

Public Sector employment in Scotland

Some 300,000 public sector workers in Scotland participated in the UK wide public sector strike at the end of November 2011, in response to plans to change pension arrangements, pension links to the CPI, retirement age and contributions. The Government announced a revised arrangement, broadly, although not universally accepted, on 20th December.

Public sector employment in Scotland continues to decline. The latest data (Q3 2011) indicates that there were 588,900 (546,000 excluding public sector financial institutions) employed in the public sector in Scotland, a decrease of 23,500 (3.8%) since Q3 2010. Employment in the devolved public sector declined by 21,200 (4.1%) to 492,000, due mainly to a decline in local government employment (down 13,300 over the year). Public sector employment (headcount and excluding public sector financial institutions) is now at its lowest since Q4 2001 and in percentage terms the lowest in the current data set (1999 - 2011).

As Table 1 and Figure 1 indicate public sector employment (excluding public sector financial institutions) rose between 1999 and 2006, but since 2007 has declined by 42,600. Although the movement of local authority staff both in and out of arms length organizations, typically charities, makes comparisons slightly harder.

Local Government

Table 2 indicates the changes in headcount by local authority and indicates a both decline in Local Authority employment of 13,300 (4.5%) over the year, and some evidence of acceleration in the rate of reduction in employment. Attempts to rely on voluntary measures and natural wastage may prove to be lower 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 (December 2011), 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 more heavily management and senior posts (but recognising the potential loss of organizational memory on efficiency);
- The outsourcing services at reduced costs to voluntary and other associations as well as to commercial organizations;
- The ending of automatic annual pay increments.

The policies of contracting out local government services to the voluntary sector have meant that cuts in local government expenditure have impacted on the voluntary sector. As Cunningham (2011) notes the voluntary sector had been subject to a number of cost pressures in the New Labour Era, leading to job insecurity and pressure on terms of employment, and voluntary organisations were increasingly unable to match public sector salary scales. The current era of public sector cuts increases the pressure on voluntary sector organisations to reduce costs, Cunningham notes that already some local authorities have imposed cuts on providers ranging between 4% and 20%. The report noted that 36% of organisations surveyed had seen a decrease in their annual turnover over the past three years; over half had reported no cost of living increases in their contracts (68%) or their grants (98%). As a consequence pay freezes have been widespread, there have been some wage cuts, but more generally organisations were seeking to reduce wage costs by reducing training, deskilling, cuts to terms and conditions and reduced hours of work.

Education

Changes to the terms and conditions of supply teachers (supply staff have to work for five days at the lowest daily rate of £78 for five consecutive days in the same school before pay rises to the normal rate of £145), designed to save some £60 million lead to councils experiencing considerable problems in meeting both short and long term supply cover. A study Scottish Labour found that 84% of local authorities could not meet all requests for short term cover in 2011/2012 and 52% experienced difficulties in filling long term requests. Inevitably this will lead to further numbers of teachers in non permanent posts considering whether or not to remain in the sector.

Within the education sector the numbers employed in Scottish Further education colleges had declined by 2,000 (11.8%) over the year to Q3 2011 to 15,100) and further reductions are inevitable. 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

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

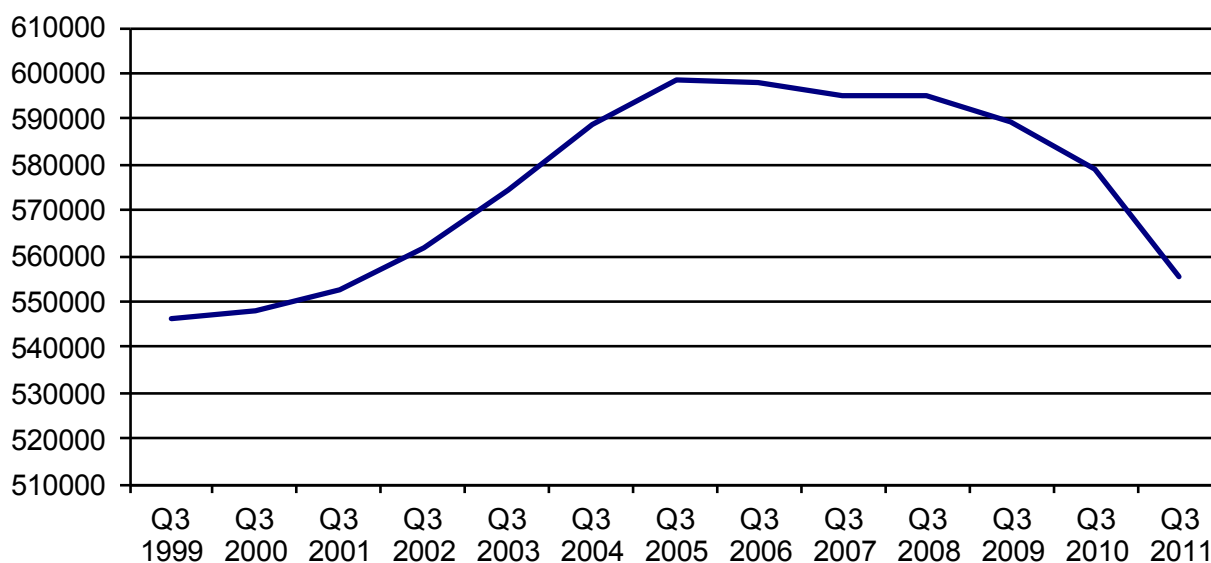
	Total Employment	Private Sector		Public Sector		Public Sector <i>Excluding public sector financial institutions</i>	
		Level	Level	%	Level	%	Level
Q3 1999	2,293,000	1,746,600	76.2%	546,000	23.8%	546,000	23.8%
Q3 2000	2,355,000	1,807,000	76.7%	548,200	23.3%	548,200	23.3%
Q3 2001	2,345,000	1,792,800	76.4%	552,700	23.6%	552,700	23.6%
Q3 2002	2,352,000	1,790,500	76.1%	562,000	23.9%	562,000	23.9%
Q3 2003	2,408,000	1,833,400	76.2%	574,100	23.8%	574,100	23.8%
Q3 2004	2,441,000	1,852,200	75.9%	588,600	24.1%	588,600	24.1%
Q3 2005	2,456,000	1,857,300	75.6%	598,500	24.4%	598,500	24.4%
Q3 2006	2,499,000	1,901,300	76.1%	597,800	23.9%	597,800	23.9%
Q3 2007	2,552,000	1,956,800	76.7%	595,300	23.3%	595,300	23.3%
Q3 2008	2,552,000	1,957,000	76.7%	594,900	23.3%	594,900	23.3%
Q3 2009	2,507,000	1,878,700	74.9%	628,100	25.1%	589,400	23.5%
Q3 2010	2,479,000	1,866,500	75.3%	612,400	24.7%	578,800	23.3%
Q3 2011	2,486,000	1,896,800	76.3%	588,900	23.7%	555,200	22.3%

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.

Figure 1: Number of people employed in the public sector in Scotland (headcount) excluding public sector financial institutions



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

Local Government

Table 2: Local Government employment by local authority (headcount) Q3 207 – Q3 2011 (Not seasonally adjusted)

Year Quarter	2007 Q3	2008 Q3	2009 Q3	2010 Q3	2011 Q3	Annual Change Headcount	Annual Change %
Local Authority / Joint Board							
Aberdeen City	11,600	11,500	9,400	8,900	8,800	-100	-0.7%
Aberdeenshire	13,600	13,800	14,600	14,500	13,900	-600	-4.3%
Angus	5,700	5,800	5,700	5,600	5,500	-200	-2.9%
Argyll & Bute	5,300	5,300	5,400	5,200	4,800	-400	-7.9%
Clackmannanshire	2,900	2,900	2,800	2,800	2,600	-200	-7.6%
Dumfries & Galloway	8,300	8,200	8,300	8,200	7,800	-400	-4.6%
Dundee City	8,300	8,300	8,100	8,000	7,300	-800	-9.5%
East Ayrshire	6,900	6,800	6,700	6,600	6,500	-100	-1.6%
East Dunbartonshire	4,800	4,900	5,000	4,900	4,300	-500	-10.5%
East Lothian	5,000	4,900	5,000	4,800	4,700	-100	-2.9%
East Renfrewshire	4,800	4,800	4,800	4,600	4,500	-100	-2.2%
Edinburgh, City of	20,500	20,100	19,000	18,500	17,800	-700	-4.0%
Eilean Siar	2,600	2,600	2,600	2,500	2,500	0	-1.6%
Falkirk	7,900	8,000	8,100	7,900	7,400	-500	-6.8%
Fife	22,500	22,500	22,800	22,400	21,100	-1,300	-5.7%
Glasgow City	33,500	31,800	23,300	22,300	21,600	-800	-3.4%
Highland	12,600	12,700	12,800	12,700	12,100	-600	-4.9%
Inverclyde	5,200	4,800	4,800	4,600	4,400	-200	-4.3%
Midlothian	4,600	4,700	4,700	4,800	4,600	-200	-3.9%
Moray	4,900	5,100	5,200	5,100	4,900	-100	-2.9%
North Ayrshire	7,500	7,500	7,300	7,100	6,800	-400	-5.1%
North Lanarkshire	18,000	17,900	18,200	17,200	16,300	-900	-5.2%
Orkney Islands	2,200	2,400	2,400	2,400	2,300	-100	-3.2%
Perth & Kinross	6,000	6,100	6,100	6,000	5,900	-100	-2.0%
Renfrewshire	9,100	8,800	8,600	8,300	7,500	-900	-10.4%
Scottish Borders	5,800	5,800	5,700	5,700	5,600	-100	-1.7%
Shetland Islands	3,700	3,800	4,100	4,200	4,000	-200	-5.2%
South Ayrshire	5,700	5,700	5,600	5,600	5,300	-300	-5.1%
South Lanarkshire	16,000	15,800	15,900	15,500	15,100	-400	-2.6%
Stirling	4,500	4,400	4,400	4,500	4,100	-300	-7.3%
West Dunbartonshire	6,200	6,300	6,600	6,100	6,100	-100	-1.3%
West Lothian	8,300	8,400	8,500	8,400	7,800	-500	-6.4%
Total Fire Joint Boards	5,700	5,800	5,800	5,700	5,600	-100	-1.5%
Total Police Joint Boards	23,600	23,800	24,700	24,700	23,900	-900	-3.5%
Total Valuation Joint Boards	700	700	700	600	600	0	-3.7%
Total Regional Transport Partnerships (SPT)	700	700	700	700	600	0	-4.6%
SCOTLAND	315,200	313,200	304,500	297,700	284,500	-13,300	-4.5%

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

contractual arrangements with other colleges and collaboration where each college is funded directly but with collaboration required. In January colleges were invited to apply for a share of £15 million to help pay for redundancy schemes to deliver staffing changes (mergers and other efficiency gains). Given the numbers that have already left the sector via voluntary agreements compulsory redundancies seem more likely.

Reform continued in the Higher education sector. The publication in January of the 'Review of Higher Education Governance in Scotland' reflected some concerns as to the trend for some universities to be controlled by small groups of officials' rather traditional bodies. Its main recommendations included: new legislation to set out the principles of governance of Scottish universities and a definition of academic freedom; a code of governance to be drafted by the Scottish Funding Council; changes to the membership, functions and public access to university courts and, somewhat topically, the abolition of bonuses for principals and other changes to the bodies that award pay to university principals. Further, and possibly more significant, initiatives from the Scottish Government are likely this year.

Glasgow University's experience of restructuring from nine academic faculties to four colleges in one year was recognised as being 'over ambitious', more so given new course developments, major IT developments and staff reductions, should be a lesson for other public agencies planning major organizational change.

Emergency Services

Elsewhere the pace of reform of the public sector continues to accelerate with the publication of proposals for a single Scottish police force and a similar national organisation for the emergency services, with the interim headquarters of the national police force being based at the Scottish Police College at Tulliallan and the new Scottish Fire and Rescue Service based at Perth Community Fire Station. The speed of the reforms, the proposed date for the start of the new police force being April 2013, has raised concerns both as to the costs of the integration and the inevitable dislocation to services, and the loss of organizational knowledge and experience that rationalisation will bring, and the potential losses to local areas as functions such as purchasing are centralised. Newspaper reports have indicated that up to 2,000 police support jobs could be lost, in addition to reductions in previous years. In recent years there has been a policy of the civilianisation of police forces Police staff (civilian staff) constitute approximately 28% of total staff and can be found in three main roles: corporate (27%), administrative and support (61%) and Operational (12%) (Stewart 2009:8). It is unclear from the current proposals the extent to which savings in operational support staff (for example crime prevention, custody & detention and scenes of crime officers together with force intelligence analysts) can be achieved by the rationalisation.

The reform of the police service is seen as essential to protect and improve frontline services for local communities against the backdrop of severe budget restrictions, 'by stopping duplication of support services eight times over and not cutting the provision of front line services' (Business and Regulatory Impact Assessment – Police and Fire & Rescue Services Reform). In addition the reform is justified in delivering more equal access the specialist support and national capacity and 'to strengthen the connection between services and communities at each of the 32 local authorities; involving many more local councillors and better integrating with community planning partnerships' (Business and Regulatory Impact Assessment – Police and Fire & Rescue Services Reform).

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. Notwithstanding the issues of loss of organizational knowledge through the rationalisation process there are a number of governance issues, both in terms of the new Police Authority (appointment and membership) and independence. In operational terms concerns exist as to the role and powers of the local police commanders and their relationship to local authorities. It may well be that the current geographical divisional structures adopted by the current police forces will be the basis for the new local structures, with these being subject to less change and rationalisation than the current head quarters divisions. However, balancing local and national priorities will be problematic and the bill does not prescribe how local authorities should implement arrangements for scrutiny of local policing.

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) Financial Scrutiny Unit Briefing Police and Fire Reform (Scotland) Bill: Financial Memorandum. BRIA estimates that a national model will deliver by year 5 gross recurrent efficiency savings of around £151 million, although in practice this figure would be reduced (Police Reform Programme, Outline Business Case, September 2011). The Business Case assumes a natural wastage rate of 3% and significant redundancy costs over the first five years peaking in year 4 at almost £34 million (see table A5 page 87). Potential savings are outlined in Table A1 with almost a third of the savings coming from the rationalisation of support functions, and further savings through management de-layering, rationalised span of control and consolidation of resources. It remains unclear as to whether or not these savings can be reduced given the previous achievements in savings through rationalisation, or whether more extensive reductions in staff numbers will be sought.

Developments in England give some indications as to the areas where the new national police force may seek to reduce staffing costs in addition to reducing the numbers of police officers and police staff. In January the home secretary accepted a set of proposals designed to reduce police staffing costs in England, these included, in addition to the changes affecting most public sector employees (a pay freeze and increased pension contributions), a two year freeze on officers automatically moving up pay scales and the abolition of special priority payments. Potentially more significant will be contained in the second part of the current review which will consider the current pay negotiating arrangements basic pay, career length and pensions. Interestingly the Police Arbitration Tribunal did not accept the recommendation to reduce the rate of payment for overtime working, nor a reduction to accept a lower on-call allowance.

The Chancellor's autumn statement indicated the introduction of a 1% cap on public sector pay following two years of a pay freeze and the potential 3% increase in employee pension contributions. Already public sector workers have, as a consequence of inflation, experienced a cut in real earnings of nearly 8%. But, continued pay restraint and increased pension contributions have lead a number of unions to suggest that this will mean cuts of up to 15% in real terms for public sector employees by 2014/5.

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