

## SPECIAL CABINET – 15TH JANUARY 2013

**SUBJECT: LIVING WAGE**

**REPORT BY: DEPUTY CHIEF EXECUTIVE**

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### 1. PURPOSE OF REPORT

- 1.1 The Deputy Leader and Cabinet Member for Corporate Services requested a report from Officers at Policy and Resources Scrutiny Committee on 13th November 2012 on proposals for Cabinet to consider in respect of the funding and implementation of the recent rise of 25p per hour in respect of the Living Wage.

### 2. SUMMARY

- 2.1 On 30th 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
- 2.3 The Living Wage Foundation recommends that employers should implement the new rate as soon as possible after the annual announcement and within 6 months at the outset.

### 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 At Council on 7th August 2012, the Authority agreed to implement the Living Wage from 1st October 2012. The Living Wage was £7.20 per hour when the decision was made.
- 4.2 Funding was identified to cover the in year and on going costs associated with the implementation of the £7.20 hourly rate.

- 4.3 In November 2012, the hourly rate for the Living Wage was increased by 25p to £7.45 per hour for areas outside of London.
- 4.4 When making recommendations to Cabinet in respect of the funding and implementation of the increased hourly rate, officers are mindful of:-
- (i) a commitment to fund increases in the Living Wage should not ideally be considered on an ad hoc basis as they arise. This gives no future commitment to further increases if and when they arise and no certainty of implementation;
  - (ii) increases and the timing of increases are difficult to accurately predict.
- 4.5 Bearing in mind the points raised in paragraph 4.4 above, Officers recommend to Cabinet that the costs associated with the recent increase in the Living Wage along with estimates for future increases are incorporated into the Budget Setting process for 13/14 and the Medium Term Financial Plan (MTFP).
- 4.6 This proposal will ensure that the growth required to fund increases in the Living Wage is incorporated into the Budget for 13/14 and more importantly the MTFP.
- 4.7 Council will then have an opportunity on 27th February 2013 to consider fully this proposal in the context of the whole Authority budget and the MTFP. This would identify funding for the next 3 financial years.

## **5. EQUALITIES IMPLICATIONS**

- 5.1 No Equality Impact Assessment has been undertaken on this report, however it is clear that raising the minimum wage will benefit those who are currently the lowest paid, many of whom are people from groups classed as protected characteristics under the Equality Act 2010.
- 5.2 In particular, many people on the lowest wages in part-time employment are women and so this reports' recommendations also specifically addresses the Council's Strategic Equality Objective 2 – Addressing the Gender Pay Gap.
- 5.3 The situation regarding benefits as noted in 7.1 below will need to be monitored closely in order to ensure that there is no negative impact for anyone from a protected characteristic resulting from the Council continuing to be a Living Wage Employer.

## **6. FINANCIAL IMPLICATIONS**

- 6.1 The estimated costs of the recent increase in the Living Wage from £7.20 to £7.45 is £230k. This estimate will be incorporated into the budgetary setting process for 13/14, with further estimated increases included in the MTFP for 14/15 and 15/16.

## **7. PERSONNEL IMPLICATIONS**

- 7.1 In general there is an obvious benefit to the morale of employees by implementing the Living Wage. However some employees in receipt of benefit may have their benefits affected by the implementation.
- 7.2 Currently apprentices and trainees are not in receipt of the Living Wage as they are on training contracts and apprenticeship contracts.

## **8. CONSULTATIONS**

8.1 There are no consultation responses which have not been reflected in this report.

## **9. RECOMMENDATIONS**

9.1 Cabinet consider the officer proposals and determine:-

- (a) whether the estimated costs associated with the Living Wage should be incorporated into the Budget Setting Process for 13/14 and the MTFP for 14/15 and 15/16;
- (b) whether a date of implementation should be fixed or variable;
- (c) whether backdating arrangements should be included in the budget proposals for the most recent increase.

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

10.1 To ensure that the Living Wage is fully considered and incorporated into the main stream budget setting and MTFP planning process.

## **11. STATUTORY POWER**

11.1 Local Government Act 1972 and 2000.

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Background Papers:  
Previous Cabinet papers