

DERBYSHIRE COUNTY COUNCIL

CABINET MEETING

21 January 2014

Joint Report of the Chief Executive and the Director of HR

PAYMENT OF THE LIVING WAGE (Council Services)

1. Purpose of the Report

To seek agreement to implement the Living Wage from 1 April 2014 to 31 March 2015 for employees directly employed by the Council and to encourage schools to adopt the Living Wage.

2. Information and Analysis

2.1 Background

Cabinet agreed on 10 September 2013 to consider the implementation of the Living Wage for Council employees. In order to progress this task Cabinet established a Joint Advisory Group of Elected Members, trade union representatives and officers to consider the issues in detail. The Group has considered the implementation of the Living Wage in significant detail. This report sets out proposals in the light of the Group's work.

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 by the Department for Income Studies at Loughborough University on behalf of the Living Wage Foundation.

In the ten years since its launch the Living Wage campaign has become a powerful source for change across the country. A study by Queen Mary University of London found evidence that employers as well as employees have benefited after implementing the Living Wage. The

most significant impacts noted were improved recruitment and retention, higher worker morale, motivation and productivity in addition to the reputational benefits of being an ethical employer.

The Council is seeking to take active steps as an employer to raise the living standards of its lowest paid employees. This can be initiated by changing the way in which it pays its existing and future employees. If the Council wishes to be an attractive source of employment for local people throughout the County it should endeavour to create meaningful and appropriately remunerated employment opportunities.

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 local economy will also benefit as the amount of money local people have to spend is increased.

2.3 Adoption of the Living Wage

The Living Wage is currently £7.65 per hour; if Local Government Services employees receive a 1% pay award in 2014/15, £7.65 will be equivalent to Derbyshire pay point 9 in Grade 4. The next increase in the Living Wage will be announced in November 2014. It has been estimated that if the three year pay freeze imposed by the Local Government Employers had not been introduced the bottom national spinal column point would have been £7.53 per hour.

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. A recent LGA briefing document on the Living Wage reported that by April 2014 it expects 25% of councils to have adopted the Living Wage. The range of councils, outside London, that have implemented the Living Wage include Coventry, Preston, Newcastle, Birmingham, Oxford and York.

In addition, a recent East Midlands Councils survey also confirmed that a number of councils in the region have implemented or have decided to implement the Living Wage, including Nottingham City, Nottinghamshire County and Derby City Councils.

In the responses from several of the councils it is noted that many have or are committed to implementation of the Living Wage in a way that was appropriate to their circumstances and made clear that they are not seeking accreditation from the Living Wage Foundation at this stage.

2.4 Implementation

It is recommended that payment of the Living Wage be introduced as an allowance on top of existing rates rather than being consolidated into basic pay (Appendix 1). Over 3,000 employees will benefit from payment of the Living Wage, over 80% of who are female. Payment by way of an allowance on a voluntary non accredited basis does not require any change to the existing pay and grading structure on a permanent basis. The allowance will be the subject of review by Cabinet as detailed in the monitoring arrangements set out in Appendix 2. Individual employees will be advised that the Living Wage allowance will be subject to review and, as appropriate, change by Cabinet. The majority of other councils that pay the Living Wage have introduced it as an allowance rather than changing their existing pay structures.

It is proposed that the Living Wage is implemented with effect from 1 April 2014; this is both the start of the financial year (and therefore avoids any additional in year costs) and the implementation of the national pay award (subject to the conclusion of the current national negotiations).

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.

2.5 Schools

Schools will be strongly encouraged by the Council to pay the Living Wage to their directly employed employees.

The implementation of Single Status in Schools will take place on 1 March 2014. Adopting the Living Wage from 1 April 2014 would give eligible schools employees a month to understand their revised pay before their rate potentially changes to incorporate the Living Wage. Should schools opt into payment of the Living Wage it is anticipated that arrangements would be in line with those agreed for Council employees.

The position in relation to payment of the Living Wage to eligible employees in schools will be subject to further discussion at the Schools Forum.

2.6 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 are set out in Appendix 2. The monitoring arrangement includes a recommendation to review the first year of the implementation and for Cabinet to consider the Living Wage beyond 2014/15.

3. HR Considerations

The recognised trade unions have actively participated in the Living Wage Advisory Group, which has considered the implementation of the Living Wage and it will be the subject to formal collective agreement with the trade unions through the CJC. Individual employees affected will then be written to explain the impact on them.

As introduction of the Living Wage affects a significant number of employees and equality assessment has been undertaken. The findings are attached at Appendix 3.

4. Financial Considerations

Implementation of the Living Wage for Council budgets will cost £1.3m, with £0.812m funded from traded services. Funding for the £0.393m from Council budgets will be considered as part of the Revenue Budget setting process for 2014/15. Charges for traded services to schools will need to be reviewed to ensure that the additional labour costs are met.

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.

In considering the implementation of the Living Wage, it will be necessary for Members to be mindful of the budget cuts which the Council is in the process of effecting.

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. Key Decision

Yes

8. Call-in

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

9. Background Papers

The Costs and Benefits of the London Living Wage, Jane Wills and Brian Linneker, Queen Mary University of London, October 2012.

Beyond the Bottom Line; The Challenges and Opportunities of a Living Wage, Kate Lawton and Matthew Pennycock, The Institute for Public Policy Research and Resolution Foundation, January 2013 .

10. OFFICERS' RECOMMENDATIONS

That Cabinet:

- 1 Has regard to the conclusions of the Equality Assessment on the impact of the Living Wage as attached at Appendix 3.
- 2 Approves the introduction of the Living Wage as an allowance to eligible employees from 1 April 2014 as detailed in Appendix 1.
- 3 Approves the on-going monitoring arrangements set out in Appendix 2.
- 4 Approves that the Schools Forum be engaged and individual school governing bodies be strongly encouraged to adopt the Living Wage.

**IAN STEPHENSON
CHIEF EXECUTIVE**

**TONI COMPAI
DIRECTOR OF HR**

Living Wage Workforce Analysis

The Living Wage allowance will be paid to eligible employees at the rates set out below in 2014/15:

Grade	Pay Point	No. of appointments	Living Wage Allowance
1/2	3	471	£1.01
	4	814	£0.88
3	5	151	£0.74
	6	133	£0.61
	7	1,127	£0.48
4	8	191	£0.31
	9	138	£0.14
	10	125	Not affected
	11	841	Not affected

The Living Wage Allowance shown in the table above is the difference between the 2013/14 pay and an anticipated 1% pay award in 2014/15 and the Living Wage rate of £7.65.

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

The typical jobs that will receive the Living Wage allowance are Cleaner, Catering Assistant, Domestic, Caretaker, Business Services Assistant and School Crossing Patrol, over 80% of employees in these roles are women

Derbyshire County Council

Living Wage Advisory Group

Monitoring Arrangements in 2014/15

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 2014, 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 2014 and affordability.
- The impact of the national pay awards for 2014/15 and 2015/16
- A review of the Living Wage Allowance, including the consolidation of all or part of the allowance

Derbyshire County Council



Equality Assessment - Implementation of the Living Wage

Department	Corporate Resources
Service Area	Human Resources Division
Title of policy/ practice/ service of function	Implementation of the Living Wage

Stage 1. Prioritising what is being analysed

- Why has the policy, practice, service or function been chosen?
- What if any proposals have been made to alter the policy, service or function?

- The Living Wage is a policy impacting on the Single Status Pay and Grading structure of the Council. It will be implemented on 1 April 2014.
- Employees on grades 1/2, 3 and 4 (pay points 8 and 9) will benefit.
- The Living Wage will be paid as an allowance and over 2,300 employees will benefit from a higher hourly rate, £7.65 an hour.
- It is best practice to undertake this type of analysis on any new policy impacting on pay.

- What is the purpose of the policy, practice, service or function?

- By paying the Living Wage allowance the Council is seeking to take active steps as an employer to raise the living standards of its lowest paid employees.
- The Council wishes to be an attractive source of employment to local people throughout the county, endeavouring to create meaningful and properly remunerated employment opportunities.
- The local economy will benefit as the amount of money local people have to spend is increased.

Stage 2. The scope of the analysis – what it covers

- Examine the employee groups eligible to receive the Living Wage allowance
- Identify the issues particular to schools employees
- Consider the removal of pay differential between some supervisors and their subordinates

Stage 3. Data and consultation feedback

a. Sources of data and consultation used

Source	Reason for using
Living Wage Advisory Group Meeting Notes, 31/10/13 - Controlled	Background Information
Living Wage Advisory Group Meeting Notes, 05/11/13 - Controlled	Background Information
Living Wage Advisory Group Meeting Notes, 21/11/13 - Controlled	Background Information
LGA Living Wage Advice, 20/11/13 – Controlled	Background Information

Stage 4. Analysing the impact or effects

a. What does the data tell you?

- The Living Wage will be paid for contract and additional hours up to 37 hours per week. It will not be payable on enhanced hours, overtime or allowances.
- The Living Wage allowance is pensionable.
- The main employee groups affected are Cleaners, Catering Assistants, School Crossing Patrols, some business services staff and some Caretakers. Over 80% of employees in these roles are female.
- The Living Wage allowance will be paid irrespective of the job group and gender.
- Schools will be able to opt in for their employees if they wish and will be strongly encouraged by the Council to do so. This situation could result in employees working in the same establishment being paid different rates. The allowance will be paid to Council employees working in schools such as Catering Assistants and Cleaners, however, Midday Supervisors will only be paid if schools opt in to

payment of the Living Wage allowance.

- Annual review of the Living Wage is expected and the grades and pay points affected may change as a consequence.

Protected Group	Findings
Age	No Impact – eligibility is not determined by this factor
Disability	No Impact – eligibility is not determined by this factor
Gender (Sex)	Over 80% of employees affected will be female.
Gender reassignment	No Impact – eligibility is not determined by this factor
Marriage and civil partnership	No Impact – eligibility is not determined by this factor
Pregnancy and maternity	The Living Wage allowance will be paid for maternity leave
Race	No Impact – eligibility is not determined by this factor
Religion and belief including non-belief	No Impact – eligibility is not determined by this factor
Sexual orientation	No Impact – eligibility is not determined by this factor

Non-statutory

Socio-economic	By paying the Living Wage allowance the Council is seeking to take active steps as an employer to raise the living standards of its lowest paid employees.
Rural	The local economy will benefit as the amount of money local people have to spend is increased

- b. What does customer feedback, complaints or discussions with stakeholder groups tell you about the impact of the policy, practice, service or function on the protected characteristic groups?

- The issues identified above have been considered by the Living Wage Advisory Group which is comprised of Members, Officers and Trade Union Representatives.
- A joint subgroup of the Living Wage Advisory Group has met several times to consider particular equality issues such as pay differentials and schools being encouraged to opt in.

- c. Are there any other groups of people who may experience an adverse impact because of the proposals to change a policy or service who are not listed above?

- School based employees from schools who do not choose to adopt the Living Wage.
- Supervisors who after the application of the allowance will have the same pay as their subordinates.

- d. Gaps in data

What are your main gaps in information and understanding of the impact of your policy and services? Please indicate whether you have identified ways of filling these gaps.

Gaps in data	Action to deal with this
<ul style="list-style-type: none"> • Information is not currently available to indicate the number of schools that will adopt the Living Wage. • The opinion of employees regarding the adoption of the Living Wage. 	<ul style="list-style-type: none"> • This information will be available closer to implementation. • This could be included in the next Employee Attitude Survey, due in 2015.

Stage 5. Ways of mitigating unlawful prohibited conduct or unwanted adverse impact, or to promote improved equality of opportunity or good relations

- There is a communication plan to inform all employees about the benefits the Council believes the adoption of the Living Wage will create.
- There is on-going communication with Schools and Headteachers to encourage participation in the Living Wage which will ensure parity in pay.

Stage 6. Do stakeholders agree with your findings and proposed response?

- Yes – the joint subgroup agreed to monitor and review arrangements for paying the Living Wage allowance.

Stage 7. Main conclusions

- The Council is committed to paying the Living Wage rate in the financial year 2014/15.

- The Living Wage does not have any adverse impact on any protected groups.
- There is the potential to have a positive impact on the non-statutory socio-economic and rural groups.
- The loss of pay differentials for some first time supervisors will be closely monitored.
- Schools can choose to opt into paying the Living Wage allowance and will be strongly encouraged to do so by the Council.
- The rate of the Living Wage will be reviewed annually and, therefore, the impact on the pay structure will change.

Stage 8. Monitoring and review/ mainstreaming into business plans

Please indicate whether any of your objectives have been added to service or business plans and your arrangements for monitoring and reviewing progress/ future impact?

- It is recommended that the Living Wage Advisory Group will monitor the impact of the Living Wage allowance following implementation. These arrangements are attached to the report.
- The implementation of the Living Wage is detailed within the HR Division Service plan, including communication plans, workflows, and impact assessments concerning the annual review of the pay rate.

