

Report of:	Report of Corporate Director
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Portfolio Leader:	Leader
Key Decision:	No
Report Track:	Cabinet

CABINET
29 JANUARY 2015
INTRODUCTION OF THE LIVING WAGE

1 Purpose of Report

- 1.1 To give consideration to the introduction of the Living Wage (£7.85p per hour) for Cannock Chase Council.

2 Recommendations

Cabinet are asked to

- 2.1 Consider whether or not it wishes to introduce the Living Wage for Cannock Chase Council from 1 April 2015 at a total cost of £25,200 in 2015/16 financial year.
- 2.2 Consider if, subject to the decision taken on Recommendation 2.1, whether or not it wishes to omit the National Apprenticeship Scheme and similar national employment schemes from the Living Wage policy for the reasons stated in 5.6 of the report.

3 Key Issues and Reasons for Recommendation

- 3.1 The Living Wage is calculated by the Minimum Income Standard Research Project on how much a worker needs to avoid the effects of poverty. It is based on a couple with two children both working 37.5 hours a week. The current UK Living Wage is set at £7-85p per hour outside of London and if introduced, applies to all employees over the age of 18 years. The current legal minimum wage is £6-50p per hour.
- 3.2 From January 2015 the lowest paid employee in Cannock Chase Council is on an hourly rate of £7.00 (scp 5). The introduction of the Living Wage would then increase the hourly rate to £7.85p for the lowest paid employees of the Council.

- 3.3 Independent research on the impact of the introduction of the Living Wage has found that reductions in turnover and absenteeism can occur as well as increases in productivity.
- 3.4 Employers opt on a voluntary basis to pay the Living Wage. The purpose of the report is for Cabinet to determine if they wish to voluntarily adopt the Living Wage policy for Cannock Chase Council as employer.

4 Relationship to Corporate Priorities

- 4.1 This report supports the Council's Prosperity agenda as the introduction of the Living Wage puts more money into the hands of low-wage workers, who will then spend those wages. This spending in turn generates increased demand in the economy.

5 Report Detail

- 5.1 The Living Wage is calculated by the Minimum Income Standard Research Project on how much a worker needs to avoid the effects of poverty. It is based on a couple with two children both working 37.5 hours a week. The current UK Living Wage is set at £7-85p per hour outside of London and if introduced, applies to all employees over the age of 18 years. The current legal minimum wage is £6-50p per hour (for a person aged 21 or over).
- 5.2 Research indicates that there are benefits to an employer from the introduction of the Living Wage and these include reduced absenteeism and increased productivity. In the West Midlands, a number of employers have already introduced the Living Wage and these include Birmingham City Council, University of Wolverhampton, Stoke on Trent City Council and Newcastle U Lyme Borough Council. At a national level, the Greater London Authority has introduced the Living Wage at the London rate and the Mayor of London is a well-known proponent of the Living Wage policy due to the benefits to the local economy.
- 5.3 The Council's pay and grading structure is based upon an objective evaluation of the roles and responsibilities of a post against set criteria to establish the relative value of roles. Staff graded as A (Scp 5) score between 0 and 269 points within the job evaluation scheme and staff graded B (Scp 9 – 13) score between 270 and 334 points – which reflects the greater degree of skill/knowledge required for a post of that grade.
- 5.4 The Living Wage rate falls roughly in the middle of grade B thereby effectively erasing the differentiation between posts grade A and those graded as B and so effectively makes them equal. Implementing the living wage will effectively re-draw the lower end of the Councils pay and grading structure by abolishing grade A and turning grade B into the living wage rate + scp 11, 12 and 13. The natural implication of this is that people who were formally graded as A would progress through this re-drawn payscale. However, this would also need to be reviewed each year if the living wage overtakes the Councils remaining grade

structure. The hourly rate applies to both basic hourly pay and overtime pay if less than the Living Wage.

- 5.5 From January 2015 the current lowest paid employee in Cannock Chase Council is on an hourly rate of £7.00. A national pay award was agreed for all Red and Green Book staff (covering all Council staff except Chief Officers) which is applicable from January 2015. This increased basic pay by an average of 2.2% but the lowest paid staff received increases of 7% to 8%.. As part of the above national agreement, the lowest pay scale (5) is deleted in October 2015. The effect of this is that the hourly rate of the lowest paid employee in Cannock Chase Council would increase to £7.06. The introduction of the Living Wage, if approved, would then increase the hourly rate of the lowest paid employees to £7.85p.
- 5.6 The categories of current staff that would benefit from the introduction of a Living Wage policy for Cannock Chase Council are cleaning staff, markets staff, seasonal mowing operatives and first year trades apprentices in Housing. There are no direct implications for Shared Services.
- 5.7 The only exception that Cabinet may wish to consider is National Apprenticeship Scheme participants and other similar national training schemes. The national rate for NAS is £2.73p for 18 years and under. The rationale is that these are separate and discrete schemes and applying the living wage would be inconsistent with the national terms set out for these schemes. In addition, the increased cost may also act as a significant disincentive to Council services from taking on individuals through these schemes and result in far fewer apprentice opportunities for young people in the Council. For all other trainee posts (whether Red or Green Book) at a local level, the Living Wage should apply or the Job Evaluation rate for the specific post if higher.
- 5.8 The option to introduce the Living Wage and the costs identified relate only to its introduction for the lowest paid staff employed by the Council and does not apply to any other circumstances at this stage.
- 5.9 Cabinet are asked to consider whether the introduction of the Living Wage for Cannock Chase Council from 1 April 2015 should be supported or not.

6 Implications

6.1 Financial

If the Living Wage of £7.85p per hour were to be introduced in Cannock Chase Council from 1 April 2015, the estimated costs would be as follows:

	General Fund	HRA	Total
2015/16	£23,100	£2,100	£25,200
2016/17	£25,800	£1,900	£27,700
2017/18	£25,800	£1,900	£27,700

The decreasing cost of the Living Wage over time as inbuilt increments take effect. However, the Living Wage is reviewed every November and also increases over time. For example, the Living Wage was £7-65p at November 2013 and increased to £7-85p at November 2014. The costs above take these movements into account.

6.2 **Legal**

Any changes to grading could impact on the integrity of current pay and grading arrangements when defending equal pay claims. In order to be lawful, any changes would need to be non-discriminatory and objectively justified as a proportionate means of achieving a legitimate aim

6.3 **Human Resources**

The HR implications are set out in the report.

6.4 **Section 17 (Crime Prevention)**

None

6.5 **Human Rights Act**

None

6.6 **Data Protection**

None

6.7 **Risk Management**

None

6.8 **Equality & Diversity**

None

6.9 **Best Value**

None

7 Appendices to the Report

None

Background Papers

An Economic Analysis of the Living Wage in Northern Ireland. Centre for Economic Empowerment, Oxford Economics.