

PERSONNEL COMMITTEE

11 MARCH 2013

LIVING WAGE

REPORT OF THE HEAD OF ORGANISATIONAL DEVELOPMENT

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RECENT REFERENCES:

None

EXECUTIVE SUMMARY:

In his budget speech at Council in February 2013, Councillor Godfrey, Portfolio Holder for Finance and Administration announced the Council's commitment to becoming an employer that pays its staff the "Living Wage" and above.

This Report explains the back ground to the "Living Wage" initiative and who it would affect at Winchester City Council and how it could be implemented.

It recommends that Personnel Committee agree to applying the "Living Wage" to direct employees, including casual staff, and also to encouraging our Contractors and Sub Contractors delivering services on our behalf to do the same through our procurement process.

RECOMMENDATION:

Personnel Committee members are asked to agree that the Council:-

1. Implement a Living Wage hourly rate of pay for staff directly employed within the Council and for Casual staff (excluding apprentices and canvassers) of £7.45 per hour.

2. Agree that the “Living Wage” element of the hourly pay rate be based initially on a discretionary supplement, commencing from 1st April 2013 which is to be covered within the existing employee budget through vacancy management.
3. Review, as part of the annual budget process the uplift to the Living Wage rate annually where appropriate, based on national local authority pay negotiations.
4. To acknowledge the Council’s ongoing commitment to the apprenticeship scheme, and to consider the case for a Living Wage for apprentices.
5. To consider the case for including the Living Wage in the Council’s procurement policies by April 2014 and, should Committee agree to do so, develop an action plan with key milestones identified to achieve this for contracts commencing after a specified date.
6. That the Council apply for accreditation as a Living Wage employer complete with an intended implementation plan.

PERSONNEL COMMITTEE11 March 2013LIVING WAGEREPORT OF THE HEAD OF ORGANISATIONAL DEVELOPMENTDETAIL:1 Introduction

- 1.1 The Living Wage Campaign in the UK was launched by London Citizens in 2001 and calls for every worker in the country to earn enough to provide their family with the essentials of life. Following a series of successful campaigns, various interested parties joined together and formed the Living Wage Foundation in 2011. The Foundation is now the lead body and provides accreditation, advice and support to potential, and to 93 accredited, Living Wage Employers.
- 1.2 The Living Wage was created to give the minimum pay rate required for a worker to provide their family with the essentials of life. Unlike the National Minimum Wage (NMW), the Living Wage has no legal status and is therefore reliant on the commitment of individual employers. The National Minimum wage is age 21 and over £6.19, age 18 to 20 - £4.98, under 18 - £3.68.
- 1.3 The Living Wage rate (outside of London) is currently £7.45 per hour. The rate is set by the Centre for Research in Social Policy (CRSP), at Loughborough University and the research is funded by the Joseph Rowntree Foundation. It is set at a level that allows people to achieve a minimum socially acceptable standard of living when applied alongside full take-up of in-work benefits.
- 1.4 The majority of local authorities in London and Greater London have implemented the Living Wage which is paid at a higher London rate of £8.55 per hour.
- 1.5 Over a 100 employers from every sector are now paying a Living Wage. Local authorities outside London who have implemented include: Preston, Newcastle, Birmingham, Bristol, Oxford, Caerphilly, Cardiff and Swansea. There are a significant number of Private Sector companies and Charities who have implemented the Living Wage, such as KPMG, Aviva, Actionaid, Unicef, and Save the Children.

. The Benefits of paying the Living Wage

- 2.1 There is now a body of research which identifies benefits of a Living Wage not only for the individual but also employers and society in general. Research undertaken by two of the Foundations key partners, the Greater London Authority and Queen Mary University London, identified a number of

benefits for employers. In addition to the reputational benefits of being an ethical employer, the most significant impacts found from this and other research were:

- **An improvement in the quality of work**
- **Reduction in absenteeism**
- **Easier recruitment and retention**
- **Consumer awareness and reputation**
- **Reduction in turnover of contractors**
- **Improved morale motivation and commitment**

2.2 KPMG's 'Current Trends in Household Finances and Structural Analysis of Hourly Wages' report, October 2012, identified some of the difficulties associated with earning below the Living Wage. It stated "one in five workers across the UK earn less than the Living Wage" and that compared to those earning more they are especially down beat about: "Current household finances, Savings, Cash availability, Workplace activity, Appetite for major purchases and ease of access to unsecured credit".

3. Who does this affect at Winchester City Council?

3.1 There are 20 permanent employees who fall into the Living Wage group (under £7.45 per hour). This equates to under 4% of the workforce headcount (excluding casuals). These employees are in the Local Government Services Employees (LGS) bargaining group. Their pay and conditions are set in the main through the Collective Agreement Regarding Single Status and Pay & Grading for Local Government Services Employees (LGS).

3.2 LGS employees have their pay set by a grading structure consisting of 12 grades plus one grade for Chief Executive's pay. The rates of pay for Grade 1 and 2 which cover hourly rates currently below the Living Wage are shown below:

Grade	Spinal Column Point	Hourly rate £	Annual Salary £
Scale 1	4	6.3124	12,145
	5	6.3992	12,312
	6	6.4912	12,489
	7	6.6460	12,787
	8	6.8550	13,189
	9	7.0629	13,589
	10	7.2110	13,874
	11	7.6675	14,733
Scale 2	7	6.6460	12,787
	8	6.8550	13,189
	9	7.0629	13,589
	10	7.2110	13,874
	11	7.6675	14,733

	12	7.8165	15,039
	13	8.0270	15,444
	14	8.1731	15,725

*As the LGS grading structure is based on annual salaries, working back to an hourly rate necessitates these being expressed to four decimal places.

- 3.3 There have been no national pay increases in the Council for 3 years therefore rates of pay have been eroded in comparison to both the Living Wage and the National Minimum Wage (NMW).
- 3.4 There are 6 job types which fall into the Living Wage category. The majority are in the Guildhall 1871 Café, Museums, Tourism, Revenues and Solutions (Customer Services) and Housing Options and Support as shown in Appendix 1.
- 3.5 The gender split within the Living Wage group is 75% female 25% male and 95% of the group work part time. Nearly all staff are aged between 20 and 28 with only very a very small number at either end of the age spectrum. Data on ethnicity shows the majority are white, British and with no disabilities being declared.
- 3.6 From a socio-economic perspective, of the staff members live in a range of areas including outside the Winchester City Area in some cases outside the District and they incur travelling costs to attend work.
- 3.7 There are currently 11 apprentices in post within the Council. Apprentices are not taken into account as part of an organisation's commitment to the Living Wage by the Living Wage Foundation. The council currently pays £4.00 per hour which is above the national minimum wage for apprenticeships which is £2.65 per hour.
- 3.8 Canvassers are not included within the Living Wage definition and they are currently paid a set fee for each property canvassed. It is not proposed to pay them at the Living Wage hourly rate which does not fit with their role. However, the fees will need to be reviewed in the future to ensure a continuing supply of canvassers is available to deliver this service.
- 3.9. Casual workers are also an excluded group from the Living Wage definition; however the Council's current practice is to pay casual workers on the LGS pay scales. The average number of casuals in a twelve month is shown in Appendix 1 for costing purposes: they are mainly employed to cover specific events, particularly in the Guildhall, as and when necessary.
- 3.10 Payment of the Living Wage in relation to procured services (contract) and workers needs to be considered and contained within the Council's Procurement Strategy.
- 3.11 This could state "We will work towards the adoption of an approach for addressing low pay, for example, a living wage in all services contracts".

This is a journey and we will need to work with suppliers to develop their business models in order to comply with this ambition.

4. Analysis

- 4.1 Introducing a Living Wage for employees is complex with the potential impact being on pay policy, practices and levels of pay. The LGS pay structure was collectively agreed during single status negotiations. Much work and time has gone into establishing robust policy and practice that ensures fair pay treatment of all employees across the full 12 grade structure. A Living Wage Policy, depending on the approach developed could therefore impact on:
- i. The design of the jobs - requiring duties to be redesigned to secure a higher rate of pay above the Living Wage;
 - ii. The grading structure – removing or changing grades to lift people above the Living Wage will affect the integrity of the grading structure and require renegotiation of collective agreement;
 - iii. The levels of pay – lifting all the whole 12 grade structure sufficiently high enough to lift Grades 1 and 2 above the living wage would be prohibitively expensive for the Council to implement.
- 4.2 Changes to any of these elements will have varying degrees of complexity and impact, any change to the grading structure for example would be a major decision and could carry legal risk, calling the continued practice of fair pay and grading into question and increasing the potential for challenge.
- 4.3 In order to preserve the integrity of the pay structure whilst jobs it is proposed that, a separate discretionary supplement is paid as an addition to basic pay to achieve the Living Wage of £7.45 per hour where appropriate. This is similar to how other employers have approached the issue. It is also similar to the way that the Council pays Market Supplements.
- 4.4 On the balance of probabilities, it is likely that the Council will be able to justify the difference in treatment compared to other employees in that the application of the Living Wage is a proportionate means of achieving a legitimate aim.

5. Ongoing Pay Implications of a Living Wage

- 5.1 Adopting a Living Wage Policy commits the Council to an ongoing uplift of salaries in line with any changes to the national rate (if agreed). It should be noted that the determination of the Living Wage rate is based on a variety of factors and criteria which are significantly different to how annual pay awards for local government are determined, therefore there is potential for these two pay elements to change and increase at very different rates.

5.2 Annual pay increases at the Council are linked to the nationally negotiated pay awards, most of which are effective annually in April. The awards are negotiated by the Local Government Employers Organisation on behalf of local authorities. Changes to the Living Wage rate will be determined by the Centre for Research in Social Policy with no input or influence from the Employers Organisation or individual authorities. In reality this means the Council would be handing over some of its pay decisions to a third party over which it would have no input or influence. Consideration therefore could be given to reviewing the Living Wage Policy on an annual basis as part of the annual budget process.

6. Implications for staff receiving Benefits

6.1 Significant changes are being made to the benefits and tax credits system now and over the next few years due to the Welfare Reform Act 2012. These changes are expected to impact on our lowest paid employees and implementing a Living Wage Policy may lift some staff out of reliance on benefits and cushion the impacts of any benefits cuts for others.

6.2 In introducing the Living Wage, some staff may experience difficulty in organising their financial arrangements and we would offer benefits advice and support for those staff members where appropriate.

7. Developments for Apprentices

7.1 Apprentices are not required to be included in a Living Wage Policy by the Living Wage Foundation. However, as part of work on the strategy for apprenticeships going forward the level of pay for apprentices will be reviewed. Officers are developing a broader policy for employing apprentices which will be considered at a future meeting.

7.2 Further consideration and consultation work is required before an actual pay level can be recommended. Therefore, Members are asked to note the work ongoing to develop an Apprenticeship Policy.

8. Casual Workers

8.1 As with apprentices casual workers are not required to be included in the Living Wage but the council could decide to include them in its Policy, although we are aiming to reduce, even phase out the use of casual staff.

8.2 Including casual workers would increase the financial impact of the Policy, excluding them would change the current practice of paying these workers at the same rate as employees. The effect on hourly rates of pay, should casuals be included is shown in Appendix 1 £4, 484. Given the benefits of paying the Living Wage, as stated before, it is recommended it be applied to casual staff.

9 Consultation

- 9.1 Discussions will take place with Unison on the proposals in this report and to seek involvement from them in the development of implementing the “Living Wage”.
- 9.2 Subject to the approach agreed, there may be a need for changes to existing policy covered by collective agreements, and if so this would require negotiation of such change.

10. Financial Implications

- 10.1 The total cost to the council of paying a ‘living wage’ at the current rate of £7.45 per hour is estimated to be £16,357 (£15,838 General Fund and £519 Housing Revenue Account). This includes the impact on allowances and on costs (National Insurance & pensions). This is shown in Appendix 1. Including the cost of an average uplift of the Living Wage of 5% the forecast cost for the first year of implementation, 2013/14, is £22,159 (based on a continued pay freeze). It is intended that the cost of applying the Living Wage will be covered within the existing Council employee budget with the use of vacancy management.
- 10.2 These figures have been calculated as at the time of writing, and as such reflect a snapshot position. There will most likely be variations to the final cost of the scheme should it be implemented due to turnover and changes in the composition of the workforce. Where people leave and are replaced by new starters at the bottom of the grade, the costs of the scheme would increase accordingly.
- 10.3 Any additional costs of applying the Living Wage to casual staff would be borne by existing service budgets or, in the case of the Guildhall, charges made for event management when additional staff are required.

11. Living Wage Accreditation

- 11.1 The Living Wage Employer Mark recognises and celebrates the leadership shown by those adopting the Living Wage. The accreditation process is open to employers already paying the living wage, or those committed to an agreed timetable of implementation.
- Accredited Living Wage Employers are recognised during Living Wage Week and at the annual Living Wage Awards, hosted by KPMG and the Mayor of London. The “Living Wage” logo can be used on all Council information, in particular recruitment material and for Public Relations purposes.
- 11.2 Members will wish to consider whether or not the Council wishes to ‘sign up for accreditation’ to the Living Wage. Signing up or not could impact on the

future commitment to uplifting pay in line with increases to the Living Wage as covered in the report below. There is also a small cost (£400) for formal accreditation.

- 11.3 In order to become an accredited organisation there is a requirement that the Council commits to setting out an action plan and timetable which will ensure that we will expect contractors and sub contractors to pay the Living Wage to employees delivering services on behalf of the Council.
- 11.4 It will mean that we will expect contractors to pay the Living Wage to employees delivering services on behalf of the Council. It will be applied to new contracts and on renewal of existing contracts (including sub-contractors) to the extent permitted by law, where it can be shown that it provides best value for the organisation.

12 Recommendations

- 12.1 Personnel Committee members are asked to consider implementing the Living Wage and agree the following:-

Personnel Committee members are asked to agree that the Council:-

- Implement a Living Wage hourly rate of pay for staff directly employed within the Council and for Casual staff (excluding apprentices and canvassers) of £7.45 per hour.
- Agree that the “Living Wage” element of the hourly pay rate be based initially on a discretionary supplement, commencing from 1st April 2013 which is to be covered within the existing employee budget through vacancy management.
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- To acknowledge the Council’s ongoing commitment to the apprenticeship scheme, and to consider the case for a Living Wage for apprentices.
- To consider the case for including the Living Wage in the Council’s procurement policies by April 2014 and, should Committee agree to do so, develop an action plan with key milestones identified to achieve this for contracts commencing after a specified date.
- That the Council apply for accreditation as a Living Wage employer complete with an intended implementation plan.

OTHER CONSIDERATIONS:13.. SUSTAINABLE COMMUNITY STRATEGY AND CHANGE PLANS
(RELEVANCE TO):

- 13.1 The adoption of a Living Wage Policy will support the council's priorities of:
- Creating jobs and growing the economy
 - Building strong communities
 - Protecting vulnerable people
 - Becoming an employer of choice
 - Improving recruitment, retention, morale and the quality of customer service and reducing sickness and absence levels.

14. RESOURCE IMPLICATIONS:

- 14.1 The financial risks of affordability of keeping pace with the Living Wage rate will be managed through the annual budget process and if possible by building flexibility into the process to give the Council discretion to freeze or withhold increases. The other resource implications apply to Human Resources, Payroll and Procurement to implement the changes and this can be covered within existing staffing levels.

15. RISK MANAGEMENT ISSUES

- 5.1 The legal risks of damaging the integrity of the pay and grading arrangements will be managed through the development of an approach that minimises any such risk. Paying a supplement will minimise any risks associated with changing the grading structure and any equal pay risks associated with paying a staff group differently can be mitigated by choosing a mechanism that is transparent and based on a legitimate aim. This risk will be mitigated with the supplement being available to all who could be eligible under the scheme.

- 5.2 Other areas of risk are contained within the body of the report.

BACKGROUND DOCUMENTS:

Living Wage Research for KPMG 'Current Trends in Household Finances and Living Wage. A Guide for Employers. Living Wage Foundation.

APPENDICES:

- Appendix 1 Financial Assessment of implementing the Living Wage for the Council

Appendix 1

<u>Additional Estimated Cost to WCC – excluding Apprentices & Casual Canvassers</u>		Salary + Oncosts		
			2013/14 forecast	annual uplift
		£7.45	£7.82 / +5%	+5% increase
General Fund	Customer Services - Solutions	-	531	
	Guildhall	11,764	14,400	
	Museums	1,828	2,977	
	Revenues	1,127	1,646	
	Tourism	1,118	1,739	
		15,838	21,293	5,455
HRA	Housing Options and Support	519	866	
		519	866	347
WCC		16,357	22,159	5,802

Assumptions:-

1. Permanent and temporary staff are members of LGPS
2. Pension and employers national insurance rates remain the same
3. An annual living wage uplift of 5%