

TALKING TERMS – Glossary of Pay Terminology

PAY BANDS: Pay can either be organized into pay bands or by spot salaries. Pay bands usually apply where there are groups of people doing similar work or work of similar value (see job evaluation below). It is not always the case that people move through a whole pay band – it is possible for them to be placed either at a fixed point or within a range within a broader pay band. However, employers run a risk of pay grievances if people doing work of equal value think they are being paid different amounts within a broader band.

Pay bands can either **overlap or be “Butt-ended”**.

PAY BAND MINIMA: The lowest possible pay point within a pay band. This is often but not always the entry point, particularly if the pay band overlaps with another higher band.

PAY BAND MAXIMA / PAY HORIZON / RATE FOR THE JOB: Refer to the top point that someone will reach in a pay band or their pay range. Negotiators would argue that this is therefore the going rate for the job. It is important that where an employer is costing additional posts that jobs are costed at the rate for the job. If pay progression seizes up (as in most of probation after the pay freeze was imposed in 2010) most staff will not be earning the maxima. This then contributes to these roles declining in relative value, with most available monies being diverted towards pay progression costs.

Agencies will nearly always charge employers the rate for the job even if they do not pass all of this on to the worker, something that they exploit where pay progression isn't working well.

PAY PROGRESSION: Usually refers to the movement through a pay range from an entry point to a rate for the job or pay band maxima. How quickly people progress and the number of people needing to move to a rate for the job has a significant impact on pay negotiations as usually their increase will need to be greater than those who they are catching-up. If they can't catch up quickly enough, employers run the risk of pay grievances but when most people are at the rate for the job then there is greater pressure on increasing the rate for the job.

Even where there are no pay ranges the term pay progression is sometimes used to refer to how much someone's pay has increased over a period of time, usually relative to another group – e.g. police pay has progressed at a faster rate than comparative probation pay levels since 2010.

SPOT SALARIES: This is where there is no scale, just a single salary point or spot salary. These are common in the private sector where the rate for the job is fixed from day one. In the public sector, they can happen where someone is doing a unique post, sometimes also called a **“Singleton Role”**. Senior staff can also often have spot salaries. Spot salaries do not progress as there is no pay range and negotiation involves renegotiating the level of the spot salary. Employers often argue that spot salaries are more transparent as they are simpler, but very often those with spot salaries also receive bonus payments, allowances, etc which are more complicated and opaque.

REVALORISATION: Meaning when the value of a salary (or a point on a pay scale) is re-valued and changed.

INFLATION / DEFLATION: The relative value of wages changes in relation to how much you can buy with the same amount of money. If prices rise then this is inflation. If prices fall then this is deflation. Any pay awards above the published levels of inflation will see someone's relative earnings increase (i.e they'll be better off) but below inflation increases mean the worker can buy less for their wages so they are relatively worse off.

Inflation is measured by choosing baskets of items that people typically spend money on and measuring the comparative changes to the cost of the basket.

The two most common measures of inflation are the Retail Price Index (RPI) and the Consumer Price Index (CPI). Both of these are calculated by the Office for National Statistics (ONS) but they use different baskets. RPI tends to be higher as it excludes some items that are often a large part of people's expenditure but change less frequently (e.g. housing costs are generally stable and have greater prominence in CPI).

The current figures can be found from any quick internet search using "UK inflation figures" or "UK inflation trends".

JOB EVALUATION: A system designed to measure the relative size and importance of a role – always in comparison to other roles. Job evaluation doesn't directly relate to pay rates but it is implied that if two jobs have a similar value then they should be paid at similar levels. Failures to justify differences in pay rates between two jobs with equal job evaluation scores can result in pay grievances.

Important negotiating points around job evaluation are making sure that jobs are being scored fairly and consistently, using trained 'independent' job evaluators.

The probation job evaluation scheme is well established and largely measures relative risk. This presents a challenge when probation staff are working alongside civil servants and prison staff where their job evaluation schemes emphasis different measures – for example financial responsibility, line management responsibility, etc. This is likely to become an increasing source of tension in the more complex probation operating environment, especially in management grades where prison managers and probation managers could be working along side each other on different job evaluation systems.

However, scores are not necessarily static over time. If relative organisational risk changes as a result of wider policy (e.g. the Minister taking direct responsibility for SFO investigations) then the score for a role can increase without the role otherwise changing.

EQUAL PAY: A specific legal term restricted to testing if pay differences either directly or indirectly relate to bias towards or against a specific group of workers relating to a legally protected characteristic – ie. Gender, race, age, disability, etc. It is illegal to either directly or indirectly pay someone less because of their protected characteristic. However, to win an equal pay grievance a worker needs to establish a comparator and prove the link between the difference and their protected characteristic (e.g. I am a woman who works part-time and my pay is lower than a man doing a full time role of equal value to mine. This difference is related to more women working part-time than men). Where a link is identified

the employer then has to justify their reason for the difference and if they can't do so, rectify the difference. This can involve significant back pay. Such claims also damage the employers' reputation.

There is however, nothing in law to prevent an employer choosing to pay two people who share the same characteristics different sums – although employees can take out grievances to challenge such unfairness and, if this cannot be credibly justified, then contractual challenges may be possible.

GROSS SALARY: All regular pay (including bonuses, allowances and regular overtime) before any tax, National Insurance, pension contributions, etc. are deducted. In the local government pension scheme, all regular pay now counts towards your pension and should be subject to pension contributions. This was not always the case.

TAKE HOME PAY: What is left of your salary, after stoppages and deductions are taken out by the employer before it is given to you. This can also be referred to as your “**disposable income**”, although sometimes this refers to a smaller figure that also recognise other ‘inevitable’ additional costs (such as housing, travel costs to get to and from work, childcare where applicable, etc)

INCOME TAX: Part of your earnings paid to the Government as a contribution towards paying for public services and the functions of the State. The rate increases in steps depending upon earnings. The rates can be found via: www.gov.uk/government/publications/rates-and-allowances-income-tax/income-tax-rates-and-allowances-current-and-past

These are reviewed as part of the Government's budget and/or Autumn Reviews.

TAX CODES: These can vary and relate to how much HMRC decide that you should earn before you start paying tax and what the rate of income tax is on your salary. Your tax code should take account of all benefits you receive (e.g. family allowance, working family tax credits, etc) and all registered tax breaks HMRC recognise apply to you (e.g. rebate on your Napo membership fees). In some cases individuals are expected to notify HMRC that these breaks apply and/or if they have changed.

STATUTORY PAYMENTS: Statutory means set in law by government. These include the National Minimum Wage and minimum rates of pay for people who are absent from work either through illness (statutory sick pay) or on maternity leave. There is also a statutory level of compensation for redundancy. The statutory compensation level are nearly always set below actual pay but good employers will usually seek to afford better than the statutory minimum in most cases.

Details of statutory pay rates can be found via:

www.gov.uk/guidance/rates-and-thresholds-for-employers-2017-to-2018

CONSOLIDATED PAY: Usually used around a pay increase, meaning all parts of the pay that you can expect contractually to continue getting into the future.

NON-CONSOLIDATED PAY: Usually used around a pay increase, referring to parts of the increase that are not permanent and will not be guaranteed going forward (e.g. a bonus payment or a temporary increase above the normal pay)

maxima). Historically, these have typically not been pensionable, but since 2014 in both the local government and civil service pension schemes all such pay should count towards one's pension. They are usually also pensionable in private sector pension schemes where there is no fixed or defined benefit when the pension is drawn.

PENSIONS: Many people forget that pensions are an important part of pay. Your pension is part of your pay that is put aside for when you retire. Your employer tops this up via the Employers' Contribution. In the local government scheme the employers' top up is around 20% of your pay whilst the amount you contribute depends upon how much you earn. In other schemes, the employers' pay less. This can impact on pay negotiations locally. *(see Napo's 'Beginners' Guide to Pensions' for more information about how the pensions work)*

TOTAL REWARD: Term meaning everything one receives from their employer, including bonus pay, pension benefits, allowances, payment of professional fees, support with transport, etc. Some employers can stretch this to include benefits above statutory levels for annual leave, family friendly leave, paid sick leave and/or access to salary sacrifice schemes, interest free loans, etc. Some employers with good welfare benefits packages also include these in their definition of the 'total reward' package, inferring what one would lose if they left.

ALLOWANCES: Additional pay and/or compensation made because of a distinct circumstances for the employee in carrying out their work – most commonly about where or when the work is carried out. Usually, if the circumstances change then the allowance will be lost. Allowances are seen as part of regular pay for calculating pensions, sick leave, maternity leave, holiday pay rates, etc. However, if and when the circumstances change the individual will usually expect to lose the allowance (unless it is specifically protected for a period to facilitate a move).

SUPPLEMENTS: Similar to allowances but usually to do with a specific role and not a broader circumstances, meaning not everyone working at that time or place will get the payment. A pay supplement could typically be in relation to additional responsibilities taken on or to meet a particular recruitment and/or retention problem for a specific group of staff (e.g. a Market forces supplement to help recruit people in a geographic area).

SALARY SACRIFICE SCHEMES: Where employers offer access to additional benefits if the employee trades in less salary or other reduced benefits. Sometimes, depending upon the benefit, tax can be calculated against the salary received after the salary is 'sacrificed', giving an added benefit for the employee.

Companies can pay employers to offer their schemes even if there are no tax incentives, in a similar way to Napo membership gives members access to a range of discounted support and services. However, most benefits in kind are now likely to be taxable.

PAY PROTECTION: If someone changes role and their new role would normally be paid less then they may be awarded a period of pay protection – meaning they continue to earn what they earned previously. Negotiators need to make sure that all parties understand what is included and isn't included in the amount being protected (e.g. all regular basic pay, bonus payments, allowances, etc.)

