

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
18 March 2014

Subject: THE LIVING WAGE

All Wards
Portfolio Holder for Support Services and Economic Development: Councillor P Wilkinson

1.0 PURPOSE AND BACKGROUND:

- 1.1 This report provides Cabinet with information on the Living Wage Campaign.
- 1.2 It advises on issues to be considered in deciding whether to adopt the Living Wage and also sets out an alternative initiative that the Council might introduce to help the Council's lowest paid staff.

2.0 LIVING WAGE:

- 2.1 The UK Living Wage Campaign was launched by members of the London Citizens charity in 2001. As the campaign has no statutory standing, adoption is entirely voluntary for employers.
- 2.2 The Living Wage hourly rate is set and updated annually (each November). Outside London the rate is calculated by the Centre for Research in Social Policy according to the basic cost of living in the UK. The current rate set in November 2013 is £7.65 in the UK (previously £7.45) and £8.80 in London (previously £8.55).
- 2.3 Accreditation is open to employers already paying the Living Wage (or those committed to an agreed timetable of implementation) and provides employers with a licence to use the Living Wage employer mark.
- 2.4 By signing up to the Living Wage employers agree to:-
- Pay the set hourly rate and implement the annually revised rate within six months.
 - Apply the Living Wage to directly employed and contracted/sub contracted employees (workers).

3.0 NATIONAL MINIMUM WAGE:

- 3.1 The national minimum wage sets statutory minimum hourly rates each October that employers must pay their workers. There are three age-based rates and an apprentice rate, as shown in the table below:

Definition	£ Hourly Rate (from 1/10/13)
Main adult rate (workers aged 21 and over)	6.31
Workers aged 18 to 20 (inclusive)	5.03
Workers aged under 18 (but above compulsory school age)	3.72
Apprentices aged under 19	2.68
Apprentices aged 19 and over but in 1st year of apprenticeship	2.68

4.0 CURRENT POSITION:

- 4.1 The Council's salary scales from 1 April 2014 are attached at Annex 'A'. HDC pays all employees above the national minimum wage. The lowest hourly rate for non-apprentices is £6.51 per hour (Grade 1). Apprentices receive £2.70 per hour to start; £3.38 per hour after 6 months and £5.08 per hour after nine months. If the apprentice is retained at the end of the period of apprenticeship then normal rates would apply based on the grade for the job.
- 4.2 The current hourly Living Wage rate of £7.65 falls between the Council's Grade 4 (£7.34 per hour/£14,151 per annum) and Grade 5 (£8.17 per hour/£15,753 per annum). If the national Living Wage were to be introduced at HDC, the main beneficiaries would be lower paid Leisure staff.
- 4.3 Although the Council is not directly involved in paying contracted/sub contracted workers as they are not Council employees, it makes the assumption that they will be paid at least in line with the minimum wage.
- 4.4 A number of Councils have implemented some form of supplement/payment to help lower paid employees. Some are committed to the national Living Wage, whilst others set their own Living Wage by reference to the national rate.

5.0 PAY BARGAINING:

- 5.1 The Council is currently part of the National Agreement between Local Government Employers and the unions and this covers pay. Currently, there is no national agreement on the Living Wage, but the Council could agree to implement it locally.
- 5.2 If the Council were to adopt the national Living Wage, it must agree to implement the updated hourly rate set each November within six months of the update. As such, the Council would have no control or influence over this and it is possible that the hourly rate may exceed the increase agreed nationally.

6.0 CONTRACTORS/SUB CONTRACTORS:

- 6.1 Organisations who sign up to the Living Wage are also required to only award contracts to contractors paying the Living Wage.
- 6.2 If the Council were to restrict contracts to organisations paying the Living Wage rate, it may either exclude some local businesses from providing HDC contracts, or indirectly increase the costs of its contracts. Both of these issues may lead to an impact on the local economy.

7.0 AN ALTERNATIVE:

- 7.1 If the Council wishes to adopt the principles of a living wage, the Council could consider developing its own initiative to help lower paid employees.
- 7.2 The Council may wish to consider a 'Hambleton Living Wage'. This could take the form of a supplementary payment to those employees currently on Grade 4 or below which would take account of the Living Wage and any national pay award.
- 7.3 The benefits of this approach would be that it demonstrates the Council's commitment to helping lower paid employees without signing up to the constraints of the Living Wage campaign. In addition, the Living Wage would not need to be imposed on contractors.

8.0 **FINANCIAL IMPLICATIONS:**

8.1 The approximate cost of implementing the national Living Wage or the alternative outlined in Section 7 would be approximately £85,500 including on-costs such as National Insurance contributions. This can be financed from the additional salary budget which was intended to fund a 2% pay increase in 2014/15. This is unlikely to be required because the union has rejected the offer. The implications are summarised as follows:-

Revenue Effects:	Year 1 £	Year 2 £	Year 3 £	Year 4 £	Year 5 £	TOTAL: £
Increased salary budget	85,500	-	-	-	-	85,500
Financed by existing budgets – see budget outlook below	85,500	-	-	-	-	85,500
Effect on budget	-	-	-	-	-	-

Budget Outlook:

	14/15 £	15/16 £	16/17 £	17/18 £
Budget Outlook Quarter 3	7,279,347	6,893,613	7,022,379	7,058,229
Living Wage	85,500	-	-	-
Financial Strategy Target	7,364,847	6,979,118	7,107,879	7,143,729
	7,463,147	7,399,725	7,334,718	7,268,086
(Surplus)/Shortfall	(98,300)	(420,607)	(226,839)	(124,357)

8.2 Increasing salaries for relevant employees to Living Wage levels may impact on any in-work benefits received by them, which could in turn result in a reduced overall income for lower paid employees.

8.3 In terms of the Local Government Pension Scheme (LGPS), from April 2014 any employee whose actual salary falls between the current Grade 4 and Grade 9 will pay pension contributions at 5.8% of their actual earnings, as opposed to 5.5 % if they earn below the current Grade 4. As such, paying at Living Wage rate would result in higher pension contributions for some pension-scheme members, but this is likely to be a very small number.

9.0 **LEGAL IMPLICATIONS:**

9.1 There is no legal requirement to adopt the Living Wage.

9.2 Adopting a local Living Wage retains the flexibility to negotiate pay rates from time to time. Adopting the national Living Wage would have to be done in such a way that it does not introduce an implied condition into employment contracts that there would be automatic pay rises.

10.0 **RISK ASSESSMENT:**

10.1 There are no significant risks.

11.0 **EQUALITY/DIVERSITY ISSUES:**

- 11.1 Equal pay is complex and can prove costly if the law is breached. A claim can be made where an employer pays employees of one gender a different rate for similar work. The Council operates a job evaluation scheme which seeks to minimise pay inequality.
- 11.2 Adopting the Living Wage (at the current hourly rate) could pose a risk in terms of equal pay if the Council pays less or more to someone rated as equivalent to another individual under a job evaluation scheme.
- 11.3 The risk of equal pay claims is considered to be small. However, employees whose jobs have been rated higher than others may be unhappy to discover that they are being paid the same as staff rated lower under job evaluation. As such, this approach may cause employee relations and/or motivational issues.

12.0 CONCLUSION:

- 12.1 In adopting the National Living Wage or a local Living Wage the Council would be seen to be supporting lower paid workers. The local Living Wage has more flexibility whilst still demonstrating this commitment.
- 12.2 Increasing salaries may have other negative effects on lower paid staff, but these are minimal.

13.0 RECOMMENDATION:

- 13.1 It is recommended that, subject to negotiation with the union, the Council introduce a local living wage pay scheme from 1 April 2014 which increases the salaries of low paid employees by reference to the national Living Wage, the details to be determined by the Chief Executive.

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Background papers: Living Wage Guidance

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PAY SCALES 2014/15

Grade 1
12,558

Grade 2
12,739

Grade 3
13,453

Grade 4
14,151

Grade 5
15,753

Grade 6
16,769

Grade 7
18,158

Grade 8
20,013

Grade 9
22,665

Grade 10
25,139

Grade 11
28,406

Grade 12
30,611

Grade 13
32,389

Grade 14
35,240

Grade 15
37,039

Grade 16
38,803

Grade 17
42,448

Grade 18
44,106