair Brown: Yes. Public bodies can use any of those systems—indeed, if they found a fourth system and it was accredited, they could use it. The aim is to show the levels of responsibility of their grades of staff and to present information about how much people who are employed by other organisations are paid for jobs that involve broadly the same responsibilities. Bodies can go through the process when they want to in order to homologate or support their pay levels. Bodies also have recourse to job-weighting schemes when they want to propose changes to their pay and reward systems. That is the general context within which job evaluation and grading take place.

I cannot comment on the detail of the benchmarking of the Scottish Commission for the Regulation of Care. I am surprised to hear that the Deer Commission for Scotland was seen as a comparator.

15:00

Jackie Baillie: I am more than happy for you to write to me on that point.

The Convener: You can write to us all on that, if you wish.

Lesley Doherty: When the job evaluation was undertaken for the care commission, account was taken of a number of public bodies based on the data that we publish. The commission also had the opportunity to provide its own market information, and it did so on a limited basis. Some information from the NHS and local government has therefore been factored into the analysis.

Jackie Baillie: We need to move on, so I will rush through my other questions. Criticism has been expressed regarding the delay in the process. As Mr Brown said, one of your objectives was to pay increases when they were due. I want to test that statement a little. We have received evidence that settlements have run late, and there is currently an eight-month delay in reaching a settlement for the care commission. The pay rise was due last April, but the process has still not been concluded. I am curious to know how your new timetable works and whether it will guarantee resolution of some of those issues.

My final question is also on the issue of delay. You require all agencies to provide you with outturn figures two months after the end of the financial year. Why, then, has the Scottish

Government's main bargaining unit been unable to provide you with its outturn figures since 2005-06? How can you ask others to provide you with those figures if the Government cannot even tell itself what it is doing?

Alistair Brown: I will make a start in attempting to answer those questions. It is our clear aim to improve the speed with which pay remits are turned round, which enables public bodies to go ahead with making offers and beginning negotiations with the trade unions. As I said in my opening remarks, I believe that we have done a bit better in the 2008-09 pay round, which started in May, than we did in previous years. As you have picked up, a timetable in annex D to the pay policy provides a benchmark or set of expectations for when the different steps in the process of agreeing a pay remit should be carried out in respect of the bodies that are covered. We have managed to adhere to that for some bodies, but not for all, so we have a target for improvement. Our aim is to ensure that all bodies are able to progress through the pay remit agreement process in line with the timetable.

In a moment, I will ask Lesley Doherty for any update that she can give on the care commission, which you asked about specifically.

On the outturn information from the Scottish Government, the briefing paper that was sent to you states rather baldly that the information for the Scottish Government's main bargaining unit has not yet been provided. Lesley Doherty and I were discussing that just the other day. We know that a lot of information has been provided, but it has not all been finalised yet. We are still discussing with our colleagues some of the details of outturn in the most recent year. The picture from the Scottish Government is not as blank as the document suggests.

Jackie Baillie: Sorry, but the information to which the paper refers is not from the most recent year; it is from 2005-06.

Lesley Doherty: Yes—our apologies. We will come clean on that. We updated the information in respect of 2007-08 but, because there was a time pressure, we did not go back and update the sheets for the previous years. That information was provided in January last year. That is why the position remained unchanged. We apologise for that.

Alistair Brown: So, the Scottish Government's main bargaining unit has provided outturn information—

Lesley Doherty: It has provided outturn information for the years up to 2006-07.

Alistair Brown: Up to and including 2006-07, but not yet for—

Lesley Doherty: I think that we have just received the information for 2007-08 as well.

Alistair Brown: The 2007-08 information is what is under discussion between us.

Lesley Doherty: Yes.

The Convener: Thank you. That was well spotted by the eagle eye of Jackie Baillie.

Lesley Doherty: I will touch on the point about the care commission. Jackie Baillie rightly says that the process has taken a long time. The commission had a settlement date of 1 April this year, but it did not submit proposals to us for that settlement date until 24 October this year, so the proposals are not long in. The reasons for the delay are the protracted discussions on the commission's previous two-year remit and the implementation of the pay and grading review under that remit. As I said, the commission submitted its proposals to us on 24 October. We have done our assessment and the submission will go to the remuneration group this Friday. We have turned round the submission within the timetable, albeit at a much later date.

James Kelly (Glasgow Rutherglen) (Lab): The public sector pay policy states that there is an absolute limit of 2 per cent for basic pay awards. That is interesting because, in a letter to the Public and Commercial Services Union, Sir Gus O'Donnell, the head of the civil service, put forward the view from the Chief Secretary to the Treasury that there is no 2 per cent pay limit for the United Kingdom. In light of that, are there any plans to review that specific point in the Scottish public sector pay policy?

Alistair Brown: I will do my best to answer that. The basic pay award limit for Scotland for 2008-09, which is explicit in the pay policy documents that we sent to the committee, is 2 per cent. We will need to investigate further what Sir Gus O'Donnell has said. As far as I understand it, that correspondence is pretty recent. Ministers will take into account a range of factors and considerations in reviewing the policy and deciding how it should be developed, changed or adjusted for 2009-10. Our aim is to issue the 2009-10 policy no later than one year after the 2008-09 one was issued, which indicates that it should come in the middle of April next year, as we issued the current policy in April this year. At that point, ministers will reflect on all the relevant considerations.

James Kelly: Will you reflect on that correspondence?

Alistair Brown: A letter from the head of the civil service is certainly a factor that would be taken into account. However, for clarity, I should say that the pay matters that we are discussing are devolved and are therefore matters for the Scottish ministers.

James Kelly: Another point that stands out in the public sector pay policy is that the Scottish Government has responsibility for dealing with 55 public bodies through the policy. One criticism that has been made of the process—we have had specific representations from Unison on the issue—is that the process is too long and overly bureaucratic. What are your thoughts on those comments?

Alistair Brown: As I said a moment ago in answer to a question from Jackie Baillie, we believe that, broadly, we are turning round pay remit proposals more quickly and more in line with our timetable than we have done in previous years. However, it is clear to us that there is still further to go. We have taken a range of actions this year to try to ensure that bodies can submit their proposed remits to us more quickly. For example, we held a series of seminars in Edinburgh and Glasgow for public bodies at which we sought to explain the detail of the policy and the nature of the information that bodies must provide to support their proposed remits and have them considered and approved.

We think that that has helped and that the bodies are better prepared now to provide the information that is required. If they are able to provide that information, the process of assessing and, hopefully, approving the remit is considerably faster.

This is all quite complicated. It is necessary to remember that colleagues are going through the process only once a year; if they enter into a multiyear pay agreement, which an increasing number of bodies are doing, it may be two or even three years since the HR and pay team in a public body has gone through the process of putting together a remit and sending it to us. We attempt to support colleagues in the public bodies as best we can, but we certainly acknowledge that we can do more.

Lesley Doherty has just reminded me that we established a working group of volunteers drawn from a number of public bodies, who have helped to guide the pro forma that we use to gather information to ensure that it is as clear and user friendly as possible. The working group has made a number of recommendations that we will certainly take into account in framing the details of the 2009-10 policy.

Joe FitzPatrick (Dundee West) (SNP): I return to the point that Alex Neil and David Whitton made about film-star bonuses. You have said that most of the contracts that result in such bonuses being available would have been signed some time ago, probably by previous Administrations. Does the new policy make 40 per cent bonuses more or less likely? Has there been a tightening up in that regard?

Alistair Brown: As far as I am aware, what the policy says about bonuses has not changed—it certainly has not changed much—over the past several years. The norm is a 10 per cent maximum. People do not get their bonus just by getting up in the morning. The policy relates payment of the bonus specifically to quantified targets. A chief executive needs to be able to demonstrate that he has overachieved on those targets. That should earn him a maximum bonus of 10 per cent. If a body wants to propose a higher level of bonus—Scottish Water is the example that members have been discussing—it needs specific approval from ministers. That does not mean to say that it is illegal or anything like that, but specific derogation would have to be sought from ministers.

Joe FitzPatrick: Has there been any tightening up on what Alex Neil described as film-star bonuses—the 40 per cent bonuses?

Alistair Brown: Such bonuses would be considered by ministers case by case. I am not sure whether I can demonstrate that there has been a tightening up as such, because ministers will consider the individual proposal in the light of all the circumstances, which might include market data that say that all the water companies have paid a certain amount. We could provide a note of any other public bodies that have a contract with their chief executive that implies an upper bonus level of more than 10 per cent. Would that be helpful?

Joe FitzPatrick: It would be useful to have that information for the period since devolution.

Alistair Brown: We will see how far back our records go. We will try to run that back as far as we can.

The Convener: I offer the witnesses the chance to say a final word, if they wish.

Alistair Brown: I do not have anything more to say. We have a number of points to respond to in writing, which we will seek to do as quickly as we can.

Alex Neil: This year, we have had issues in the health service. The chief executives of a number of boards are getting 14 per cent increases. Will you let us know how that is justified under the pay policy?

Alistair Brown: Are you talking about boards in Scotland, Mr Neil?

Alex Neil: I have the headlines in a newspaper in front of me. I am quite happy to send you the article.

Alistair Brown: We will seek to include a response to that in our reply.

The Convener: Thank you for the evidence that you have given. We look forward to receiving the consequent written information. We will take a short break to allow the next panel to join us.

15:14

Meeting suspended.

15:17

On resuming—

The Convener: In our second panel of witnesses, we have representatives from trade unions that organise predominantly in central Government. I welcome Eddie Reilly from the Public and Commercial Services Union; Malcolm Currie from Prospect; and Jim Caldwell from the FDA. Do any of the witnesses wish to make a short introductory statement?

Eddie Reilly (Public and Commercial Services Union): I will say a few words to kick off, and then my colleagues will join in. I will try to cut to the chase—but, mind you, it was interesting to hear the earlier evidence on redundancy payments; it almost encourages me to ask Alex Salmond to withdraw his guarantee of no compulsory redundancies. My members will be queueing up to demand them as quickly as possible.

The Convener: I think that this is you cutting to the chase.

Eddie Reilly: PCS has been in dispute at UK level and in seven distinct areas at Scottish level—the Scottish Government and others that I can specify. We have recently brought that stage of industrial action to a conclusion on the basis of promised talks to take things forward. The essence of those talks is the same as we put to John Swinney and his predecessors from other parties in previous years.

Alistair Brown spoke about a complex system. In our view, it is not complex at all. In essence, our members are on incremental scales. Only eight years ago, it used to take 25 years to get from the minimum of the scale to the maximum, but we have been able to negotiate that down to different levels, ranging from about two or three years to about eight years.

In recent years, Governments of different political colours have counted the movement from any scale point to the next scale point as a pay increase. I suppose that that is one way of looking at it, but the unions regard the maximum of the pay scale as the rate for the job. As a result, civil servants get paid on the cheap for a good number of years until they reach the maximum of their scale. The scale maximum then goes up by what

is meant to be a cost-of-living increase but is only about 2 per cent. That is what has happened in this and previous years.

That way of calculating pay increases—charging the cost of progression and the cost-of-living increase and adding them together to make a 4.5 per cent increase when in reality it is only 2 per cent and the retail prices index inflation is at 5 per cent—is not complex. It tends to suit Government, because it can then describe the pay increase as bigger than it is. For someone who earns only £12,000 to £12,500 a year, the effect of a 2 per cent increase is a good bit different from the effect on someone who earns £150,000 a year.

That key issue applies only to the civil service and NDPBs. It does not apply to local government, teaching and health, for which the cost of progression is separate from the cost-of-living increase. Civil servants are doubly discriminated against.

For the talks that we are about to have, we have suggested ways of dealing with the pay progression problem. The first suggestion is to be honest and not to describe progression as an increase when it is not—it is a movement towards the correct rate for the job. We have even made proposals to ministers on pay coherence, because it is nonsense to have, in the areas covered by the Scottish ministers, 20 to 30 different bargaining areas, a common job evaluation and grading system and people doing the same job on different rates of pay, all under one Scottish ministerial pay policy. We have 22 or 25 different sets of pay negotiations, all limited in effect to a 2 per cent increase with no negotiation at all.

Ministers often overcome the problems of delays and payments by saying simply that negotiations are at an end and that the offer of 2 per cent will be imposed. That is how they are starting to meet deadlines. The number of imposed offers—under Labour and the Lib Dems, or under the Scottish National Party—has increased beyond recognition in recent years. This year's dispute in the Scottish Government, which was going on from July and which ended this week only because of the promise of fresh talks, is the first departmental pay dispute in that department's history. That is how bad the situation is on civil service pay, and that is what we have to pick our way through.

In the private sector, it is clear to both unions and employer that the profit margin, along with the cost of living and other factors, often determines the pay increases to the workers who create that profit. In the public sector, it seems to PCS that every pay increase must be paid for by efficiencies or cuts in either jobs or services. Civil servants feel that they are in the front line of that discrimination, with more than 100,000 UK civil service posts being cut by Gordon Brown and pay increases

being held to 2 per cent. Efficiency savings were made under the previous Labour-Lib Dem Administration, and millions of pounds have been spent on contractors and consultants, but only a 2 per cent increase is available for civil servants.

James Kelly referred to Gus O'Donnell's letter and the denial of the Chief Secretary to the Treasury that there is a 2 per cent limit. Alistair Brown said that that will now be considered, but if he is still in the room, I can tell him that I received a letter just days ago from Paul Gray, the director of change and corporate services, who said that in Scotland the current 2 per cent limit in Government guidance will not be revisited for 2008.

We have lost any sense of fairness in public sector pay. The old system of the civil service being based on fair comparisons—not the best rates of pay and not the worst, but a fair rate of pay somewhere in the middle, compared with the best employers and the lowest-paying employers—has been lost for over 30 years. That is what should be returned; otherwise, the civil service in this country, whether it is a Scottish civil service or a UK civil service, might be open to some of the abuses that take place in other parts of the world.

The Convener: Thank you for that clarity of view, Mr Reilly. I am anxious to get on to questions, but does either of your colleagues wish to say something briefly?

Jim Caldwell (FDA): As in other areas, the FDA has taken a different approach from that of PCS about pay deals and pay settlements. Having said that, we have a deal of sympathy with some of the issues that PCS has raised. Indeed, we sought to pursue some matters with the First Minister and the Cabinet Secretary for Finance and Sustainable Growth earlier this year. There are issues around fairness and progression costs and costs of living that we believe need to be addressed.

Part of our discussions with the First Minister—on which we do not seem to have made much progress since—concerned reducing the number of delegated pay areas. For once, Eddie Reilly understated the position, which is not like him. Scotland has in excess of 40 different bargaining units that come under the responsibility of the First Minister, which we deal with. There are areas in which change and progress could sensibly be made regarding how we organise pay.

On the matter of the letter from Gus O'Donnell and the discussions that have been taking place nationally, we and Prospect have had similar letters. We are adjoined in the discussions, which we go into positively but not particularly optimistically, as we are less than convinced that we will make any great progress there. However,

we want to have similar discussions with the Cabinet Secretary for Finance and Sustainable Growth over the next few weeks on the guidance that he will issue—as opposed to the guidance that the Treasury will issue.

Malcolm Currie (Prospect): I will illustrate a couple of the things that Eddie Reilly mentioned, as well as picking up on what Jim Caldwell said about the effects of the current pay policy—particularly the inclusion of progression in the same budget that a pay increase must come out of—taking into account inflation. One effect of that has been an effective erosion in pay for professional jobs at the top end of the civil service and related areas, with increases that have consistently been below the rate of inflation for a significant number of years. That has had an effect on morale in the sector overall, which is illustrated by some of the points that were made in the written submission that you received from Prospect, with reference to some of the survey work that we have done.

The inclusion of progression and the tightness of the overall settlement have meant that some employers, over the past one to two years of negotiations, have been forced to extend the progression period of eight years that we had negotiated, as Eddie Reilly indicated. Employers have been forced into extending the progression period to as long as 14 years. The cumulative effect is that public sector employers here are increasingly struggling to meet their legal obligations with respect to recent changes to equality legislation and recent case law flowing from that legislation. The policy also prevents employers from taking steps to address the issue. The words might say that there is scope to do that, but the budget does not allow it as long as progression is included in the overall budget head.

The Convener: Thank you for setting the scene. I seek questions from members.

15:30

Jackie Baillie: The witnesses will be pleased to hear that I have just one question. At least two of you referred to the difficulties and complexity in achieving pay coherence through the negotiating machinery. What is your solution?

Eddie Reilly: We have put the issue to ministers and senior civil servants for several years. If we have one pay policy and one grading system—if all that is in place—why do we have so-called negotiations in 22 or 40 areas to produce different pay systems for the same job levels in different areas? Surely the activities of those employers could be reduced to a central bargaining unit, so that the same unions could sit round one table and deal with one set of pay negotiations under one

policy, with one grading system. That would deal with pay properly at the Scottish and UK levels. That would achieve better value for the taxpayer and for civil servants and other public servants.

James Kelly: Mr Reilly has answered my question, which is whether local or central bargaining is the way forward to improve the process. I am interested in the other union representatives' views on that.

Jim Caldwell: It is clear that improvements can be made, but the FDA is not convinced that we will ever return to the days of having a single pay bargain. A minister in the previous Administration told me that it was amazing how many times, when the Government talked about relocating jobs from Edinburgh, the answer from civil servants was, "Livingston." The same situation applies to pay—employers have gone to the Government a number of times and heard the answer, "2 per cent." If that figure is determined centrally, what is the point in having 40 sets of pay negotiations? A commonsense way of reducing that number to a more manageable level, if not to one, must exist. That would also produce savings that could be used elsewhere in the Administration.

If the National Assembly for Wales can do some of that, why cannot the Scottish Parliament? All the unions that are represented here operate in Wales. We understand that when the Welsh Assembly receives the Treasury guidance, it simply writes back to say, "We note that," then does what is appropriate for the Welsh Assembly. It has pulled some pay bargaining back to the centre rather than leaving it delegated outside.

David Whitton: We were given the public sector pay policy to allow us to prepare for the meeting. Were the unions involved in producing that policy? Are its strategic aims being adhered to?

Eddie Reilly: I do not want to be unkind to John Swinney. He certainly met the unions twice, as the committee heard. That is absolutely true. However, I assure members that those were not negotiating meetings; neither were such meetings with any previous minister. To be fair, Mr Swinney has engaged the unions positively, although we have not entirely been listened to. To that extent, we are happy with the consultation. However, Scottish ministers have given broadly the same answers about civil service pay as have UK ministers, as Jim Caldwell said—2 per cent is still 2 per cent.

Malcolm Currie: David Whitton asked whether the pay policy is achieving its stated aims. Alistair Brown referred to fairness and consistency and to being fair and non-discriminatory, on which members picked up in questions. The policy is failing on both those aspects.

Alex Neil: Although our productivity is a lot higher than that of our Westminster colleagues, our pay is 12.5 per cent less. Perhaps you could help us to overcome that.

Jackie Baillie: No performance-related pay for him, though.

Alex Neil: I did not mention quality.

Jim Caldwell: I will give you an application form before I leave.

Alex Neil: I hear what the witnesses say about the possibilities of streamlining the machinery of negotiation. My background is in economic development and I have always been struck by the fact that many of the jobs that are done by quangos today have been done in the past by civil servants in the relevant department, and there seems to be a fairly substantial remuneration differential between the civil service and those who work for the quangos. Have you raised that issue with the Government? I am talking about not just the current Government, but its predecessors; as you said, the problems are inherited. People seem to be doing exactly the same jobs but earning different salaries under different conditions.

Secondly, I hear what you say about streamlining the number of bargaining units, but is there not also an issue about streamlining the number of unions?

The Convener: Who would like that one?

Jim Caldwell: I am happy to start, although not too happy. You would not expect me to sit here and say that the FDA has negotiated too good a deal for its members who work in quangos or NDPBs. We represent some senior people who earn a reasonable amount of money compared with the average wage. However, people could earn considerably more by doing similar work with similar responsibilities in the private sector.

Alex Neil: May I stop you there? A report that was published last week showed that that is not true and that the public sector median was higher than that of the private sector in Scotland.

Jim Caldwell: Reports come out day and daily, Alex, and I have heard you quoting from most of them. You always seem to pick the one that suits your case, as we all do.

The Convener: Mr Neil could write to you about that.

Jim Caldwell: Far be it from me to say that we do too well for our members who work in NDPB and other agencies. That is my first response.

The current number of unions is probably as small as it is likely to get. Who knows? We are all still speaking to each other even if we have slightly

different views. I can probably say that that is not an issue for me. I am sure that Eddie Reilly and Malcolm Currie will say the same. We leave that to our elders, if not betters.

Eddie Reilly: That probably explains why I am in PCS and Jim Caldwell is in the FDA.

In answer to Alex Neil's first point, we are in favour of a single process point for negotiating pay across all 25 bargaining areas to fit in with the one minister's pay policy. However, we also want the same single, coherent pay system for a clerical officer—or whatever they are called now—or an executive officer in the Scottish Court Service as Scottish Government employees have. It makes sense to apply a common grading and pay system across all areas.

In response to Alex Neil's question about pay levels in NDPBs and the civil service, I make the point that we represent the majority of low-paid workers. If this year's pay offer had not been imposed on time and we had not secured an agreement, workers in the Scottish Court Service would have been in receipt of pay that was below the national minimum wage at the time—that is how low people's pay is.

We want the principle of fair comparisons to operate for all jobs in the public sector, so that there is a fair return for the taxpayer and a fair rate of pay for people who are involved in the provision of valuable public services, whether they are in the civil service, an NDPB, the health service or local government. Pay should be compared with pay in the private sector and the rest of the public sector, and fair rates of pay should be set. That used to happen under the civil service pay research unit, which operated almost 30 years ago. We would like a return to such a system.

I have survived four mergers. I do not think that my colleagues on the panel have survived any; they certainly would not survive one with me.

The Convener: I understand the desire for simplicity, but how achievable is a single, coherent pay system, given the history of such approaches?

Eddie Reilly: We had such a system in the past. When I joined the civil service 30 years ago, the rates of pay for clerical officers, executive officers, higher executive officers, senior executive officers and people at grade 7—the principal grade—applied throughout the United Kingdom. There was a single system for evaluating and grading jobs.

Currently we have JEGS, to which Alistair Brown referred, but there are different rates of pay, which are covered by 200 sets of negotiations throughout the UK, of which 25 to 40—whatever the number is—apply to Scotland. That situation is nonsense. We can operate a single evaluation and

grading system, so there is no reason why we cannot have a single pay system. Such a system might need to allow for variations in order to fit in with the structures and needs of agencies or departments, but there should be a coherent core on which negotiations for all organisations are based. Adjustments could be made within organisations, within limits. There is no reason why we cannot have such a system; we had one for many years.

Malcolm Currie: The message that I get from the employers with whom I deal is that the first thing they do when they consider pay rates is to consider their sister bodies, in order to ascertain whether they can offer rates that are similar to the rates that are offered by comparable bodies. Differences emerge when different restraints are placed on bodies.

There are failings in respect of the applicability of JEGS to specialist functions and pay, which have caused problems for the NDPBs that have been streamed off to consider areas that involve specialisms. The JEGS framework could, however, certainly be used as a basis for an overall pay system, as could other systems that are in place.

On Alex Neil's question about unions, the memberships of the three unions that are represented on the panel are reasonably different in demographic terms, so there is meaning in our all being here. Given that we represent different member groups, we have slightly different viewpoints.

Jim Caldwell: We have talked about how the process might be improved, but the process will not matter until we have resolved the unfairness in the civil service pay system, whereby progression costs and the cost of living are counted against the same budget. That basic unfairness does not happen in education, the health service or local government, as Eddie Reilly said.

The Convener: The Welsh Assembly's system has been mentioned in dispatches. Is it problem-free? Has it overcome many of the problems in our existing system? Could you expand on your comments?

15:45

Jim Caldwell: You will never resolve all the problems and it will be impossible to get everyone to agree to everything all the time. To a certain extent, that is what negotiations are all about. In Wales, although there have been some areas of disagreement and difficulty, the system involves the Assembly taking money from the Treasury and deciding how best to use it in the areas for which it is responsible. As I said, some areas in which there used to be delegated authority have been

pulled back in to the centre. As far as I can see, the system is working well, and has delivered reasonable increases in the areas that have been targeted by the Welsh Assembly, with which all three unions have worked fairly well.

Jeremy Purvis: I understand that one of the differences between the new pay policy and the old pay policy involves recyclable savings. Previously, it was not permissible within a pay round for an employer body to take account of reductions that arose as a result of delayed recruitment and retention and so on. However, under the new system, such factors are being incorporated. That could mean that it might now be a matter of policy to have delayed recruitment, longer absences from posts and so on, which might place additional burdens on existing staff. Have you raised concerns about that with the cabinet secretary? What is the unions' position on that?

Eddie Reilly: As I said, we want a return to fair comparisons. We are concerned about the extent to which efficiency measures, cuts—either in services or staff numbers—and extra pressure on staff might result from any success that we have in pay discussions.

I have no doubt whatsoever that, although it might be possible to put a slightly better gloss on Scottish ministers' pay guidance than on the Treasury pay guidance, and regardless of the fact that in Wales there has—as Jim Caldwell said—been a bold move to bring back in to the centre areas that were previously the responsibility of public bodies, which has had an impact on the bargaining process, a problem will arise as a result of any attempts in Scotland to increase flexibilities and recyclables, which means that there is likely to be an even greater drive over the next 12 months to achieve greater efficiencies, so that the same approach can be taken in relation to spending for 2008-09, 2009-10 and so on. That will lead to more pressure being put on staff, and to services either not being provided, being provided only under duress or being privatised so that they come off the pay bill, which has often happened in the past.

We have expressed those concerns to the permanent secretary to the Scottish Government. Over the next 12 months, the extent to which further efficiencies will be sought in order to fund even the most basic level of pay increase for staff will be a major issue for us.

Jim Caldwell: I have nothing to add.

Malcolm Currie: Looking slightly further back in history to the time before pay delegation, the workforce then was big enough to have turnover in the system, so that when somebody at the top of the scale left, somebody came in at the bottom.

That delivered the funding that paid for the progression system. With bodies having been broken up into different organisations, some of which are relatively small, there is no longer a big enough workforce to deliver funding as I described. That kind of pay coherence could make it much easier for the civil service as a whole to move back to a system whereby progression was easily decoupled.

The Convener: David Whitton will ask the last question on this section.

David Whitton: Mr Caldwell mentioned unfairness in the system and Mr Reilly spoke about fair rates of pay going back 30-odd years. That was probably when I first met them, now that I think about it, but that is by the by.

Given the current economic climate, how do you think public sector pay compares with private sector pay? What kind of increase would be needed to bring public sector pay up to the levels that you and your members expect?

Eddie Reilly: Only two years ago, the Scottish Government, as an employer, used outside consultants—I think it was the Hay Group—to conduct a pay levels survey. One of the startling conclusions was that the Scottish Government as an employer is comparable to the lowest 25 per cent of employers in the private and public sector. That observation, which was made in a detailed pay levels survey that the employer paid for and shared with us, probably sums up the situation. Before this year's pay increase, low-paid civil servants in the Scottish Government at the maximum of their scale were getting £12,500 a year—which just about says it all.

Malcolm Currie: I can fling in a relevant point here. I also negotiate with a number of private sector companies. My direct comparisons show that all the pay settlements that I negotiated in the private sector exceeded the retail process index by between 0.5 and 1 per cent. That level of settlement did not include progression payments, which are normally on top of the basic settlement.

Another point to bear in mind is that there was a diktat in public sector pay policy this year that there must be a comparison with other bodies' pay. Data were provided for that, but they were all produced from public sector bodies that were suffering the same pay restraint, so it was not a fair comparison against the market rate for people's jobs.

Dave Whitton: I ask Mr Reilly to answer the second question that I asked. How big a pay increase should there be, if 2 per cent is not right?

Eddie Reilly: Around the time of the settlement, RPI was sitting at 5.2 per cent. If we got a cost-of-living offer based on RPI—which is far truer than

the consumer price index—in addition to progression, the total pay offer would be about 7 or 7.5 per cent. If the offer therefore consisted of RPI plus progression, it would be reasonable.

Eight years ago, when Mr McCabe's colleague Mr McConnell was Minister for Finance, the Scottish Government civil service pay settlement was 25 per cent over three years. The majority of that money came from reducing the time it takes to progress from grade minimum to grade maximum from around 25 years to four, six or eight years, depending on the grade. It seems that we in the civil service always have to wait 25 or 50 years before things get put right; when that happens, we spend the next 25 or 50 years waiting for them to go so wrong that people will come out on strike and not go back to work until the situation has been sorted. That is why a return to the system of fair comparisons could be a breakthrough in the civil service, if Scottish ministers were ready to grapple with that.

Alex Neil: I have a wee supplementary. I can see where you are coming from, but let us suppose that your claim for a pay rise of roughly 7.5 per cent to recognise RPI plus grading was successful. As you know, one of the problems that the devolved Government faces is that it has a fixed budget. Given that salary makes up between 60 and 70 per cent of the costs of most of the organisations for which the Scottish Government is responsible, where would you get the money to pay for such a rise?

Eddie Reilly: I am glad that Alex Neil has asked me that question and that, after all these years, he can still see where I am coming from.

Before we called the strike in July, we met the Cabinet Secretary for Finance and Sustainable Growth to discuss that very point. FDA joined PCS in telling Mr Swinney that there was a way of avoiding the strike. We said that he should reduce the number of bargaining areas under Scottish ministers from the present number—40, say—to one, implement a proper pay system and introduce what management in all the areas in question wants, which is common citizenship. That would enable civil servants to move between the Crown Office and Procurator Fiscal Service, the Scottish Court Service, the Scottish Government, Historic Scotland and other NDPBs, and would give management across the board access to a full pool of public service workers to provide an experienced service to the public.

If the Government did all that, it would not only produce a better system for management and a more coherent system for staff that would offer better career development prospects, but it would save money in the process, which could go towards funding a proper rise for our members.

Alex Neil: So your efficiency savings would be greater than John Swinney's.

Eddie Reilly: Of course, John Swinney, in his wisdom, immediately encouraged us to meet senior civil servants to explore that. We got nowhere and the strike went ahead.

Jim Caldwell: Eddie Reilly did not mention the other point that we raised at the time—the Government's public sector simplification agenda. We said that if the Government linked that in as well, we would begin to get a coherent picture and might find a way forward in what became a PCS dispute. That would have been a way to deal with some of the issues that we raised, which are still unresolved.

The Convener: I regret that this market day is wearing late. Do the witnesses wish to make any last-minute comments?

Eddie Reilly: PCS does not. Thank you very much, convener.

The Convener: We have a wealth of trade union experience around the table. Your evidence is very much appreciated, so I thank you.

We will take a short break to allow our next panel of witnesses to take their places.

15:58

Meeting suspended.

16:00

On resuming—

The Convener: Our third panel of witnesses consists of representatives of trade unions that organise in local government. They also represent members in some areas of central Government. I welcome to the committee Dave Watson from Unison, Jimmy Farrelly from Unite and Alex McLuckie from the GMB. I invite the witnesses to make short statements.

Dave Watson (Unison): In this discussion, local government should be separated from the quango state and central Government—they are two different areas. Scottish Government pay policy impacts on local government, although only indirectly. Because 80 per cent of local authority income comes from central Government, the local government finance settlement and the assumptions about pay that are built into it have an indirect impact on local government pay negotiations. In our view, the Government's pay policy has limited the ability of local authorities, acting through COSLA, to pay. If the Scottish Government does not give local authorities enough to finance pay deals that are at least in line with inflation, they cannot do that without there

being an impact on jobs and services. That has been a feature of local government pay negotiations for a number of years. Although the impact of Scottish Government pay policy is indirect, it is no less important.

Unison represents members who work in the quango state, which should be distinguished from the civil service—there are differences between the two, which we are happy to explain. The problems that we face are set out in the written evidence that I submitted. We operate within what we regard as a highly rigid and detailed pay policy. In theory, we negotiate with a lot of employers; I have never counted them, but it seems to us that there are many more than 40. The problem is that we are dealing with employers who have limited room to negotiate. When I and other negotiators first meet any employer, we recall an old trade union question: Am I dealing with the monkey or the organ grinder? In most quangos, we are dealing with the monkey, because employers have little ability to negotiate with us.

In recent years, scope has been even more limited. The cause of many of the delays that we have experienced is that we have been dealing not only with annual pay negotiations but with major pay restructurings, largely to reflect the need for equal pay. In addition, the Scottish Government's simplification programme and the Crerar review will result in more harmonisation negotiations. Both equal pay and harmonisation involve one-off costs. One difficulty with Government pay policies is that they attempt to squeeze those costs into the normal annual pay bargaining arrangement.

We also have difficulties with the pay process, some practical examples of which are included in our written evidence. We are not always sure where delays occur. Our members usually blame the pay unit; I am sure that that point has featured in letters that the committee has received during disputes in which we have been involved. In fairness, I do not know whether the pay unit is the cause of most delays—quangos' management and ministers—who in many cases have to approve and sign off remits—are also involved. However, there have been ridiculous delays in pay bargaining that we see neither in local government nor in the private sector, with which we also negotiate. Such delays would be unheard of anywhere else. All we hear is that information is passing backwards and forwards between bodies, committees, pay units and ministers. That process can take an awfully long time. In industrial relations, such delays create frustration and aggravation.

A strategic aim of the Scottish Government is to address the issue of low pay. In our view, the pay policy does not do that. One in five low-paid

workers in Scotland works in the public sector. Those workers are twice as likely to be women, and a high proportion are part-timers. Pay policy is clearly not just a question of fairness in negotiations—it ought to be part of a wider strategy to address issues of poverty. A recent Joseph Rowntree Foundation report focused on people who are in work but are low paid and in poverty.

Jimmy Farrelly (Unite): I would like to make a few points on issues relating to the committee's locus in relation to quangos. Over the past two years, we have had disputes with Highlands and Islands Airports Ltd, despite its having been profitable within that period. I was interested to hear someone talk earlier about there being more flexibility in the future. We are in the process of negotiating for the third year, but if the negotiations go the way of the past two years, we will be in for further disputes.

Rigidity in the public pay policy has left our members with no option but to take industrial action. Firefighters in the Highlands perform a range of other duties in the community, and they have really flexible working arrangements, but no consideration has been given to that in public pay policy, which is too restrictive. As a consequence, we have had disputes that our members would probably prefer to have avoided, and which have caused a great deal of inconvenience to the general public—especially at this particular time. That was regrettable, but our members were left with no option.

As Dave Watson suggests, we have members in a range of quangos. We can have a dilemma when a dispute arises in a high-profile area such as the Scottish Qualifications Authority, as happened a few years ago, and there is immediate media attention.

I received a letter this morning from the Scottish Further and Higher Education Funding Council, whose members are really upset because of the restrictiveness of the policy. They do not have any incremental scales.

I was glad that Dave Watson raised the issue of low pay. I know that the committee does not have a direct locus with the Convention of Scottish Local Authorities, but COSLA does not believe that it has a problem of low pay. It has told us that the only barometer it uses is that of recruitment and retention. That is a fact of life.

I wish that the employers had been with me recently in the school where I spoke to a cleaner who, at a quarter to 9 in the morning, was on her third job. She had started at half past 5 in the private sector, then went to a job in another school, before finishing up with her third job. We know that that sort of thing happens in a range of

areas. People are doing that just to get by and make a living.

Low pay is clearly an issue and I hope that some of your questions will bring out some of its aspects. There are ways and means of addressing the issue without there being necessarily a direct input from the committee.

Alex McLuckie (GMB): When I was sitting at the back of the room talking to Jim Farrelly and Dave Watson, I happened to say that I had been practising for hours and hours on the contribution that I wanted to make today. I said that it would agree with everything that my comrades would say, and that is how I feel, going third. A lot of what I was going to say has already been said. However, if committee members will bear with me, I would like to add a couple of things.

Local government is not covered by the pay policy, but I found the policy interesting when it turned up, especially when I read in the foreword that there would be

“flexibility to allow more money to be targeted at making a difference ... Whether that is dealing with low pay in the public sector”

or

“addressing inequalities in pay and reward systems”.

As trade unions in local government, that is one of the two big issues that we are dealing with. Section B of the policy was mentioned earlier. It is on the “Strategic Aims and Objectives”, and the two issues are covered there as well. The issues are near and dear to our hearts, but I am not so sure that they are near and dear to the hearts of the employers that we deal with. That is a part of the pay policy that we would like to push through in our negotiations.

For me, one of the difficulties before coming here was knowing what angle the committee wanted us to come from. Do you just want to know about our demands on equal pay or on pay generally, or do you want to know what we think of pay policy? I will cover both those questions. A reference has been made to pay inequality in local government. There has been a lot of press coverage of equal pay in local government and the settlements on that. On future planning, the negotiations on the funding settlement for local government must take into account the funding that will be required to introduce an equalities proofed and inequality-free pay system in local government. It will be very difficult for local government to deal with equal pay on top of having to make the efficiency savings that it is being asked to make, all within the tight settlement that local government says it negotiated with the Government this year.

In considering future pay policy and the amount of money that is allocated for pay, you cannot lose sight of the equal pay issue in local government—it is a big issue for us. Some of the latest judgments at tribunals—such as those in the Redcar and Cleveland Borough Council v Bainbridge and Redcar and Cleveland Borough Council v Surtees cases—have introduced further equalities issues, which shows that the matter will be with us for a considerable time and must be taken into consideration.

The Convener: Thank you—

Alex McLuckie: I am not finished—I have only just started.

We have had a dispute this year in local government. One reason for that is the downward pressure on pay in local government. For four to five years, settlements have fallen behind the RPI, which means that there has been a reduction in the standard of living of local government workers. In 2005, the RPI was 3.2 per cent and the settlement was 2.5 per cent; in 2006, the RPI was 2.6 per cent and our increase was 2.5 per cent; in 2007, the RPI was 4.7 per cent and our increase was 2.5 per cent; and this year, at the pay anniversary date, the RPI was 4.1 per cent and our offer was 2.5 per cent, although it was eventually increased to 3 per cent. The forecast for 2009 is that inflation will be 3.4 per cent and we are being offered 2.5 per cent again.

Another issue that led to the dispute was the lack of involvement of the trade unions when COSLA and central Government made their agreement on the spending policy for the next three years. They might have discussed pay, but they did not engage the trade unions in that discussion. The difficulty that we had, particularly this year, was that when we went into the collective bargaining process, we were told right at the start that the financial situation was tight, there was no money for pay and we were at the limit. Whose limit? It was certainly not the trade unions' limit—we were not engaged in the process. On industrial relations in local government, if we continue to have agreements on spending between Scotland's national Government and Scotland's local government, the trade unions need to give input so that we can make proposals that we think are desirable for our members.

Low pay is definitely critical for the unions and local government, but it is also critical for the employees who are affected by low pay in local government. In 1998, when the national minimum wage came in, the lowest rate of pay in local government was 65p an hour above the national minimum wage. At the latest offer, it was 25p above the national minimum wage. We have seen the deliberate creation of a low-pay economy in local government. I believe that the employers

want the national minimum wage to be the standard for the lowest-paid workers in local government. We think that that is simply wrong.

16:15

The Convener: I am sorry to interrupt, Mr McLuckie. You asked what we expect from you—why you are here.

Alex McLuckie: I am trying to cover all the bases.

The Convener: We are giving you the opportunity to speak from your practical experience and give evidence. You have done that, so far, in your introduction. We are not here to negotiate in any shape or form.

Alex McLuckie: I am not suggesting that you are.

The Convener: We will discover where we want to go from your answers to our questions. Can you finish, please?

Alex McLuckie: I will finish on this point. In terms of low pay, according to the latest staffing watch figures that I can find on the Scottish Government website, 27,000 part-time women workers are on less than £6 an hour. When you take into account that they are on what is known as a term-time contract—they have a contract for 52 weeks of the year, but they get paid for only 44 weeks' work—their rate of pay drops to £5.06 an hour. In local government, we need to tackle the problem of 27,000 part-time women workers who are on less than £6 an hour but who are, in reality, averaging £5.06 an hour.

The Convener: Thank you. I now invite questions from the committee.

Jackie Baillie: We understand that there are capped limits and that negotiations are difficult because you are talking to the monkeys rather than the organ grinder. First, what negotiating machinery would you put in place? Secondly, we have heard that, although the two meetings with the cabinet secretary and his predecessors were welcome, such meetings are not a substitute for negotiating machinery. How do you raise the issues that you are raising with us today, principally about low pay, which affect many of your members?

Dave Watson: We had those discussions at an early stage. When there were big delays last year, we had meetings with John Swinney, the cabinet secretary responsible, and raised many of those points with him. In December 2007, we submitted a detailed booklet on all the delays in all the areas in which we negotiated. In fairness, John Swinney agreed at that stage to enter into some discussion before the next year's pay guidance was

published. He admitted that the pay guidance was dashed out in 2007 with no consultation whatever so that we were faced with a *fait accompli*.

In 2008, John Swinney called us in, although he would claim that it was not a negotiation at all. Essentially, he called us in one evening, we had a nice cup of tea and a biscuit, and we chatted about the pay policy. He asked what we would like him to put in the pay policy and we told him. He did not show us a draft at that stage.

Alex Neil: Was there no beer and sandwiches?

Dave Watson: There was no beer and sandwiches, but we got a nice choccy biscuit in St Andrew's house, so it was not that bad. Believe me, I have visited employers who have not even offered me a choccy biscuit—in fact, not even a cup of coffee. At least we got that. We had a fascinating discussion. We told the cabinet secretary what we would like to see in the pay policy and he said, "That's very interesting, Dave. Thank you very much." The pay guidance was then produced a few weeks later.

I believe that that was an honest attempt by John Swinney at least to engage with us on the issue—I give him credit for that—but it was not negotiation and we are still back with the organ grinder and the monkeys. Everything eventually comes back to the cabinet secretary, although we have the negotiations at the local level. The current Scottish Water dispute is a classic example of that. We have had lots of negotiations at the local level, but the employer says, "It's not up to us, gov. It's John Swinney who signs off the pay remit, not us." Essentially, we are left talking to one group of people while the man who is pulling the strings is sitting in St Andrew's house. That is the problem.

How would we sort that out by doing things differently? I think that there is a case for recognising the reality of the situation and stopping kidding ourselves that we are having detailed negotiations about pay, in particular, at the local level, because that is not happening. We need a separate negotiating structure, although I am not convinced that there should be only one. There is a difference between the central civil service and the NDPBs—the quangos—because not all the quangos have come from central Government. The reason that we have a lot of members in quangos is that a lot of them came from local government when previous Administrations centralised services. We would rather see some of those services go to local government. A classic example is the careers service, which Fiona Hyslop wrongly, in our view, put into another quango. We were pleased that it left Scottish Enterprise, but we would rather that it had gone to local government instead of another quango.

Lots of quangos are like that, but there is a mixture as, in the case of the Scottish Environment Protection Agency and others, some have come from local government and some from central Government. We must have a negotiating framework body for the NDPBs, although not necessarily for the agencies. Such a body would not deal with the minutiae of all the arrangements, but it would deal with the big issues, such as pay and grading structures and the core terms and conditions of service. The Scottish Government will eventually be challenged in some of those areas, because it is, in practice, the employer that is setting out the pay arrangements. It therefore seems sensible to have a framework negotiating body for NDPBs and to allow the detailed stuff to be sorted out locally.

The alternative is for ministers to be genuinely hands off and say, "It's up to you. There's your budget: get on with the negotiation." John Swinney has made it clear that he does not want to go in that direction. If anything, he has pulled things closer to the centre. I understand why he has done that: it is because he is accountable to Parliament for the bodies. I do not disagree with what he has done, but, if that is the reality, let us have a negotiating body so that we deal with the organ grinder rather than the monkeys.

David Whitton: I asked the previous panel of union representatives about the strategic aims and objectives in the "Public Sector Pay Policy 2008-09". I realise that it does not particularly apply to local government, but one of its objectives is

"to pay increases on the settlement date when they become due."

It appears from Unison's evidence that there is an increasing problem. What is the problem? Is it the pay unit? Is it the fact that local government has to deal with zero per cent council tax increases? What is the difficulty in reaching pay settlements on time?

Jimmy Farrelly: We started speaking to COSLA about the local government deal in January or February, so we talked for a lengthy period. The problem is that when the initial offer was discussed, we consulted our members and we did not get to hold any further discussions with the employer until July.

An aspect that is often missed is that we still have a dispute—as have our colleagues in the GMB—because we have a greater proportion of people on the lower pay grades.

A range of voluntary sector organisations follow the line of the local government settlement. They wait until the settlement is reached and they do not pay any back pay. In effect, a whole group of workers is losing out as a consequence of the long delays, because we have a discussion with the

employers and local government implements the pay deal and the back-pay element, but that does not happen in a range of organisations that follow the line of the settlement. We are frustrated by the length of time that the process takes, but it is not down to us. Our members were unhappy that the deal was placed on the table on a take-it-or-leave-it basis. Our members, particularly those on the lower pay grades, are frustrated by that.

Dave Watson: I will address the NDPBs. The reasons why it is difficult to reach pay settlements in time in NDPBs are complex. First, the quango must put the proposals together, which is a detailed process that takes some time. Members have in their papers the technical guidance, which is another wad of documents.

I will give the committee an example to illustrate my point. One quango appointed a new human resources director, whom I knew because I had negotiated with him when he worked in the private sector. He sat down and said, "We're going to start pay negotiations next month, Dave." He then said, "Is it real, all this stuff? Do you realise that I have to tell the civil servants in St Andrew's house my opening speech to you, word for word. I have never seen such nonsense in all my life." He is right. It is barking that he had to write down, word for word, what he was going to say to me at the start of the meeting. Thank goodness he did not have to write down the whole thing, given that there were four days of pay negotiations, into the early hours of the morning. That is an example of the huge amount of unnecessary detail that bodies have to provide.

Then we have the pay unit itself, which—

David Whitton: Sorry to interrupt, but who was that?

Dave Watson: I would rather not say, because he should not have showed me his submission to St Andrew's house, but it was a Scottish quango HR director who had not worked in the public sector before.

Alex Neil: We will narrow it down.

Dave Watson: The next stage in the process is the pay unit. In fairness, I do not know how well it is staffed—it does not seem to contain many people, frankly—but I think that it struggles to cope with the vast array of bodies. It also struggles on the expertise front. Jackie Baillie asked a pertinent question. I do not think that having a lot of finance people is a problem for a normal pay round, but when the unit has to analyse job evaluation schemes and pay structures, it struggles.

There is a further problem when we get into negotiations. Inevitably, we come up with ideas and so do the employers. They say, "That's a good idea. Let's do that." We then have to go back

to the pay unit, which considers the idea, and sometimes ministers have to be involved—not just John Swinney, but a range of ministers in sponsoring departments. The whole thing becomes a nightmare of delay, for which there is not a single cause but multiple causes. That is why we need a simpler system that cuts through the problems.

Alex Neil: Jimmy Farrelly suggested that we can do a lot to solve the problem of low pay in local government without a huge increase in costs. How do we square the circle?

Jimmy Farrelly: I will give an example. Factor 13 of the job evaluation scheme asks:

"Could the job could be done by someone who cannot read or write?"

If the person whose job is being evaluated agrees that that is the case—or it is agreed generically—they will score at level 1. An example is the lollipop man or lollipop lady, as they were called years ago before the politically correct world arrived: they are now called school crossing patrollers. The reason why they had a big black line on the lollipop was that, if anybody drove by and frightened the life out of the kids, they could take a bit of chalk from their pocket and write down the registration number. They would also write it on the road, believe it or not. However, they could do that only if they could write.

At least one council that we deal with has included reading and writing as necessary skills for that job, and it has done some work with the learning networks to promote literacy. The same applies to a range of other jobs, including cleaners and catering assistants. If school cleaners deal with potentially hazardous chemicals, they must be able to read. The council made the change in a non-discriminatory way and provides assistance for people who have difficulties.

That approach is a win-win situation for the broader community and the members of staff. When staff go through the job evaluation and score their job at level 2 because it requires the ability to read and write, that lifts them up the scale and increases their earnings potential. Otherwise, many of them would be on means-tested benefits.

Alex Neil: That example is at an individual level. I am interested in how we tackle low pay at a policy level.

Alex McLuckie: I know that the question was directed to Jim Farrelly, but I will reply, if that is okay.

The issue for us is that local government in Scotland seems to turn its face away from dealing with low pay. That is a simple truth. Next year, the health service in Scotland will do away with the two lowest bands of the pay structure and low-paid

workers will automatically go up the scale. The policy document says that there is a 2 per cent basic increase and that more money is available to try to deal with equality and low-pay issues.

It appears that local government employers are not prepared to use that flexibility. Our low-paid members in local government know that their colleagues in the health service will have the two lowest bands removed in year 2 of their three-year deal, and a 2.4 per cent increase or £400, whichever is greater, in year 3. In the health service, we are dealing with low pay by, if you like, bottom loading some of the money that is available to the lowest paid workers. In councils in England and Wales, workers have been offered a 2.45 per cent increase this year, with a bottom loading of £350—if 2.45 per cent is less than £350, the £350 applies. Money is being directed to the lowest paid. We have raised the issue with council employers in Scotland, but, for whatever reason, they are saying, “We’re not prepared to do it.”

16:30

Alex Neil: What reason did they give for that?

Alex McLuckie: The reason that they gave was that if the bottom point was dropped, it would upset the lovely pay spine. Seriously, that is what they said.

There is a willingness to deal with equal pay in the health service and in local government in England and Wales, so why does local government in Scotland not share that willingness? You need to ask the employers.

Jimmy Farrelly: The reason the employers gave us—I find this argument perverse—was that there is a 1.5 per cent gap between all the pay scales and that if we removed the bottom pay scales and assisted people on the lower grades up the way, that could create inequality, because it would skew the pay scales. You look as baffled as we were when we tried to get our heads around that. People within COSLA have presented that argument, but we do not think that it is sustainable. With a bit of assistance and pressure from others, perhaps COSLA will explain to this committee how it can take that position in this day and age.

James Kelly: What is your view of how public sector pay compares with pay in the private sector?

Dave Watson: It is always difficult to compare the two. There are various studies: I have read the one that Alex Neil mentioned earlier, which examined the issue under broad headings. I mentioned the recent report that the New Policy Institute produced for the Joseph Rowntree

Foundation, which focused on poverty in Scotland, and in particular on poverty among those who are in work. A lot of work has been done on poverty in families with children and on the workless, but people who are in work are the group that have made the least progress in recent years. We support the Scottish Government’s strategy of focusing on low pay in tackling poverty.

A couple of weeks ago, as part of the current Scottish Water dispute, we gave you a briefing that included a clear graph that showed you where private sector pay had gone and that public sector pay—in Scottish Water in particular—was some way below it. That does not apply to some of the directors in Scottish Water, but it certainly applies to the workforce who deliver the service on the ground. It is clear that they have fallen well behind those in the private sector.

I agree with Malcolm Currie’s earlier point. My experience this year and in previous years is that there is no way that public sector pay is catching up. The reality is that public sector pay goes on a rollercoaster. First, it gets to the stage where it goes down and down below the private sector, then there is a big catch-up, because you have a big dispute every few years, and then it goes down again. We need a more steady arrangement, so that individual Governments do not get hit with a great big bill to catch up with the savings that were made previously.

Our members put up with a lot, but after two or three years they put up with it no longer and there is a big punch-up. That is why you see cyclical disputes in the public sector. It is not the best way to deal with pay policy. We would like there to be a much more realistic, averaged-out policy over a number of years.

The Convener: I take it that you have watched the film “Groundhog Day”.

Jeremy Purvis: I have a final, brief question. I think that Mr McLuckie mentioned the cabinet secretary’s foreword to the pay policy, which states:

“The policy does have flexibility to allow more money to be targeted at making a difference.”

It also cites the example of

“dealing with low pay in the public sector”.

I am interested in the discussions that you have had with the Government. Has the Government baselined the policy? The policy statement by the cabinet secretary is meaningless unless it is baselined to say how its operation will lead to improvements. What is the Government’s position? How will it demonstrate that the pay policy will provide a better deal for low-paid workers?

Dave Watson: That was a feature of the discussions. I think that John Swinney would argue that he has demonstrated a little bit more flexibility by allowing targeting, but I am afraid that, so far, we have not seen much evidence of flexibility in practice. Again, I use the example of the current Scottish Water dispute. It should be remembered that, in that dispute, we are talking about using savings from the pay bill, which the guidance refers to, rather than any savings that the public corporation makes. Our members have delivered around £1 billion-worth of savings in Scottish Water, but, according to the Scottish Government, they cannot have a pay rise greater than 2.4 per cent this year. Our members would say that they delivered most of those savings, so why cannot they be used to give them a pay deal that would at least give them a decent pay rise this year and make their pay catch up with what people are paid in parts of the private sector?

Jeremy Purvis: It is interesting that what you have referred to is in the criteria for the chief executive's bonus. If the organisation meets certain criteria, the chief executive will get a bonus, but no one else will.

Dave Watson: Indeed. The chief executive is fairly new. The previous chief executive earned a lot less than the current chief executive earns. If I were the previous chief executive, I suspect that I would be a bit fed up, because, in fairness, he worked pretty hard to deliver—

Alex Neil: He needs a decent union.

Dave Watson: That is the whole point. People need to sign up to a decent union. We shall see what we can do for MSPs as well.

The previous chief executive, who delivered a lot of savings with our members' support, earned less than the current chief executive does. All that we are saying is that savings have been made. In fairness, Scottish Water exceeded many targets, and money is available. The only reason why our Scottish Water members are not getting an appropriate pay deal is that ministers are saying that they do not want to breach the pay guidance, but the guidance says that savings can be used for pay deals. In cases such as that of Scottish Water, ministerial sign-offs do not match the words that have been used. In the SEPA dispute and one or two other disputes, money was available that could have been used to deal with one-off costs, but ministers did not want to show flexibility, because they were worried about knock-on effects elsewhere. Words are fine, but I am afraid that the actions that are taken do not tend to match the alleged flexibility.

Alex McLuckie: We probably operate in a different field, as local government is not covered by the pay policy. I said in response to a question

that Mr Neil asked that there does not appear to be willingness to deal with low pay in local government, which is the real concern for us.

Jeremy Purvis: Are you aware of any work that the Scottish Government is doing to baseline data or information so that it can be judged whether the flexibility that the cabinet secretary has said exists in the pay policy is assisting in dealing with low pay in the public sector? The cabinet secretary referred to that in his policy statement.

Alex McLuckie: No.

Dave Watson: There are no weighted deals, for example. There is very little baseline work in the list of deals. Baseline work is one thing that would have to be done to tackle some of the issues.

The Convener: It seems that none of our witnesses wishes to make a final short statement. We have greatly benefited from their expertise and practical experience. Their evidence will be of great use to the committee. I thank all of our witnesses for coming to the meeting and contributing to the discussion.

There will be a suspension for a few moments while the public gallery clears.

16:38

Meeting suspended.

16:39

On resuming—

16:40

Meeting continued in private until 16:42.

Subordinate Legislation

Public Contracts and Utilities Contracts (Postal Services and Common Procurement Vocabulary Codes) Amendment (Scotland) Regulations 2008 (SSI 2008/376)

The Convener: The third item on our agenda is consideration of a negative statutory instrument. The Subordinate Legislation Committee made no comments on the regulations.

If members have no comments, are we content to make no recommendation on the regulations?

Members *indicated agreement.*

The Convener: We now move into private session.

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