

# Public sector employment in Scotland

Industrial action over proposals to change pension and related conditions continued in the public sector and widened with industrial action planned by the BMA. In 2008 doctors had agreed to changes which meant they would work longer, increase their contributions to their pensions and accept the risk of increased contributions in the future – they believe this agreement has been ignored in recent changes.

Public sector employment in Scotland continues to decline. The latest data at the time of writing this section (Q4 2011) indicates that there were 586,600 (553,000 excluding public sector financial institutions) employed in the public sector in Scotland, a decrease of 23,800 (3.9%) over the year. Employment in the devolved public sector declined by 19,100 (3.7%) to 490,400, due mainly to a decline in local government employment (down 12,000 over the year).

As Table 1 indicates public sector employment (excluding public sector financial institutions) rose between 1999 and 2007, but since 2007 has declined by 77,000. Although the movement of local authority staff both in and out of arms' length organizations, typically charities, makes comparisons slightly harder.

Table 2 indicates the changes in headcount by local authority and indicates both a decline in Local Authority employment of 12,000 (4.1%) over the year. Proposals for West of Scotland councils to share a range of back office functions have been weakened by two councils opting out of the scheme, elsewhere there are examples of two councils sharing education and social work departments. As noted in the previous Commentary, attempts to rely on voluntary measures and natural wastage may prove to be less successful than expected, as normally turnover rates ease during a recession, there will be more pressure on other methods to reduce employment levels. Pressures on spending levels will lead to employment reductions. Evidence as to changes in organization and employment policies in Local Government in England suggests a number of approaches to reducing labour costs that may well be adopted in Scotland (Work in Progress, The Audit Commission. December 2011). These included:

- The potential for localising pay rates to reflect local market conditions;
- Increased emphasis on part time working – especially for those approaching retirement;

- Less spending on external expert services;
- Reduced use of agency staffs;
- De-layering with an emphasis on cutting management and senior posts (but recognising the potential loss of organizational memory on efficiency);
- Outsourcing services at reduced costs to voluntary and other associations as well as to commercial organizations;
- The ending of automatic annual pay increments.

Leaving to one side the Government's introduction, and subsequent removal, of tax limits to charitable donations, which led to considerable concerns being voiced by charities as to their income streams and ability to provide support. The voluntary sector is facing major changes in two areas. First, there are changes to contracts, and as the NPC notes there has been the rise of payments by results contracts, personal budgets and a move away from tariff and block based contracts. The pattern of work is changing with charities working in consortia and partnerships (NPC 2012:6). Additionally there is more competition between companies, charities and public sector organisations. The NPC survey of the main charities in England and Wales found that a majority believed the new funding arrangements will have a negative effect on their financial security. Almost half reported working in consortia to deliver public services, but this pattern of work requires more time and resources to manage the arrangement effectively. A third reported cuts to government income with charities working in crisis and emergency work and sports and recreation more affected. Cuts in local authority funding were seen to be particularly severe. 65% reported having closed or expect to close front line services as a result of cuts and redundancies, and pay freezes were reported by more than 50% of respondents. A third expect more cuts in 2013.

## Education

Within the education sector the numbers employed in Scottish Further education colleges had declined by 1,800 (10.8%) over the year to Q4 2011 to 15,000) and further reductions are inevitable. As noted in the previous Commentary the publication of the Scottish Government's Reform of Post 16 Education and subsequent consultation paper outlined the Government's proposals for a very rapid restructuring of 35 colleges into 12 regions with a programme of mergers, collaboration, sharing services and courses. Four different structures for the regional model were outlined in the consultation paper: full mergers, regional federations of colleges, lead colleges with contractual arrangements with other colleges and collaboration where each college is funded directly but with collaboration required. By April it was estimated that up to a

**Table 1: Number of people employed in Scotland (headcount)**

		Total Employment	Private Sector			Public Sector		Public Sector <i>Excluding public sector financial institutions</i>	
			Level	Level	%	Level	%	Level	%
Year	Quarter								
Q4	1999	2,276,000	1,725,500	75.8%	550,700	24.2%	550,700	24.2%	
Q4	2000	2,354,000	1,803,300	76.6%	550,700	23.4%	550,700	23.4%	
Q4	2001	2,324,000	1,764,900	75.9%	559,100	24.1%	559,100	24.1%	
Q4	2002	2,374,000	1,807,000	76.1%	566,700	23.9%	566,700	23.9%	
Q4	2003	2,393,000	1,813,000	75.7%	580,400	24.3%	580,400	24.3%	
Q4	2004	2,436,000	1,842,000	75.6%	593,800	24.4%	593,800	24.4%	
Q4	2005	2,450,000	1,848,900	75.5%	601,400	24.5%	601,400	24.5%	
Q4	2006	2,524,000	1,925,200	76.3%	598,900	23.7%	598,900	23.7%	
Q4	2007	2,541,000	1,942,700	76.5%	598,000	23.5%	598,000	23.5%	
Q4	2008	2,532,000	1,890,800	74.7%	641,600	25.3%	598,000	23.6%	
Q4	2009	2,464,000	1,835,200	74.5%	628,800	25.5%	592,000	24.0%	
Q4	2010	2,480,000	1,869,700	75.4%	610,400	24.6%	575,600	23.2%	
Q4	2011	2,464,000	1,877,500	76.2%	586,600	23.8%	553,800	22.5%	

**Source:** Quarterly Public Sector Employment series, Scottish Government, Office for National Statistics

**Notes:**

1. Figures have been rounded to the nearest hundred. Total employment has been rounded to the nearest thousand.
2. Public sector financial institutions include Northern Rock (classified to the public sector from Q4 2007), Royal Bank of Scotland Group plc and Lloyds Banking Group plc (both classified to the public sector from Q4 2008).
3. Between Q3 2010 and Q2 2011 estimates for the civil service include temporary field staff recruited to carry out the 2011 census.

third of Scottish colleges could experience cuts. The current proposals include the seven colleges in Glasgow being reduced to three.

Reform continued in the Higher education sector with a number of universities seeking to restructure some activities and continuing with voluntary severance schemes.

**Health**

The numbers (headcount) employed in the NHS fell by 3,600 to 154,400 in 2011, a decline of 2.3%. Concerns surfaced as to a number of measures designed to reduce costs, most notably reductions in bed numbers, delays in replacing staffs and consultants' support staffs.

**Emergency services**

As noted in the previous Commentary the background to the Police and Fire Reform (Scotland) Bill and the current concerns are well summarised in A SPICe Briefing published 20th February 2012. Financial issues of the proposed reforms have been discussed in the Police Reform Programme, Outline Business Case September 2011 and more recently the issues have been summarised in a SPICe Briefing (20th February 2012).

Once again developments in England give some indications as to possible policies and issues in Scotland. In March the London fire brigade was reported as outsourcing emergency call handling to Capita with an estimated saving £5 million over 10 years and with 120 staff transferring to Capita. In May private sector operators boycotted proposals to replace NHS Direct with the new national 111 24 hour help line as the first line for all non-emergency care and advice with concerns that the current proposals lacked clarity and would be difficult to work. The BMA voted against the proposals (concerned that the reliance on call handlers who would have had only 90 days training rather than using medically trained staffs would add additional pressure to A & E and GP services).

The plans by West Midlands and Surrey police forces to contract out up to £1.5 billion worth of services include under consideration for private support (contract): strategy (developing strategy, policy and plans and managing partnerships); managing performance (maintain professional standards, assuring compliances, managing risk and providing legal services); bringing offenders to justice (investigating crimes, detaining suspects and working on cases); supporting prosecution (managing incident scenes, investigating incidents and supporting victims and witnesses); managing public engagement (patrolling

## Local government

**Table 2: Local government employment by local authority (headcount) Q4 2006 – Q4 2011 (not seasonally adjusted)**

Year Quarter	2006 Q4	2007 Q4	2008 Q4	2009 Q4	2010 Q4	2011 Q4	Annual Change Headcount	Annual Change %
<b>Local Authority / Joint Board</b>								
Aberdeen City	11,600	11,600	11,400	9,800	8,800	8,800	-100	-0.6%
Aberdeenshire	13,900	13,300	14,200	14,800	14,400	14,000	-500	-3.2%
Angus	5,700	5,700	5,800	5,700	5,500	5,500	-100	-1.1%
Argyll & Bute	5,600	5,700	5,500	5,500	5,300	4,900	-400	-7.6%
Clackmannanshire	2,800	2,900	2,900	2,800	2,700	2,500	-200	-6.9%
Dumfries & Galloway	8,400	8,400	8,200	8,400	8,300	7,800	-500	-6.1%
Dundee City	8,400	8,400	8,000	8,200	7,900	7,200	-700	-9.4%
East Ayrshire	6,900	6,800	6,800	6,700	6,600	6,400	-200	-3.0%
East Dunbartonshire	4,600	4,900	5,100	5,000	4,800	4,500	-400	-7.7%
East Lothian	4,900	5,000	5,000	4,900	4,700	4,800	0	0.5%
East Renfrewshire	4,600	4,800	4,800	4,800	4,500	4,500	-100	-1.5%
Edinburgh, City of	20,600	20,800	19,400	19,200	18,500	17,700	-800	-4.3%
Eilean Siar	2,500	2,600	2,600	2,600	2,500	2,500	-100	-2.5%
Falkirk	7,700	7,900	8,100	8,100	7,900	7,400	-500	-6.4%
Fife	24,000	23,400	22,500	23,200	22,300	21,300	-900	-4.2%
Glasgow City	35,800	32,300	31,800	23,500	22,100	21,400	-700	-3.3%
Highland	12,800	12,800	12,700	12,800	12,600	11,900	-700	-5.7%
Inverclyde	5,100	5,000	4,900	4,700	4,600	4,300	-300	-6.9%
Midlothian	4,700	4,800	4,800	4,800	4,600	4,500	-100	-1.4%
Moray	4,800	5,100	5,200	5,200	5,000	4,900	-100	-1.7%
North Ayrshire	7,400	7,500	7,400	7,300	7,000	6,700	-300	-4.4%
North Lanarkshire	18,100	18,000	18,000	17,800	16,800	16,200	-600	-3.7%
Orkney Islands	2,200	2,100	2,500	2,400	2,400	2,400	-100	-2.7%
Perth & Kinross	5,900	6,100	6,100	6,300	6,000	6,000	-100	-0.9%
Renfrewshire	9,200	9,000	8,800	8,700	8,400	7,500	-900	-10.6%
Scottish Borders	5,700	5,800	5,700	5,700	5,700	5,600	-200	-2.9%
Shetland Islands	3,700	3,800	3,900	4,200	4,200	4,000	-200	-5.2%
South Ayrshire	6,000	5,700	5,600	5,500	5,800	5,200	-500	-9.4%
South Lanarkshire	16,300	16,000	15,600	15,700	14,800	14,600	-200	-1.3%
Stirling	4,600	4,600	4,500	4,500	4,400	4,200	-200	-5.0%
West Dunbartonshire	6,000	6,300	6,400	6,600	6,300	5,900	-300	-5.2%
West Lothian	8,300	8,400	8,400	8,400	8,300	7,900	-400	-4.8%
Total Fire Joint Boards	5,800	5,800	5,800	5,900	5,600	5,600	0	-0.7%
Total Police Joint Boards	24,600	23,600	23,900	24,800	24,500	23,900	-600	-2.6%
Total Valuation Joint Boards	700	700	700	600	600	600	0	-4.3%
Total Regional Transport Partnerships (SPT)	700	700	700	700	600	600	0	-7.0%
<b>SCOTLAND</b>	<b>320,700</b>	<b>316,000</b>	<b>313,600</b>	<b>305,800</b>	<b>295,500</b>	<b>283,500</b>	<b>-12,000</b>	<b>-4.1%</b>

**Source:** Joint Staffing Watch Survey, Scottish Government

- Notes:**
1. Figures are rounded to the nearest hundred.
  2. Totals may not add up to the sum of the parts due to rounding
  3. Figures for fire service staff exclude volunteer and retained fire-fighters
  4. There are minor adjustments to police numbers for Dumfries and Galloway and Fife
  5. Figures for Dundee City and Falkirk reflect some transfer of staff to charitable trusts

neighbourhoods, managing public relations, and reporting on performance); protect the public (protecting vulnerable people, disrupting criminal networks and managing licensing and road safety); supporting operational services (managing forensics, gathering police information and managing intelligence) and managing resources (helping to manage suppliers, finance, people, information technology and facilities). Elsewhere G4S has signed a £200 million contract to staff and build a police station in Lincolnshire and G4S envisages that in five years 2 or 3 companies will be providing back office functions. South Yorkshire police is considering giving police community officers more powers so they can replace local beat officers as the first line of contact with the public.

Within Scotland, whilst it was noted that the single force in Northern Ireland was a success, a number of operational concerns were raised. In February concerns surfaced that the pressures to make £88 million in cuts could adversely affect plans to merge the current 8 forces into the single Police Authority from 1st April 2013, equally concerns were voiced as to the likelihood of getting an estimated 2000 volunteers to accept redundancy, given the current policy of no compulsory redundancies. Other concerns focussed on the likely further centralisation of emergency call handling and the priority call handling systems which could cause confusion re problems of interpretation. In May the Association of Scottish Police Superintendents raised concerns as to the adequacy of resources and appropriate numbers of staff in place for the new scrutiny agency, the Police Investigation and Review Commissioner.

The consequences of cuts in public sector staff and the introduction of new polices surfaced in May when reduced Border force staff and increased visa checking contributed to excessive queuing times at Heathrow. The review by the Chief Inspector of Borders and Immigration commented critically on the absence of any plan to deal with staff cuts and hence long immigration queues.

## Pay and conditions

The chancellor's Autumn Statement last November included reference to proposals to link public sector pay to local, rather than national markets. Public Sector Review Bodies have been given until mid-July to "consider how to make pay more market facing in local areas". Underpinning these proposals is the view in some quarters as significant and hence unfair differences between public and private-sector pay. The government has taken the view that across the UK, the public sector is paying between 2 and 15 percent above local market rates, as a result of salaries being set at a national level in negotiation with national trade unions.

The Institute for Fiscal Studied Green Budget 2012 includes a well-argued and detailed review of the issue (see chapter 5 Public Sector Pensions and Pay). Their measured conclusions noted:

'The analysis in this section has found evidence of a public sector pay premium, after controlling for observed characteristics. This estimated premium has increased during the recent financial crisis as private sector earnings grew less quickly.'

'We also find evidence of considerable variation in the estimated public sector pay premium across the regions of the UK. This suggests that, on average, more generous pay awards in, for example, the South East and less generous pay awards in, for example, Wales and Northern Ireland might be appropriate. But our analysis also suggests that the pattern across regions might not be the same for all public sector occupations. So while a shift to centrally-set, but regionally-varied, pay awards might be appropriate, these should be carefully implemented.'

In contrast, other organisations ignored the caveats and reservations as to the varying pattern of the 'public sector premium' typically arguing that ending national pay bargaining 'would mean better value for taxpayers, better services for those who rely on them, and a fairer deal for public sector workers overall' (the Taxpayers' Alliance). 'Such a generous premium in some areas is clearly a bad deal for taxpayers. It is also extremely harmful for the economies in the lower-cost, lower-income regions as local companies can't compete with the generous national public sector pay deals to get the right staff. Over time that means an anaemic private sector and an increasing dependence on public spending' (Taxpayers' Alliance).

Notwithstanding arguments within the coalition, Nick Clegg has argued the government was only looking at some localised bargaining in the public sector and cited the developments in the Courts Service as both an example and possible model. However, proposals, emanating from the Cabinet Office's Reward, Efficiency and Reform Group, assisted by the Hay group, have appeared in the media to put some 434,000 civil servants into four geographical pay zones, with those living in the south-west, on the south coast, Wales, much of the Midlands and the north-east earning least. Those in inner and outer London will be highest paid, followed by civil servants working in a corridor stretching from Bristol to the Thames estuary, and those in pay "hotspots" in Manchester and Birmingham. In 2011 Incomes Data Services produced a research report for UNISON examining current practice in location-based pay differentiation; this provides a timely review of current practice in pay management. It noted that most large multi-site private sector organisations have national pay structures with additions for London and the South East, and that whilst zonal pay has become more common in the private sector it typically is based around London, the south east and the rest of the country, with possible additions for 'hard to recruit areas'. Finally the report noted 'complex local system, by contrast, is rare due to the complications

and resources involved in implementing and managing such schemes.

As Hatchett (2012) notes it is wrong to assume that local-level managers in large private sector companies have the freedom to vary pay without reference to head office. The need to control pay costs and to meet any equal pay challenges dictates that companies have orderly and largely centrally controlled pay structures. He added, in many aspects of pay modernisation in the public sector in recent years local pay flexibility around national pay spines has been a key feature. Most large public sector bodies have inner London, outer London and South East allowances and in some cases they have London regional pay bands, or some other combination of national structures with some flexibility, thus doctors tend to have national structures, whilst ancillary staffs more localised structures. In many respects national pay structures with orderly variation are the least bad option from all perspectives, they are simple and less time consuming to manage, minimize claims of unfairness, limit competitive bidding for scarce skills, can recognize labour market segmentation, that some occupations have national and even international labour markets, whilst others operate in local labour markets. The Scottish Government deserves much credit for publically opposing these current UK proposals.

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