



## CABINET – 31ST JULY 2012

**SUBJECT: IMPLEMENTATION OF THE LIVING WAGE**

**REPORT BY: DEPUTY CHIEF EXECUTIVE**

---

### 1. PURPOSE OF REPORT

- 1.1 To seek approval to implement arrangements for the introduction of “The Living Wage”. The Council is committed to being a Living Wage Employer. The Living Wage is a rate of pay per hour which is enough for workers and their families to be able to live free from poverty.

### 2. SUMMARY

- 2.1 On 30 May 2012, the Welsh Government announced its commitment to encouraging employers in Wales to introduce the Living Wage (£7.20 per hour outside of London).
- 2.2 The main objective is to increase employees’ wages above the poverty line. Other benefits evidenced from the research studies include:-
- 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

### 3. LINKS TO STRATEGY

- 3.1 The report links to the efficient and effective management of the Council’s activities. The remuneration of employees is an integral feature of our People Strategy and frameworks and is a fundamental feature of the employment relationship.
- 3.2 The council is committed to improving the impacts of poverty within the borough, and this is integral to a number of our policies and plans. Adopting the living wage as a Corporate Body will demonstrate Leadership to the wider community.

### 4. THE REPORT

#### 4.1 The Living Wage

The Living Wage is a calculated according to the basic cost of living in the UK. In London the rate is calculated by the Greater London Authority, the National rate for outside London is calculated by the Centre for Research in Social Policy at Loughborough University. Employers choose to pay the Living Wage on a voluntary basis. The Living Wage enjoys cross party support, with public backing from the Prime Minister, Leader of the Opposition and First Minister for Wales.

## 4.2 Living Wage & National Minimum Wage

It is worth noting that the Living Wage is not the National Minimum Wage, which is set as the Minimum to be paid under law. Again this is set on an hourly rate. Historically Caerphilly's lowest rate of pay was significantly greater than the NMW rate, indeed the differential on introduction in 1999 was 24% - i.e. our lowest rate was 24% greater than the NMW rate. Over the years, the difference between our lowest point in the scales (SCP 4) narrowed significantly. Indeed prior to the introduction of our new Pay & Grading structure in 2009, this had reduced to 8.4%.

- 4.2.1 Significantly, with our new Pay & Grading structure introduced in line with Single Status in April 2009, we removed the lowest point in the scale making the bottom point SCP 5 (£6.38). This had a positive effect, and increased the differential back to 10%. This however has been further eroded in recent years due to the lack of pay awards. The NMW rate will increase in October to £6.19 ph. Without any positive action on the Council's part this would see the differential in rates at its lowest point standing at just 3%, with our lowest rate at £6.38ph.
- 4.2.2 Positive action on the Council's part in adopting the Living Wage would have a significant impact on redressing the differential. Were £7.20 ph to be adopted as our minimum rate, the differential with the NMW would be at 16%. Whilst not at as high as previous levels, this would differentiate the Council as an employer in the local recruitment market.
- 4.2.3 As a Community Leader we wish to maximise our ability to promote the Living Wage to other employers. We will explore with Procurement colleagues the potential for the inclusion of relevant clauses into procurement tenders and contracts that CCBC commissions. This would allow us to maximise the impact of being a Living Wage Employer.

## 4.3 Issues regarding implementation of the Living Wage

### 4.3.1 Impact on Single Status Arrangements

To ensure that any potential Equal Pay risks are mitigated it is essential that the principles of the Living Wage are applied consistently across the Council to all employees and workers. In order for the Council to continue to justify and defend challenges to its current Job Evaluation Scheme it is essential that the current grading structure, including the current scale points matched against current job scoring is maintained.

The application of the Living Wage to the Council's current pay and grading structure, will have the effect of lifting those currently paid below SCP 10 onto the Living Wage rate of £7.20ph. This will affect all employees in grades 1 + 2 and any employees who are on the lower 2 Spinal Column points in grades 3. This is due to grade 3 currently containing 5 Spinal Column Points (3 are above the £7.20 rate). It should also be noted that these payments would also apply to agency staff employed by CCBC, in order to meet with the requirements of the Agency Workers Directive, and in the spirit of fairness.

It is proposed that this payment is made as a supplement to the hourly rate. This is similar to the provisions applied through the use of market supplements. This is a tried and tested principle that has been subjected to legal tests. On a balance of probabilities it is likely that the Council will be able to justify the differential treatment compared to other employees, on the basis that the application of the Living Wage is a proportionate means of achieving a legitimate aim i.e. paying a Living Wage and addressing poverty.

The Single Status Collective Agreement signed by all Trade Unions and Caerphilly County Borough Council on 1 April 2009 under **Section 1 - Principles, point (b)** that we are committed to a joint commitment ***'To put forward a non-discriminatory, transparent pay and grading structure and conditions of service that fully comply with the Equal Pay Act and any other anti-discriminatory legislation that both parties believe is both affordable and sustainable'***.

The manner in which we are seeking to progress the introduction of the Living Wage:

- does not diminish the transparency of the Single Status pay and grading structure. The 12 grades that were evaluated as distinct and separate grades under JE are maintained
- closes the pay gap even further between the female and male workforce. (For the most part, females occupy the posts that fall in Grades 1 and 2)
- if national pay awards are received and the grading structure is changed, the Living Wage supplement is able to be applied in a standalone arrangement

This proposal will positively impact an Equality Impact Assessment N.B: The Single Status Collective Agreement confirms under Section 1 - Equalities Monitoring *'This Review has helped to close the gender pay gap that exists. The Review provides a strong foundation to build on for the future and it will be the responsibility of the Joint HR Equalities Group to develop strategies and policies that will, over time, close this gap'*.

#### **4.3.2 Links with agreed enhancements**

The payment of a supplement could be complicated if agreed enhancements are taken into account as part of the calculation method. Employees on the lowest point of SCP5 are currently receiving £6.38 for basic hours worked. However, if they work these hours at night time they receive £8.49 due to an additional enhancement to compensate night time working. A decision will need to be made as to whether the enhancement will only be paid to the hours worked at the basic rate as any hours worked at night or on overtime will already be above the Living Wage.

If the Living Wage supplement were not to be paid due to the fact that the addition of the enhancements placed this at a higher rate, this may potentially lead to discrimination claims. This is due to the fact that the employees affected are likely to be predominately female. It is therefore proposed that the Living Wage supplement uses basic pay rates and excludes any enhancements. Administratively this will also be simpler to manage.

#### **4.3.2 Impact on Benefits**

There is a possible complication where employees are in receipt of benefits. The payment of the Living Wage supplement could take someone over a threshold meaning they lose the benefit. This loss could be greater than the gain and hence they could be worse off.

In another Council in their correspondence with staff they gave them contact details of all the possible benefits they were receiving and told them they would need to make contact to ensure it did not take them over any threshold. They did discuss what would happen if the above scenario did occur and whether to give employees an opt out of the Living Wage. They decided not to give an option to opt out on the basis that if Council employees were given a national cost of living pay award they were not able to opt out of this if it impacted upon their benefits, and therefore is treated consistently.

### **4.4 Implementation Proposal**

#### **4.4.1 It is therefore proposed to:-**

- (1) To pay a supplement to achieve the Living Wage – which is currently set at £7.20.
- (2) This supplement is introduced from the 1<sup>st</sup> of October 2012, and will be the subject of review in line with changes to the Living Wage
- (3) Basic pay is used as the basis for this calculation and enhancements are excluded.
- (4) Consideration should be given to the consequential effect on the remaining grading structure. This requires a more comprehensive review, and this will be the subject of discussions that have already commenced with the TU side around our Single Status Pay arrangements.
- (5) Explore with colleagues in Procurement the practicalities of applying conditions to CCBC contracts to adopt the Living Wage (this will require a further report)

## **5. EQUALITIES IMPLICATIONS**

- 5.1 The introduction of a living wage ensures that the gender pay gap is further closed within a Caerphilly context. The payment of a Living Wage supplement in itself will address existing differences in the gender pay gap, and therefore is viewed as a positive action.
- 5.2 An **EqlA screening** has been completed in accordance with the Council's Strategic Equality Plan and supplementary guidance and no potential for unlawful discrimination and/or low level or minor negative impact have been identified, therefore a full EqlA has not been carried out.

## **6. FINANCIAL IMPLICATIONS**

- 6.1 The costs of implementation are 2012/13 - £252k (one off) and 2013/14 - £504k recurring.
- 6.2 It is proposed to meet the 2012/13 implementation costs from unapplied efficiency savings/directorate underspends. This will have no negative impact on achieving our budgetary targets as agreed by Council on 23 February 2012.

It is proposed that for 2013/14, the £504k is funded by use of

- £228k virement from Public Services recurring under spends
- £120k from recurring under spends in respect of School Transport
- £156k from 1% uplift (pledge) set aside for Social Services and Schools.

- 6.3 These proposals are self financing and can be maintained within the 2012/13 cost base.

## **7. PERSONNEL IMPLICATIONS**

- 7.1 As detailed in this report.

## **8. CONSULTATIONS**

- 8.1 Consultations with the Trade Unions have indicated general support for the proposals.
- 8.2 Corporate Management Team are supportive of the proposals.

## **9. RECOMMENDATIONS**

- 9.1 Cabinet recommends to Council that the funding proposals identified in Section 6 of the report are approved.
- 9.2 Cabinet recommends to Council that the living wage proposals contained within this paper are implemented wef 1st October 2012.

## **10. REASONS FOR THE RECOMMENDATIONS**

- 10.1 Introduce a Living Wage for Caerphilly staff.

## **11. STATUTORY POWER**

- 11.1 Local Government Act.

Author: Nigel Barnett, Deputy Chief Executive  
Gareth Hardacre, Head of HR and OD

Consultees: CMT  
Cabinet (31/7/12)

Appendices:  
Appendix 1 Current CCBC Pay and Grading Structure