
Cabinet
Council

18 June 2013
25 June 2013

Name of Cabinet Member:

Cabinet Member (Strategic Finance and Resources) - Councillor Gannon

Director Approving Submission of the report:

Director of Customer and Workforce Services
Director of Finance and Legal Services

Ward(s) affected:

All

Title:

Implementation of the Living Wage

Is this a key decision?

Yes

The proposals within the report will result in financial implications in excess of £0.5m per annum.

Executive Summary:

This report is presented to Cabinet and Council to outline plans for the implementation of the Living Wage.

Following the new Council Leadership's manifesto pledge, this report proposes the implementation of the Living Wage - currently £7.45 per hour - for all Council employees. The Living Wage rate will take effect from 1 August 2013 and be included in salaries in the August payroll.

This report recommends the introduction of the Living Wage for Coventry City Council and makes recommendations for its practical implementation in order to deliver the Council's commitment to address low pay for council employees and tackle in-work poverty.

Recommendations:

Cabinet to make the following recommendations to Council:

1. The Living Wage be implemented in Coventry City Council with effect from 1 August 2013
2. That once implemented, the level of Living Wage paid to Council employees be reviewed annually as part of the budget process, informed by information available from national pay negotiations

3. Instruct the Director of Children Learning & Young People and the Director of Finance & Legal Services to consult the Schools Forum in relation to the funding of the Living Wage for Community Schools' staff
4. Instruct the Director of Children Learning & young People to consult with Head Teachers and Governing Bodies around the implementation of the living wage in Community Schools

Council are requested to approve the above recommendations from Cabinet.

List of Appendices included:

There are no appendices to this report

Other useful background papers:

There are no background papers

Has it been or will it be considered by Scrutiny?

No

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?

No

Will this report go to Council?

Yes, on 25 June 2013

Report title: Implementation of the Living Wage

1. Context (or background)

- 1.1 The concept of a Living Wage is well established, although a number of different rates and concepts have been promoted in recent years such as the national minimum wage and the Council of Europe Decency Threshold. The national minimum wage is currently £6.19 per hour for employees aged 21 and over and is a statutory requirement, whereas the Living Wage, currently £7.45 per hour, is voluntary.
- 1.2 The Living Wage initiative emerged from The East London Communities Organisation which raised the problem of people on low pay in Canary Warf finding it difficult to cope with the costs of living in the area, particularly when having to support a family.
- 1.3 In 2005 the Living Wage Unit, established by the Mayor of London, published research which calculated the Living Wage for Londoners. The Living Wage Foundation calculates a 'poverty threshold wage' and adds a 15% margin to ensure that the person involved does not fall to the level of poverty wages. The Living Wage Foundation has calculated that at the present time the Living Wage should be £8.55 per hour in London and £7.45 per hour outside London.
- 1.4 Living Wage Employers are leading the way on responsible employment and procurement practice. Over 100 private, public and third sector organisations have joined the Living Wage Employer group. Local Authorities that have introduced the Living Wage include Glasgow, Preston, Birmingham, Newcastle, Oxford and Cardiff, as well as a number of London Councils.

2. Options considered and recommended proposal

- 2.1 The only option under consideration at the present time is to implement a Living Wage for Council employees.

2.2 Accreditation

- 2.2.1 The Living Wage Foundation offers accreditation to employers that pay the Living Wage by awarding the 'Living Wage Employer' mark. It should be noted that there is an important distinction between an employer paying the Living Wage and an employer who commits to accreditation.
- 2.2.2 Accredited Living Wage employers are required to take the following actions within three months of the formal signing of the Accreditation Licence:
 - Ensure that all directly employed staff over the age of 18 (other than apprentices) are paid no less than the Living Wage
 - Increase the amount paid to employees by the same amount as any increase to the Living wage within 6 months of the date on which any increase in the Living Wage is officially announced
 - Notify all affected employees of the date of the next increase within one month of the official announcement
- 2.2.3 The Living Wage foundation does not take into account the value of the overall terms and conditions package (such as annual leave, sick pay and pension arrangements). If the Council sought recognition from the Living Wage Foundation, it would have to commit to the above conditions in full within the set timescales. There would be no flexibility to

review the pay rates if alternative ways of addressing low pay were to be proposed nationally or locally.

2.2.4 In addition, the Council would need to ensure that the measures above are implemented for staff employed by contractors and sub-contractors within an agreed period of time after the formal signing of the Accreditation Licence.

2.2.5 The council is, therefore, not seeking accreditation at this stage.

2.3 Scope

2.3.1 c590 permanent and temporary central Council employees on Grade 1 (spinal points 5 – 8) would be affected by the introduction of the Living Wage. These employees include cleaners and kitchen assistants.

2.3.2 c90 Grade 2 (currently spinal points 8 - 10 of Grade 2 only) would be affected by the introduction of the Living Wage. This group of staff includes library & information assistants, escorts, play group assistants and postal assistants.

2.3.3 c100 casuals would also be affected by the introduction of the Living Wage.

2.3.4 c40 agency workers on average per month would also be affected, should they work in the Council for more than 12 weeks.

2.3.5 Within Community Schools whilst the employment contract is with the local authority, Governing bodies undertake employer responsibilities such as recruitment and dismissal.

2.3.6 Academies are an entirely separate employer covered by the Academies Act 2010 and it would be their decision, or not, to adopt the Living Wage.

2.3.7 The scope of the Living Wage does not include apprentices and, therefore, apprentice numbers have not been included in the above figures.

2.4 Implementation of the Living Wage

2.4.1 In order to preserve the integrity of the current pay and grading structure it is proposed that 'a supplement' be paid as an addition to basic pay to achieve the Living Wage of £7.45 per hour. This means that no council employee will receive less than £7.45 per hour and is similar to how other employers have approached the issue. Applying this approach to the Living Wage will enable the arrangements to be monitored so that any future necessary adjustments can be made. This could include where a change to someone's basic pay takes them above the Living Wage threshold, for example if they are awarded a further pay increment or receive a promotion.

2.4.2 It is important to stress that the Living Wage is not about the role or the job – it is about the cost of living. 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 eligible employees. In order for the Council to continue to justify and defend challenges to its job evaluation scheme, it is also essential that grade differentials are maintained in line with established job evaluation scores.

2.4.3 The Living Wage payment will be pensionable and therefore incur the employer's contribution for those who pay into the pension scheme. With effect from 1 April 2014, any additional hours will also become pensionable which will increase the employer's contribution.

2.5 On-going Pay Implications of a Living Wage

- 2.5.1 Adopting a Living Wage policy commits the council to an on-going uplift of salaries in line with any changes to the national rate (if agreed). It should be noted that the determination of the Living Wage rate is based on a variety of factors and criteria which are significantly different to how local government annual pay awards are determined. Therefore there is potential for these two pay elements to change and increase at very different rates.
- 2.5.2 Annual pay increases at the council are linked to nationally negotiated pay awards negotiated by the Local Government Employers Organisation on behalf of local authorities. Changes to the Living Wage rate are determined by the Centre for Research in Social Policy with no input or influence from the Employers Organisation. In reality this means the council having no influence over some of its pay decisions. It is recommended, therefore, that consideration be given to reviewing the Living Wage Policy each year as part of the annual budget setting process.
- 2.5.3 Application of the Living wage to the council's current pay and grading structure will have the effect of lifting Grade 1 staff to pay rates equivalent to mid-Grade 2. Whilst the impact on any differentials will need to be monitored, it is the organisation's view that the overriding issue is that of its desire to pay people at the Living Wage rate of £7.45 per hour.

2.6 Other Considerations

- 2.6.1 Significant changes are being made to the benefits and tax credits system now and over the next few years due to the Welfare Reform Act 2012. These changes are expected to impact on our lowest paid employees. The implementation of the Living Wage may lift some staff out of reliance on benefits and cushion the impact of any benefits cuts for others.
- 2.6.2 In introducing the Living Wage, some staff may experience difficulty in organising their financial arrangements and benefits advice will be made available where requested.

3. Results of consultation undertaken

- 3.1 The trades unions are supportive of the implementation of the Living Wage.

4. Timetable for implementing this decision

- 4.1 The Living Wage will be introduced on 1 August 2013 and monitored and reviewed annually as part of the budget process.

5. Comments from Director of Finance and Legal Services

5.1 Financial Implications

The estimated full-year cost of the Living Wage proposals within this report is anticipated to be £0.7m per annum. The proposed timing of implementation part-way through the current year will result in a cost in the region of £0.5m. The actual cost will depend both on the number of applicable posts at the point of implementation. It will also depend upon the precise way in which the new scheme is implemented - for instance, there is a

presumption within these costs that the Living Wage rate is applied to enhancements such as shift pay, additional hours and overtime. The fine detail of implementation will be managed in the spirit of the report's recommendations by the Directors of Customer and Workforce Services and Finance and Legal Services. In order to fund these costs, the Council's financial outturn report on today's agenda is proposing that £0.5m of the 2012/13 revenue underspend is earmarked to pay for the unbudgeted costs in 2013/14. The on-going cost of the proposals will be built into future budget setting proposals.

The costs outlined above do not reflect the cost of paying the Living Wage to individuals employed by Council Community Schools for whom in legal terms the Council is classed as the employer although the school governors undertake employer responsibilities.

Individuals who work for Trust and Voluntary Aided Schools are outside the scope of this report. The additional cost of Community Schools' employees has been calculated to be approximately £0.6m in a full-year and £0.4m in 2013/14. While this issue will be discussed in detail with the Schools Forum, it is proposed that these additional costs will be funded by the Dedicated Schools Grant (DSG) in the same way as existing pay costs in schools. In order to avoid in-year pressures for individual schools arising from implementation, it is proposed that school costs will be funded through the use of centrally held DSG reserves in 2013/14 and from 2014/15 onwards through the DSG budget setting process. The Schools Forum will not have had the opportunity to consider this issue prior to this report.

It is important to note that a large number of employees who provide services to schools within a competitive trading environment, principally within the cleaning and catering services, will be affected by the Living Wage proposals. Without any compensating action, the payment of a Living Wage to these employees will make these services less competitive than they are at present. There is a danger therefore that one unintended consequence of the Council paying a Living Wage would be to reduce the number of schools that buy-back these services and threaten the services' viability in the long-term. Cabinet's attention is drawn to this as a fundamental point for these services going forward. The proposal here is that the Living Wage element of the costs of such services is funded (subsidised) on a corporate basis within 2013/14 pending future discussion and scrutiny around recovering the full-costs of such services beyond the current year.

5.2 Legal implications

The Council, as an employer, can decide to increase the salary of any of its employees and therefore the Living Wage can be introduced by the Council.

For those Council employees that are working within Community Schools, the Governing Bodies have responsibility for setting the salaries of those employees. The contracts of employment for these school employees have incorporated into them the national and local collective agreements which ensure that the schools implement any wage increases along with other terms and conditions. However, the Living Wage is a unilateral decision that is proposed to be made by the Council, as an employer, and would not therefore fall within a collective agreement and could not be enforced by the Council in the usual way. Therefore, the Governing Bodies of these schools will be required to support and implement the Living Wage in their schools.

6. Other implications

6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?

The adoption of a Living Wage Policy contributes to the Council's core aims of a prosperous Coventry and developing a more equal city.

Introducing the Living Wage will improve the income levels of a substantial number of low paid employees in the Council which will improve their quality of life but also positively impact upon Coventry's local economy.

6.2 How is risk being managed?

The legal risks of damaging the integrity of the pay and grading arrangements will be managed through the development of an approach that minimises such risk.

6.3 What is the impact on the organisation?

None

6.4 Equalities

Introducing the Living Wage will improve the income levels of a substantial number of low paid individuals in the Council, the majority of whom are female employees. An equality analysis will be undertaken in due course.

6.5 Implications for (or impact on) the environment

None

6.6 Implications for partner organisations?

None

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