

*Mo Baines calls for more flexible ways of financing equal pay*

Moves to bring parity between blue-collar and white-collar staff in local government are welcome and long overdue. But many councils are struggling to finance the spiraling costs of implementing equal pay as central government has left it to individual authorities to foot the bill.

In a parliamentary debate in February, then Local Government Minister, Phil Woolas, stressed that pay arrangements are the responsibility of individual employers as they have a framework process for implementing local pay reviews.

Public sector union, Unison, estimates the pay envelope within individual authorities can rise from 3% to as high as 10% to properly implement a new pay structure – and these are straight costs on to the revenue account. Local Government Employers estimates that equal pay compensation claims could be anything from £3 to £5bn. In the North East equal pay cases have seen Newcastle City Council costs reach £17m with Sunderland following closely behind at £15 million.

There is frustration amongst both trade unions and those local government employers who are facing massive funding gaps. This has led to calls for more scope to 'capitalise' the cost of equal pay, by allowing revenue costs to be met from capital funds, such as existing capital receipts or new receipts from the sale of assets or from borrowing. The 2003 Local Government Act gave the Secretary of State power to issue directions to councils on the issue of capitalisation, though similar provisions existed under the Local Government and Housing Act 1989, however government guidance and directions to date have been less than helpful.

DCLG has made it clear that while it will consider requests for directions for lump sum payments to former and current employees, it will not do so for on going salary increases. In effect this means all revenue costs must come from within existing resources. Some may argue that this fair enough given the salary costs of employees has always been in the gift of the individual local authority to manage. Government is also keen not to act more favorably towards those councils that arguably have taken a dilatory approach towards equal pay. So allowing a general approach to capitalise all costs associated with equal pay would not be popular amongst those councils that have grappled to implement fair pay and grading structures with no financial help from government.

But the lump sum payments are a different matter. Despite the estimates of between £3-£5bn for dealing with back pay and compensation, DCLG has limited the total pot available for capitalisation to just £236m with councils needing to have applied by May to have any chance of receiving positive

directions by September 2007. To date, councils have faced receiving on average just over 57% of what they have asked for.

As Chancellor, Gordon Brown's golden rule was that long-term borrowing could only be used to finance capital expenditure. Hence Government has been understandably resistant to any calls to expand what is in effect borrowing to fund Equal Pay. It was never envisaged that borrowing by councils would be needed simply to fund its equal pay liabilities. But with just £236 m to play with against the billions needed to secure financial settlements, the formal position, that equal pay is a matter for local councils to contend with because government was never party to a deal, originally struck in 1997, is increasingly viewed as obtuse. And the way in which local government has had its hands tied in dealing with equal pay is in stark contrast to 'Agenda for Change', which came into play to ensure fairness in the NHS grading structures.

The rigid inflexibility of local government finance does little to secure long term financial planning. And yet dealing with equal pay properly is a legal requirement and could have a positive impact nationally as many of the beneficiaries of equal pay are low paid part time women – often in receipt of in-work credits.

Questions are now being asked of both the new Prime Minister and the new Secretary of State for Communities about the unrealistic cap on capitalisation. Perhaps Hazel Blears can persuade Gordon Brown that getting equal pay right in local government is not only a moral imperative but also a sensible outcome that will bring with it socio-economic benefits.

It is clear that the employers and the trade unions are not asking for Government to abdicate its fiscal planning simply by allowing full capitalisation of all costs for equal pay. They are asking for sensible treatment to enable negotiated back pay settlements to continue.

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