



## ARC Pay Claim 2015

### Introduction

ARC (Association of Revenue and Customs) is both an independent trade union and a section of the FDA (representing HMRC members in that organisation). We represent members at Grade 7 and above and trainees in the entry schemes leading to Grade 7. The union is recognised as a stakeholder in many areas of the department and has a consultation agreement with HMRC.

In common with our approach in previous years this note builds on earlier pay claims. The approach is informed by reference to the resolutions passed at ARC's AGM with particular reference to Committee resolution 31 and 32 both unanimously endorsed by those present. In developing the claim ARC also surveyed our members on a number of issues relating to their career aspirations and their reward package. Extracts from that survey are used to lead aspects of this claim where appropriate. Approximately one third (851) of ARC members completed the survey which was conducted in December 2014. Survey questions and ARC responses are in bold italics at relevant points throughout.

ARC has, for some time now, consistently made the case that a failure to address the significant pay gap which exists between those tax professionals working in the public sector and their comparators in the private sector represents a serious risk to the ongoing delivery of HMRC's business<sup>1</sup>. That risk is all the greater due to the lack of action by HMRC to address the structural faults in our existing pay system, faults which ARC has brought to the employers attention over a number of years. In particular, the end of pay progression systems means that there is no mechanism to reward

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<sup>1</sup> [ARC Submission to SR 2014](#)

growing skill and experience within grade; this exacerbates the equal pay issues that are currently working through the Employment Tribunal Service. We urge our employer to recognise those issues and to work with us in an approach to the Treasury to solve them and to protect the ongoing commitment of HMRC to deliver on Government's policy aims.

### **Economic and Political Background**

*In our survey, members were asked the following question: "I feel that my pay adequately reflects my performance". In response only 14% agreed whilst 65% disagreed (43% strongly disagreed).*

The 2014 pay settlement followed 2 years of pay freeze and a second year of pay cap. ARC remains of the view that it is unfair and unacceptable for the Government to single out public sector workers for four years of pay restraint. The 1% cap figure is arbitrary and unjustified and, alongside HMRC's continued refusal to restore a system of guaranteed progression from the minima to maxima of pay scales, only adds to the very real decline in standard of living experienced by ARC members. In 2015 the situation is likely to be unchanged.

ARC advocates a system of pay and benefits that not only rewards staff for their hard work and commitment, but which is also designed to achieve the employer's stated aims to both recruit and retain high calibre tax professionals. ARC will work with HMRC to achieve that, but we believe that the continuing imposition of a 1% cap allied to lack of pay progression - resulting in further erosion of pay - is not the way that will enable the employer to achieve those aims.

This continuing failure to address the underlying position informed Committee resolution 32 at AGM which called for the following:

- An immediate review of HMRC pay and reward strategy, to include the use of recruitment and retention allowances for senior managers and professionals in HMRC.
- HMRC, as employer working with ARC on a business case to present to Treasury to ensure that our business can attract and retain the skilled managers and professionals it needs in the future.
- A consolidated pay increase for all members in the current pay round, while recognising that members in each grade must be able to progress through the pay range, towards the rate for the job.

## Pay Comparability

When asked the following questions:

***“Compared to people doing a similar job in other organisations, I feel my pay is reasonable” only 12% agreed whilst 78% disagreed (50% strongly Disagreed).***

***“My total reward package is comparable to that offered by other modern employers” 10% agreed, 78% disagreed of which 47% strongly disagreed.***

***“I am satisfied with the total benefits package” 12% agreed, 77% disagreed of which 44% strongly disagreed.***

ARC has long expressed concerns that HMRC pay for members in ARC Grades has massively fallen behind private sector comparators and argued that the employer needs to consider and address total reward. ARC’s view was confirmed by the data published by the Hay Group as part of the Government’s review of Market Facing Pay in 2012<sup>2</sup>. As we demonstrated in our 2014 submission, the pay lead in 2012 was:

- Grade 7 (London) 64%
- Grade 6 (London) 54%
- Grade 7 (National) 54%
- Grade 6 (National) 36%

The Market Trend since 2012 has resulted in that gap continuing to widen. We have seen increasing numbers of highly skilled colleagues leave the department for the private sector particularly in specialist areas like international tax, whilst at the same time HMRC struggle to replace those losses within the confines of our current pay structures.

ARC believes the imbalance is now so great that there is a real danger that HMRC will face an exodus of talent as the economy continues to recover. Remuneration imbalances are at least as great now as those which existed in the 1980s when Inland Revenue was losing 10% of its trained and experienced senior tax professionals each year. Given current shortages and

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<sup>2</sup> [Hay Group report on Market Facing Pay](#)

the demographic profile, to which I refer below, such an exodus, would have a disastrous impact on HMRC's ability to tackle the tax gap and on the Government's ability to reduce the deficit.

HMRC is already advertising externally for some key specialist roles, but despite offering substantial Labour Market Supplements (LMS) over the maxima for Grade 6 and 7 it has not had a 100% success rate in filling those roles. In addition, the numbers of submissions to pay policy to allow for higher starting salaries within grade for the right external applicant are on the rise. In many areas such as; accountancy, law and tax, commensurate skills already exist within HMRC. However in an effort to buck the economic reality of the pay gap HMRC are in danger of creating a two tier pay scale; a higher level reflecting skills and experience acquired externally with a lower level applicable to similar skill and experience acquired by internal colleagues.

This difference in pay for similar work will cause resentment among staff and present a further risk to delivery. Such a situation cannot be compatible with HMRC's business aims. ARC believes the use of such methods to be the wrong approach in tackling the combined consequences of the pay gap, the demographic time bomb and a lack of planning. HMRC and Government need to act now to address pay disparities in order to prevent a repeat of the damaging loss of resources seen in the 80s.

HMRC have advised us that statistics relating to retention are maintained but, despite our requests, they have not yet been produced. In our own members survey 1 in 4 people said that they want to leave HMRC as soon as possible (1 in 5 indicated a desire to do so within the next year). This is a truly alarming figure.

### **Pay Progression**

The lack of meaningful pay progression remains an important omission from the pay system for ARC members. Progressive movement to the scale maxima in not more than 5 years should be a keystone of our pay system.

### **Equal Pay**

ARC first formally notified HMRC of our concerns about equal pay at the beginning of 2012. Since then we have sought to open up meaningful

negotiations with the Department over the pay system for people in Grades 6 and 7, to find ways to address our legitimate concerns about pay progression and overall pay levels.

The most recent Equal Pay Audit shows women's pay at 97% against men and 95% for women working part time. We believe that any improvement in these figures is due to the recruitment of both men and women on band minima. We have asked to see the current decile ranges which we expect will show much more pronounced differences.

The equal pay problems we highlighted are still with us and need to be resolved. It was always our preference to resolve these issues by negotiation and agreement with the employer. This has not proved possible and has left the legal route as the only alternative open to us. ARC has lodged equal pay claims with the Employment Tribunal.

The overriding objective is to remove the potential for discrimination in the pay system and to secure pay arrangements that are fair for everyone. Engagement and negotiation remain our preferred routes to a solution.

### **The Demographic Time bomb**

Over half of HMRC's workforce is now aged over 45 and a significant proportion is aged over 55. That figure is higher for senior grades where around 30% of Grade 6 and above are over 55.

Resource cuts and the impact of the demographics means there are not enough trained professionals across the various professions. Training for Tax Professionals can take from two to four years whilst many of HMRC's most experienced staff are now near or over 60 and able to resign or retire at any moment.

### **ARC's 2015 Pay Objectives - General**

ARC's pay objectives for the 2015 pay round are set by AGM resolutions, but also reflect the current political and economic background as set out above. For reference I have included (at appendix 1) copies of the motions passed relating to pay at our AGM on 13 May

For the 2015 pay settlement, ARC wants the following:

- An overall pay increase for all staff in line with inflation (based on the Retail Price Index (RPI))
- Progressive movement to scale maxima within a reasonable period of time (not more than 5 years)
- Uprating of scale minima and maxima in line with RPI
- The removal of any performance related pay elements to any pay system
- A pay system which uses increases in base pay as the mechanism of reward
- HMRC to conduct a full pay comparability exercise for jobs at ARC grades. For clarity, any such exercise should compare salaries paid to ARC grades with external (all comparable private sector employers and jobs) comparators

In addition to these general issues ARC represents a number of employee groups where there are more specific drivers/issues that we seek to address through a system of pay and reward. They are:

### **Trainee Issues.**

#### **Band T**

Trainees and those aspiring to admission to the various programmes leading to G7 represent the future of HMRC. The employer has publically stated its desire to recruit and retain the highest quality staff, but ARC questions whether HMRC's pay and reward system allows it to meet those aims.

Suspension of previously negotiated standard pay scales - where individuals progressed through the scale in equal stages - has hit these groups particularly hard. The pay freeze meant trainees were not rewarded as they moved through difficult and high pressure learning and development regimes where they are constantly gaining skills and taking on increasing levels of complex work adding significant value to the organisation. The salary "mid- point" scheme has gone some way to address this for those in Band T however the Band T/Fast Stream schemes are now the only ones in HMRC where a substantive promotion to the next pay band does not apply upon appointment. This contrasts for example with those on Business Driven Development Plan (BDDP) courses. There are also a number of anomalies within the Band T group. For example ARC has seen cases where a student who fails to complete the course may be moved to a pay point higher than that of a candidate who remains. That cannot be correct

So, in addition to any 'cost of living,' pay rise, ARC proposes that as part of the 2015 settlement successful trainees are rewarded for the skills they develop as they move through their training programme. We believe that successful movement through the course - against specified milestones - must be rewarded through a pay system which offers trainees a minimum, and increasing levels of pay (above the scale minimum) as they achieve and pass those milestones. ARC wants to commence immediate discussions with HMRC on this and in securing a new longer term approach to Band T pay which is more closely aligned to that which applies to the Department's other Developmental Training Programmes.

### **Corporate Fast Stream**

We believe that we can adopt a similar reward strategy for both Band T and those on the Corporate Fast Stream which falls under the pay remit for HMRC.

The Corporate scheme is built around increasing responsibility over 4 years. The Mid Scheme Assessment (MSA) recognises that at the end of year 2, Fast Streamers are working at a grade, at least equivalent to an SEO level, and are expected to regularly act up to Grade 7 level. This is robustly applied in sourcing placements, performance discussions and end of posting reviews; where working at an SEO level is normally considered 'achieved', even in Year 1 and 2.

The introduction of MSA was designed to formally capture achievements mid-scheme, with indicators including assessment of whether the Fast Streamer is near to demonstrating skills widely deployable at Grade 7 throughout the Civil Service. We see this as analogous to the Band T uplift so argue that an uplift at mid-point, commensurate with HMRC's TP is required to fairly reflect the development goals being met and the skills, competencies and responsibilities applied by Fast Streamers in roles allocated after year two.

### **Fast Stream Retention**

We are concerned that there is no commitment in place for those on the Corporate Fast Stream to receive a consolidated pay rise as for others on similar schemes. Current pay levels are a significant disincentive to remain on the scheme.

Of those surveyed in the recent FS Scheme evaluation 56% stated that they intended to try to move off the scheme after the 2 year mark. 54% said that

it was unlikely or very unlikely they would stay on the programme for the full four years.

FDA's own survey conducted to January 2015, reveals that over 72% were either "Dissatisfied" or "Very Dissatisfied" with the overall pay arrangements whilst on the Fast Stream whilst over 87% did not see a clear link between their performance and pay. This correlation between staying on the scheme and remuneration suggests that pay is a big, if not the biggest factor in whether individuals will seek to remain on the scheme beyond the two year point to complete the four year programme.

We believe that the current starting salary of £27K is disproportionately low, especially in light of HMRC's own Band T salary that commences at £29K.

A pay increase of 1% would still leave the vast majority of Fast Stream employees below the lowest Band T point after two years. Fast Streamers deserve a fair offer within the HMRC framework; both reflecting the work being completed and the need to retain those with potential to be the future leaders of the Civil Service.

## **Legal Trainees**

Our Legal Trainees are a distinct group, separate from Band Ts. Prior to the merger in 2005, in the former Inland Revenue and Customs and Excise, Legal Trainees were within Band T. Since that time they have been subject to different arrangements, and their pay has been suppressed year on year. Legal Trainees have never received a pay rise of more than 1%, when Band Ts have frequently received 5%. This has resulted in a wide gulf between the Legal Trainee starting salary and that of their Band T colleagues. Although Legal Trainees, like Band Ts, are highly educated and skilled individuals of which the department is immensely proud, the consistent failure to recognise their value will in time not only lead to problems in recruiting and retaining high calibre candidates (the discrepancy between what an HMRC trainee receives and what a private practice trainee receives is now remarkable), but is thoroughly demoralising and divisive for the individuals involved. As they are, relatively, such a small group of employees, the cost to the department of offering comparable pay with Band Ts would be absolutely minimal, and yet would provide such an immense boost to the individuals concerned, who are currently required to subsist in Central London on a starting salary far lower than that recommended by the Cabinet Office for graduate trainees.

## Looking Forward

ARC recognises HMRC is constrained by pay restraint placed upon it by central government. As already stated, ARC considers such restraint crude and unnecessary, and believes that it is unfair and unacceptable to our members. Failure to award pay rises at a level at least equal to the rate of inflation (RPI) has meant a real terms pay cut for our members. Combining that, with detrimental changes to pensions and terms and conditions on promotion has reduced the overall reward package. ARC believes that reduction has led to a further loss of morale and will have a significant negative impact on recruitment and retention.

ARC would again press for a fundamental review of HMRC's reward strategy in the coming 12 months. We would like to jointly research alternative pay structures with a view to exploring and adopting systems (including the potential use of spot rates) which can best address existing disparities which have arisen as a consequence of the withdrawal of guaranteed progression pay.

## Conclusion

ARC firmly believes that our dysfunctional pay system will, unless it is addressed, become a major risk to the ongoing delivery of our business objectives. We call on HMRC, as our employer, to work with us to fundamentally review those structures and join with us in making a case to the Treasury to make the funds available to address the issues and build a reward system worthy of a modern employer. Such a system of pay and reward must:

- allows HMRC to not only recruit, but also retain, the very highest calibre of tax professional
- allows staff to progress through pay scales so that they arrive at the rate for the job - the maxima of the scale - within no more than 5 years
- eliminates unlawful discrimination and promote diversity
- includes annually revalorised cost of living increases

ARC remains committed to constructive dialogue, debate and negotiation with the employer and believes both parties have a shared aim of creating a pay system that is fit for purpose both now and in the future.



## Appendix 1 - Pay Motions passed at ARC's 2015 AGM on 13 May 2015

**31. (+) that this AGM** is disappointed that our members' pay aspirations as set out at Resolution 19 of AGM 2014 remain unmet.

The living standards of members have continued to fall dramatically over the last five years through a combination of pay freezes, pay caps and pensions' levy.

ARC members undertake the most demanding and complex jobs in HMRC and are key to delivering effective public services. They need the requisite skills to perform their role and deserve to be fairly rewarded and yet Treasury refuses to take any action to address the ever widening pay gap between HMRC professionals and their private sector opposites

The failure to address the pay gap and the fast approaching demographic time bomb will lead to a hemorrhage of dedicated and skilled professionals delivering a severe blow to HMRC's efforts to close the tax gap and reduce the deficit. HMRC's ability to attract and retain new recruits is being severely limited by the failure to address the pay gap.

**AGM** therefore calls upon Committee to engage with the employer with a view to closing the pay differential which exists between our members and their comparators in the Private Sector by;

- Conducting an immediate review of HMRC pay and reward strategy, to include the use of recruitment and retention allowances for senior managers and professionals in HMRC.
- Working with ARC on a business case to present to Treasury to ensure that HMRC can attract and retain the skilled managers and professionals it needs in the future.
- Pressing for a consolidated pay increase for all members in the current pay round, while recognising that members in each grade must be able to progress through the pay range, towards the rate for the job.

### Committee

**32. (\*) That this AGM** continues to support ARC's work on Equal Pay. We applaud the brave women and men who put themselves forward to have their cases heard and to fight for equality for all ARC members.

Women at ARC grades continue to be a minority in HMRC. They continue to disproportionately cluster at the bottom of grades 6 and 7 because

generally, having started in their grade at a later date than many of their male colleagues, they have never had the benefit of a structured route from the grade minimum to the maximum. HMRC's pay system has the effect of protecting the mainly men's pay at the max whilst preventing the women near the min from ever being able to catch up. The effect is that the majority of men's experience is reflected with higher pay, whilst the majority of women's is not.

Committee is instructed to keep working by all means necessary to persuade HMRC to review its pay practices and implement a fair and equal policy that recognises and rewards experience regardless of gender.

We support the work of ARC's Equal Pay team to bring the issue of "particular disadvantage" suffered by women in HMRC's unfair and incoherent pay system before the Employment Tribunal at the end of April.

Committee is instructed to continue to fight for fair and equal pay for all members.

## **Committee**

**27. (\*)That this AGM** instructs Committee to continue to seek the recommencement of pay progression, including progression to the maximum of that pay range in 5 years or less.

### **South & West Wales Centre**

**28. (\*)That this AGM** notes that while HMRC has reduced the span between the pay minima and maxima for grades 7 and 6, this has been achieved in part by maintaining the maximum pay range at 2013 levels.

**AGM** also notes the changing demographics which means as more people retire, more G7 and G6 will be found in the lower end of the pay ranges. **AGM** instructs Committee to ask HMRC how they plan to address this shift in order to ensure staff progress to the pay maxima of their band as quickly as possible.

**AGM** also instructs Committee to seek a pay settlement that provides both an increase to both G7 and G6 pay band maximums and progression through the pay ranges.

### **London BCD Centre**

**29. (\*)**That this AGM notes with concern the end of automatic pay progression within the civil service. In the midst of a public sector pay cap, which followed a pay freeze, we now have a pay system that supports stark inequities on pay e.g. a fully trained G7 CRM with around five years' experience is paid roughly the same as a newly promoted G7 CRM and also has to carry under PMR a far more challenging workload.

This AGM calls upon Committee to press HMRC to redress this damaging situation by implementing a pay system that guarantees movement along the pay scales, which adequately reflects experience, skills and performance.

### **Glasgow Centre**

**30. (+)** ARC members undertake crucial, highly specialist, work on issues that are of political and national importance. To do this requires the great skill, knowledge, and determination of ARC members from many different professions - solicitors, accountants, investigators, policy specialists, and so on. These are extraordinarily challenging areas which require our members to continually demonstrate professional excellence to adapt to an ever-changing landscape.

HMRC cannot function without dedicated specialists who are proud of the job they do. However, the value placed on these individuals seems to be incommensurate with the billions in tax revenue that they protect. These same specialists have faced sustained real-term pay cuts, over several years, and the erosion of pension terms. ARC must convince stakeholders that its members should be fairly rewarded if the nation wants to continue to benefit from the fruits of our efforts.

The gap between HMRC remuneration and private sector remuneration is growing at a significant rate. The Hays report is clear, HMRC sponsored, evidence of this.

This AGM requests Committee endorse these comments, take this message and seek to promote it, with the aim of obtaining additional reward to reduce the deficiencies in the current salary position.

**Close the Pay Gap = Close the Tax Gap.**

### **West Midlands Centre**

**33. (\*) This AGM** notes that ARC grades have seen no significant pay progression for the last five years, meaning that those at or near the minimum of their pay scale have received no recognition for length of service and increased experience and capability. A disproportionate number of those at the bottom of pay scales, particularly in G7, are younger members, and with increased recruitment this concentration will become greater by 2020. This represents a risk to the department as younger, newly-trained and promoted members with no prospect of rising through the pay scale consider private sector alternatives.

Recognising the work currently being done to address indirect sex discrimination through Employment Tribunal cases, **this AGM** instructs Committee to consider the possibility of pursuing cases on grounds of age by 2017 and to consider the case for providing legal resources by 2018.

### **London Euston Centre**

**34. That this AGM** notes HMRC recently advertised externally for senior transfer pricing specialists at Grade 6 on the basis that they could be offered higher starting pay (HSP) up to the salary maximum depending on skills and experience. By so doing, HMRC has established a comparable uncontrolled price for this work. By paying equally or more skilled and experienced current employees substantially less than the department's own established rate for the job (the HSP), is HMRC inviting such employees to leave?

**This AGM** instructs Committee to determine why the department believes that paying less than HSP to existing employees is a viable retention policy.

### **Glasgow Centre**

**35. That this AGM** recognises the potential for additional payments for specialist skills or specific roles to be divisive and damaging for the future of all of HMRC's professions.

**This AGM** calls for ARC Committee to reject any proposals to move away from a pay system based on universal pay grades for all professions and to fight to ensure that jobs are graded correctly and that the pay for the grade is sufficient to attract workers.

## Leicester Centre

### Trainee Pay

**36. (\*) This AGM** notes that the current pay structure for trainees does not recognise the development they go through on the course, other than a pay rise at the mid-point of their training to bring them in line with HO pay.

**This AGM** instructs Committee to include in its pay claim a proposal to structure trainee pay to include skills and experience payments at key milestones in the training course to reflect the rapid developments made.

## North East Centre

**37. (\*) This AGM** notes the changes to the TPDP/TSP programme and dislikes that

- Final year trainees will be completing G7 standard work with no reflection of this in their pay.
- It is possible for a TPDP to leave after Module 7 into an SO post and be paid more than on-going trainees.
- there is potential for private sector companies to recruit trainees after year 3 of their specialist training, potentially worsening shortages at Grade 7

The training programme was designed to ameliorate shortages a G7 and a Band T midpoint was brought in with ARC's help to increase trainee pay over the duration of their course. However, it does not reflect progress and contribution to the business through the 4 year course. We direct Committee to negotiate changes to the reward package for trainees, recognising the points above in any discussion, and provide due reward for their growing contribution as they progress.

## West Midlands Centre