

Title of Report:	Implementing The Living Wage
Report to be considered by:	Executive on 10 September 2015
Forward Plan Ref:	EX3038

Purpose of Report: To ensure that no employee directly employed by the Council (excluding schools) is paid less than "The Living Wage" set by The Living Wage Foundation each November.

Recommended Action: That the Council adds a West Berkshire Council "Living Wage Supplement" to the pay of all employees who would otherwise receive an hourly rate below The Living Wage with effect from 1st October 2015.
That schools are encouraged to use the "Living Wage Supplement" for their employees who would otherwise receive an hourly rate below The Living Wage.

Reason for decision to be taken: To meet a manifesto commitment to raise low pay thresholds

Other options considered: Formally sign up to the Living Wage Foundation -rejected because that would also mean forcing contractors to pay The Living Wage to the contracted workforce.

To abolish the use of spinal column points below The Living Wage- rejected because schools not following the Council's example will still need these spinal column points.

Key background documentation: The Living Wage website
<http://www.livingwage.org.uk/how-become-living-wage-employer>

Published Works:

The proposals will help achieve the following Council Strategy aim: <input checked="" type="checkbox"/> MEC – Become an even more effective Council
The proposals contained in this report will help to achieve the following Council Strategy priority: <input checked="" type="checkbox"/> MEC1 – Become an even more effective Council
The proposals contained in this report will help to achieve the above Council Strategy aims and priorities by: raising low pay thresholds

Portfolio Member Details	
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Date Portfolio Member agreed report:	01 August 2015

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Implications

Policy: The introduction of a "Living Wage Supplement" would be a change to the Council's Pay Policy. It would be subject to annual review by the Personnel Committee as part of the Pay Policy review.

Financial: The cost to the Council excluding on-costs is as follows:
 In 2015/16 if implemented on 1st October the cost is £5,590 at current rate of £7.85 per hour. The Living Wage rate will increase on 1st November 2015. If the rate increases by 2% the 2015/16 cost will be £9,430. If the rate increases by 3% the 2015/16 cost will be £11,580.

In 2016/17 the cost is £6,567 at current rate of £7.85 per hour. The Living Wage rate will increase on 1st November 2015. If the rate increases by 2% the 2016/17 cost will be £11,568. If the rate increases by 3% the 2016/17 cost will be £14,931 (excluding the effect of the November 2016 increase in the rate)

Note: the cost in 2016/17 is influenced by the fact that a number of the affected corporate employees are currently on spinal column point 10 and their incremental increase on 1st April 2016 will take them above £7.85 per hour.

Apprentices are excluded because their age related National Minimum Wage rate is not included in this proposal.

Personnel: The "Living Wage Supplement", if approved, would be a discretionary payment made by the Council to relevant employees. It would not form part of the employees' contract of employment and could be withdrawn or reduced when it is annually reviewed by the Personnel Committee.

Legal/Procurement: If some maintained schools implement the "Living Wage Supplement" and some do not, there is a slight risk of an equal pay challenge (the risk is slight because almost all the school employees concerned are female so it is unlikely that a male comparator will be found)

Property: None

Risk Management: There is a risk that the Living Wage will be increased annually at a much higher rate than expected which would increase costs.

Corporate Board's Recommendation: Approved by CB on 4th August 2015

Is this item relevant to equality?	Please tick relevant boxes		Yes	No
Does the policy affect service users, employees or the wider community and:				
• Is it likely to affect people with particular protected characteristics differently?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
• Is it a major policy, significantly affecting how functions are delivered?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
• Will the policy have a significant impact on how other organisations operate in terms of equality?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
• Does the policy relate to functions that engagement has identified as being important to people with particular protected characteristics?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
• Does the policy relate to an area with known inequalities?	<input type="checkbox"/>	<input checked="" type="checkbox"/>		
Outcome (Where one or more 'Yes' boxes are ticked, the item is relevant to equality)				
Relevant to equality - Complete an EIA available at http://intranet/EqIA				<input checked="" type="checkbox"/>
Not relevant to equality				<input type="checkbox"/>

Is this item subject to call-in?	Yes: <input checked="" type="checkbox"/>	No: <input type="checkbox"/>
If not subject to call-in please put a cross in the appropriate box:		
The item is due to be referred to Council for final approval	<input type="checkbox"/>	
Delays in implementation could have serious financial implications for the Council	<input type="checkbox"/>	
Delays in implementation could compromise the Council's position	<input type="checkbox"/>	
Considered or reviewed by Overview and Scrutiny Management Commission or associated Task Groups within preceding six months	<input type="checkbox"/>	
Item is Urgent Key Decision	<input type="checkbox"/>	
Report is to note only	<input type="checkbox"/>	

Executive Summary

1. Introduction

- 1.1 There are 17 corporate employees currently paid below the Living Wage rate of £7.85 ph. Many more employees are paid below the Living Wage rate in schools.
- 1.2 There is a political will to ensure that no Council employees are paid less than the Living Wage.
- 1.3 This report explains the current situation; the case for change; sets out three options; and makes a proposal.
- 1.4 The proposal would see the Council shadow the Living Wage (not to be confused with the government's new "national living wage") by using a West Berkshire Council "Living Wage Supplement" which will increase each 1st November.
- 1.5 The report looks at the higher costs for schools and sets out a proposed approach to schools.

2. Proposals

- 2.1 To introduce a West Berkshire Council "Living Wage Supplement". This would vary depending on the spinal column point of the employee but would take all relevant corporate employees up to £7.85 per hour on 1st October 2015.
- 2.2 The "Living Wage Supplement" would need to change when the Living Wage Foundation increases the Living Wage hourly pay rate each November.
- 2.3 The cost increase will be absorbed by services affected.
- 2.4 It is recommended that the Council commends the introduction of the "Living Wage Supplement" to schools. It will be up to individual governing bodies to decide if their school can afford to implement the "Living Wage Supplement".

3. Equalities Impact Assessment Outcomes

- 3.1 There is no equalities impact which affects one or more group with a protected characteristic under the Equalities Act.
- 3.2 There is a slight risk of an equal pay challenge from an employee (male or female) in a maintained school which does not pay the "Living Wage Supplement"; using an employee of the opposite sex in a maintained school which does pay the "Living Wage Supplement" as the comparator.

4. Conclusion

- 4.1 This report recommends implementing a West Berkshire Council "Living Wage Supplement" for corporate employees with effect from 1st October 2015.
- 4.2 This report recommends that "Living Wage Supplement" is commended to schools.

Executive Report

1. Introduction

- 1.1 There has been a national campaign to pay workers 'The Living Wage' since 2001. This campaign seeks to persuade organisations to sign up to a commitment to pay The Living Wage to its employees and contractors to provide a decent standard of living. The rate is currently £7.85 per hour outside London and £9.15 for London. Boris Johnson is a keen supporter of the Living Wage campaign which is run by a charity (The Living Wage Foundation) using research provided by Loughborough University.
- 1.2 If an organisation formally commits to the Living Wage it signs a 'pledge' and receives positive publicity from the campaign group. IKEA recently benefited from such publicity. The campaign argues that the national minimum wage (NMW) is not high enough to provide for a decent standard of living without the need for a second job. The Living Wage Foundation increases the hourly rate for the Living Wage outside London annually on 1st November. For organisations signing the pledge, The Living Wage is payable to all employees aged over 18.
- 1.3 Employers who formally pledge to be a Living Wage Employer must insist that their contractors also pay the Living Wage (albeit only from the date of renewal of existing contracts or the letting of new contracts).
- 1.4 Confusing the terminology somewhat, the Chancellor introduced a 'National Living Wage' in his recent emergency budget. The National Living Wage (NLW) will be set at £7.20 per hour from 1 April 2016 outside London and rise to £9.00 per hour by 2020. Only those aged 25 and over will be entitled to the NLW. For those under 25, the current age-banded levels of the National Minimum Wage (NMW) will continue to apply. This means that the NLW can be seen to simply insert a further age-banded level into the NMW so that the current adults' rate becomes the preserve of 21-24 year olds only.
- 1.5 Although the NLW will rise to £9.00 per hour by 2020 it is likely that the voluntary Living Wage set by the Living Wage Foundation will always be higher than the compulsory NLW set by the government.
- 1.6 The NLW itself has caused concern in local authorities because many care providers funded by LAs pay the NMW and the introduction of the NLW will inject costs into the system that will need to be met by either the providers or the LAs or a combination of both. Steve Duffin has modelled the effect on WBC for ASC costs and estimates that the NLW will increase costs in the system by £2m per year from 2016/17 to 2020. These costs would be even higher if the Council formally pledged to become a Living Wage Employer and would affect other contractors outside ASC.
- 1.7 There are 17 corporate employees currently paid below the Living Wage rate of £7.85 ph. Many more employees are paid below the Living Wage rate in schools. The suggested approach to schools is set out at section 5 below.

- 1.8 This report recommends that WBC 'shadows' the Living Wage using a "Living Wage Supplement" to ensure that no corporate employee is paid below the hourly rate set by the Living Wage Foundation each November.
- 1.9 This report recommends that the Council does not formally pledge with the Living Wage Foundation to pay the Living Wage because to do so would mean that the Council's contractors must also pay the Living Wage.
- 1.10 The Council does not know the percentage increase to be made by the Living Wage Foundation each November. The government has signalled that it expects a 1% pay increase in the public sector for each of the next four years. The increase in the Living Wage is almost certainly going to be more than 1% each year. This means there is the possibility that, over time, an increasing number of employees in the Council will come within the orbit of the "Living Wage Supplement".

2. The case for change

2.1 The local election Conservative manifesto states:

- (1) "It's important that we invest in leadership development and work to up-skill all Council staff. Over time, that up-skilling will be demonstrated by raising low pay thresholds and tying that to increased staff accountability and rewards for performance".

2.2 There is a political will to raise low pay thresholds which means that that no corporate Council employees will be paid less than the Living Wage. The up-skilling and rewards for performance mentioned in the manifesto will be achieved by line managers discussing these issues with the relevant employees as part of their performance management.

2.3 An independent study examining the business benefits of implementing a Living Wage policy in London found that more than 80% of employers believe that the Living Wage had enhanced the quality of the work of their staff, while absenteeism had fallen by approximately 25%.

3. Options for change

3.1 Option One: the Council can formally adopt the Living Wage for corporate employees and urge schools to do the same.

- (1) The advantage with Option One is that this will provide positive publicity for the Council which is directly linked to the manifesto pledge. An example of the type of press statement that might follow is provided by Boris Johnson in his role as Mayor of London: "Paying the London Living Wage ensures hard-working Londoners are helped to make ends meet, providing a boost not only for their personal quality of life but delivering indisputable economic dividends to employers too".
- (2) A further advantage is that pledging to pay the Living Wage will lead to a reduction in wage inequality and would be popular with the local trade unions.

- (3) However Option One has the disadvantage of being publically tied to the Living Wage campaign and its pay increases each 1st November which may be unaffordable at some time in the future
- (4) A further disadvantage, if the Council formally pledged to adopt the Living Wage, is that it would have to insist that its contractors also pay the Living Wage when contracts are let or come up for renewal.

3.2 Option Two: the Council could stop using spinal column points which are below the Living Wage (currently £7.85 ph).

- (1) Option Two would mean that the minimum spinal column point (SCP) used for corporate employees would be SCP11 which is currently £7.88 per hour.
- (2) This has the advantage of less work for Payroll than paying a supplement.
- (3) A disadvantage is that the lower spinal column points would still have to be used by the schools not following the Council's lead, which could lead to some confusion.
- (4) Option Two would be more expensive than paying a "Living Wage Supplement" to take the hourly rate up to the Living Wage. The current difference is only £0.03 per hour (between £7.85 and £7.88 per hour). Although this difference is small it would make the task of persuading schools to follow the lead of the Council a bit harder than Option Three below.

3.3 Option Three

The least expensive and most direct way of meeting the aspiration of paying no corporate Council employee below the Living Wage is to introduce a West Berkshire Council "Living Wage Supplement". This would vary depending on the spinal column point of the employee and would take all relevant employees up to £7.85 ph on 1st October 2015 and match the Living Wage hourly rate thereafter.

4. Proposal

- 4.1 To choose Option Three and introduce a West Berkshire Council "Living Wage Supplement". This would vary depending on the spinal column point of the employee but would take all relevant employees up to £7.85 per hour on 1st October 2015.
- 4.2 The "Living Wage Supplement" would need to change when the Living Wage Foundation increases the Living Wage rate each November.
- 4.3 The "Living Wage Supplement", if approved, would be a discretionary payment made by the Council to relevant employees. It would not form part of the employees' contract of employment and could be withdrawn or reduced when the Council's Pay Policy is annually reviewed by the Personnel Committee.

- 4.4 Organisations who have formally pledged to pay the Living Wage have up to six months to introduce the increase announced on 1st November each year. It is therefore possible to increase the rate on any date between 1st November and 30th April each year.
- 4.5 It is recommended that the increase in WBC is implemented on 1st November each year because otherwise some corporate employees will be paid below the Living wage for part of each year.
- 4.6 The cost increase will be absorbed by the services affected and build into the base budget going forward. The costs for services are relatively modest.
- 4.7 Apprentices are paid on the age related National Minimum Wage (NMW). They are excluded from this proposal.
- 4.8 Employees on 'old' Newbury District or Berkshire County Council contracts of employment (i.e. employees who have declined the opportunity to transfer to the West Berkshire contract of employment) who are paid below £7.85 per hour are included in this proposal.

5. Schools

- 5.1 Schools which are not maintained by West Berkshire Council are free to pay whatever rates of pay they wish to support staff (e.g. academies, aided schools, foundation schools). However, schools which are maintained by WBC must use the Council's pay and grading structure to pay their support staff.
- 5.2 Schools have more employees paid on spinal column point 10 or below (Grade A or B) than the corporate services. It is recommended that school are commended to join the Council in paying the West Berkshire Council "Living Wage Supplement" to bring all these employees up to the Living Wage of £7.85 per hour.
- 5.3 The total cost (excluding on-costs) if all schools were to pay the "Living Wage Supplement" would be as follows:
- (1) In 2015/16 if implemented on 1st October the cost to schools would be £87,501 at current rate of £7.85 per hour. The Living Wage rate will increase on 1st November 2015. If the rate increases by 2% the 2015/16 cost to schools would be £164,301. If the rate increases by 3% the 2015/16 cost to schools would be £119,554 (excluding the effect of the November 2016 increase in the rate)
 - (2) In 2016/17 the cost to schools would be is £175,001 at current rate of £7.85 per hour. The Living Wage rate will increase on 1st November 2015. If the rate increases by 2% the 2016/17 cost will be £259,075. If the rate increases by 3% the 2016/17 cost will be £326,204 (excluding the effect of the November 2016 increase in the rate).
- 5.4 The proposed "Living Wage Supplement" is a non contractual supplement that will be paid at the discretion of the governing body (GB) and may be withdrawn or reduced by the GB at its annual review of the school's pay policy. This distinction will be helpful in maintaining the pay differential between Teaching Assistant Level 1 (grade B) and Teaching Assistant Level 2 (grade C). Although the rate of pay will be

the same for new TAs Level 1 and new TAs Level 2, the terms of the payment will be different (secure for TA Level 2 under contract; discretionary for TA level 1)

5.5 If some maintained schools implement the "Living Wage Supplement" and some do not, there is a slight risk of an equal pay challenge (the risk is slight because almost all the school employees concerned are female so it is unlikely that a male comparator will be found).

5.6 It is recommended that the Council commends the introduction of the "Living Wage Supplement" to schools. It will be up to individual governing bodies to decide if their school want to, or can afford to, implement the "Living Wage Supplement".

6. Costs

6.1 The cost to the Council (excluding on-costs) is as follows:

6.2 In 2015/16 if implemented on 1st October 2015 the cost is £5,590 at current rate of £7.85 per hour. The Living Wage rate will increase on 1st November 2015. If the rate increases by 2% the 2015/16 cost will be £9,430. If the rate increases by 3% the 2015/16 cost will be £11,580.

6.3 In 2016/17 the cost is £6,567 at current rate of £7.85 per hour. The Living Wage rate will increase on 1st November 2015. If the rate increases by 2% the 2016/17 cost will be £11,568. If the rate increases by 3% the 2016/17 cost will be £14,931 (excluding the effect of the November 2016 increase in the rate)

6.4 The cost in 2016/17 is influenced by the fact that a number of the affected corporate employees are currently on spinal column point 10 and their incremental increase on 1st April 2016 will take them above £7.85 per hour.

7. Conclusion

7.1 It is recommended that the "Living Wage Supplement" which will take all corporate employees up to £7.85 per hour is introduced on 1st October 2015 and increased in line with the increase in the Living Wage rate per hour each 1st November.

7.2 It is recommended that the above approach is commended to schools.

Appendices

There are no Appendices to this report.

Consultees

Local Stakeholders: *

Officers Consulted: Steve Duffin, Gemma McNamara and Corporate Board

Trade Union: To be consulted after CB.