

DERBYSHIRE COUNTY COUNCIL

CABINET MEETING

20 January 2015

Report of the Strategic Director of Corporate Resources

**PAYMENT OF THE LIVING WAGE- 2015/16
(Council Services)**

1. Purpose of the Report

To seek agreement to pay the Living Wage from 1 April 2015 to 31 March 2016 for employees directly employed by the Council and to continue to encourage schools to adopt the Living Wage.

2. Information and Analysis

2.1 Background

Cabinet agreed on 21 January 2014 to the implementation of the Living Wage for Council employees. The payment of the Living Wage in 2014/15 has been reviewed by the joint Living Wage Advisory Group against the Monitoring Arrangements previously agreed by Cabinet.

2.2 The Living Wage

The Living Wage has been defined as 'the level of income needed to provide an acceptable standard of living in Britain to ensure good health, adequate child development and social inclusion'. The Living Wage (outside London) is calculated annually by the Department for Income Studies at Loughborough University on behalf of the Living Wage Foundation.

The number of accredited Living Wage organisations has increased from 433, reported by the LGA in November 2013, to over 1,000 in December 2014, reported by the Living Wage Foundation. As part of its 'Britain Needs a Pay Rise' campaign, the TUC is seeking to ensure that employees in local authorities receive a wage at least equivalent to the Living Wage. In June 2014 the Living Wage Commission published a

report entitled 'Work That Pays'. The report concluded that there is a strong social, business and public policy case for continuing to promote payment of the Living Wage. It also points out that there is likely to be a multiplier effect as a modest amount of disposable income is put into the local economy.

The Council, by agreeing to pay the Living Wage, is seeking to take active steps as an employer to raise the living standards of its lowest paid employees. The Council recognises that payment of the Living Wage leads to a move away from benefits or tax credits for many eligible employees. The Resolution Foundation reported in January 2013 that most people prefer earnings over benefits as their main source of income and that some object to tax credits as they represent a subsidy to low paying employers.

The LGA conducted a Survey on Approaches to the Living Wage earlier in 2014. It demonstrates that other councils' have similar issues to Derbyshire regarding payment of the Living Wage and that there is not a standard approach across the Country. Employers can opt to adopt payment of the Living Wage on a voluntary basis and many local authorities are already paying or have committed to paying it on this basis. 25 councils are accredited Living Wage employers which contrasts with the estimate of 115 authorities that the LGA reported have implemented it. However, the majority of Councils that pay the Living Wage have introduced it as an allowance rather than changing their existing pay structures in order to be accredited by the Living Wage Foundation.

In 2014/15 the Council paid the Living Wage to approximately 3,000 directly employed employees and approximately 2,200 school based employees, as illustrated in Appendix 2.

2.3 Payment of the Living Wage 2015/16

On 3 November 2014, the Living Wage rate for 2015 increased by 2.61% from £7.65 to £7.85 per hour. Separately, the Joint National Council agreed the 2014/16 pay award for local government services which has been subject to local negotiation and is the subject of a separate report to Cabinet.

It is proposed that the Living Wage will be increased to £7.85 from £7.65 from 1 April 2015. Those employees currently being paid the allowance will continue be paid a minimum of £7.65 until 31 March 2015.

A consequence of the 2014-16 pay award being implemented on 1 January 2015 is that from then to 31 March 2015 the allowance will be paid to employees up to pay point 8. From 1 April 2015 when the Living Wage rate increases to £7.85, it will be paid up to pay point 9.

It is recommended that the Living Wage continues to be paid as an allowance rather than being consolidated into basic pay to the employees set out in Appendix 2. Keeping payment as an allowance avoids changing the existing pay and grading structure.

The relevant Council employees will be advised: that the Living Wage allowance will subject to Cabinet approval; of the continued payment of the Living Wage Allowance in 2015/16; and that this will be the subject of review for 2016/17 by Cabinet.

If agreed, the Living Wage will be paid to all eligible Council employees, including those on relief contracts. It will not apply to agency employees, unless they are affected by the Agency Workers Regulations 2010 which require that they are employed on the same rates of pay as Council employees after 12 weeks of employment.

2.4 Schools

As at 30 November 2014, 231 schools had agreed to adopt the Living Wage, this represents 60% of schools, with over 2,200 employees benefiting. In addition 4 academies have adopted the Living Wage. Schools meet any additional pay costs from their own budgets.

Schools will continue to be strongly encouraged by the Council to pay the Living Wage to their directly employed employees from 1 April 2015.

2.5 Governance Arrangements

It is recommended that the governance arrangements established in September 2013 continue in order to monitor the impact of the Living Wage. The proposed monitoring arrangements set out in Appendix 3 will remain in place for Cabinet to consider the Living Wage beyond 2015/16. The Living Wage Advisory Group agreed to note the future work of the Living Wage Joint Working Group.

3. HR Considerations

The recognised trade unions have actively participated in the Living Wage Advisory Group, which has supported the implementation of the Living Wage. Employees affected will be issued with a letter to explain the impact on them.

4. Financial Considerations

Members will recall that the January 2014 Cabinet report estimated that the cost of the Living Wage in 2015/16 would be £1.3m. The actual cost in 2014/15 is now estimated at £1.18m. This is part due to the bottom loading increase in pay to employees on pay points 3 to 10 in grades 1/2, 3 and 4 from January 2015. As there is no 'back pay' it will not be possible to recover the Living Wage allowance paid in the period April to December 2014 as envisaged in the previous Cabinet report.

It is estimated that the additional budget required in 2015/16 is £47k plus an additional £25k funded from traded services.

5. Legal Considerations

Advice from Counsel is that if the Living Wage is implemented consistently across the Council it should not give rise to any equal pay claims. Counsel emphasised that schools should be strongly encouraged to pay the Living Wage to their eligible employees.

6. Other Considerations

In preparing this report the relevance of the following factors has been considered: prevention of crime and disorder, equality and diversity, environmental, health, property and transport considerations.

7. Background Papers

Work That Pays' report, The Living Wage Commission, June 2014.

8. Call-in

Is it required that call-in be waived in respect of the decisions proposed in the report? No

9. Key Decisions?

Yes

10. Officers' Recommendations

Cabinet approves:

- 1 that the Living Wage continues to be paid as an allowance to eligible employees from 1 April 2015 as detailed in Appendix 2.
- 2 the on-going monitoring arrangements for 2015/16 set out in Appendix 3.

- 3 that individual school governing bodies be strongly encouraged to adopt the Living Wage.

JUDITH GREENHALGH

STRATEGIC DIRECTOR OF CORPORATE RESOURCES

Summary of Council Employees paid the Living Wage in 2014

Grade	Pay Point	Male	Female	Total
Grade 1/2	3	26	213	239
	4	23	965	988
Grade 3	5	13	131	144
	6	17	105	122
	7	177	900	1,077
Grade 4	8	75	99	174
	9	61	80	141
	10	56	63	119
	11	Not applicable		
Total				3,004

Summary of School Employees paid the Living Wage in 2014

Grade	Pay Point	Male	Female	Total
Grade 1/2	3	0	0	0
	4	0	5	5
Grade 3	5	12	378	390
	6	0	4	4
	7	23	1,521	1,544
Grade 4	8	50	186	236
	9	3	5	8
	10	5	16	21
	11	Not applicable		
Total				2,208

Living Wage Workforce Analysis

The Living Wage allowance will be paid to employees at the rates set out below in 2015/16.

Grade	Pay Point	No. of employees	Allowance from 1/1/2015 to 31/3/2015	Allowance from 1/4/2015 to 31/3/2016
Grade 1/2	3	239	£0.52	£0.72
	4	988	£0.43	£0.63
Grade 3	5	144	£0.37	£0.57
	6	122	£0.26	£0.46
	7	1,077	£0.16	£0.36
Grade 4	8	174	£0.05	£0.25
	9	141		£0.11
	10	Not applicable		
	11	Not applicable		
Total		2,885		

The Living Wage allowance shown in the table above is the difference between the Council's 2014-16 hourly rates and the LW allowance at £7.65 up to 31 March 2015 and £7.85 from 1 April 2015 to 31 March 2016.

The number of employees refers to those directly employed by the Council; including those working in traded services i.e. Cleaning and Catering, and excludes school employees.

Derbyshire County Council**Living Wage Advisory Group****Monitoring Arrangements in 2015/16**

Following implementation, the Living Wage Advisory Group will monitor the impact of the Living Wage on the Council. Relevant financial and workforce statistics, as at April 2015, will form the basis of the monitoring arrangements.

The monitoring arrangements will consist of but not be exclusive to the following:-

- Changes in schools buying Cleaning and Caretaking Services and Catering Services.
- Recruitment and retention of employees in Caretaking and Cleaning Services and Catering Services.
- Recruitment and retention issues amongst other Council employees.
- The level of adoption of the Living Wage by schools
- The impact of removing pay differentials for grade 4 staff on pay points 8 & 9.

As part of the Group's review of the first year of implementation, in addition to the above, a report will consider:-

- The revised Living Wage rate in November 2015 and affordability.
- The impact of the national pay awards for 2014/16 and 2016/17
- A review of the Living Wage Allowance, including the consolidation of all or part of the allowance