



PERSONNEL COMMITTEE
4 August 2016

ITEM 6

Report of the Director of Governance and
Monitoring Officer

Living Wage Commitment

SUMMARY

- 1.1 The Council launched its Employment Charter in May 2015. One of the Charter commitments listed the aspiration that *"We [Derby City Council] are committed to paying the Living Wage to all employees..."* This is a long term commitment to employees. A route to achieving this commitment has now been proposed.
- 1.2 Derby City Council is already committed to paying the Minimum Earnings Level (MEL) which is spinal column point 11 on the current pay scale, and equates to £8.04 per hour. This hourly rate includes the recent national pay rise. This is applicable to all employees regardless of age and is currently above the National Living Wage (NLW) of £7.20 per hour. The NLW was implemented in April 2016 and applied to all employees aged 25 years and above.
- 1.3 However the MEL falls below the Living Wage Foundation (LWF) rate, which is set annually by the Living Wage Foundation and currently sits at £8.25 per hour.
- 1.4 This report provides the Committee with information relating to the long term commitment to become a Living Wage employer by setting out a short term measure to pay a Living Wage as a supplement by October 2016 to those employees at spinal column points 11 and 12 on the Council's pay scale implemented on 1st June 2016.

RECOMMENDATIONS

- 2.1 To acknowledge the long term commitment of becoming a Living Wage Employer.
- 2.2 To acknowledge the potential impact on Local Authority controlled school budgets and to communicate with Council's schools regarding proposed October implementation.
- 2.3 To approve the LWF rate via a supplement from 1 October 2016.

- 2.4 Include the future costs of LWF rate increases within the Councils MTFP for implementation in April of each year.
- 2.5 Investigate arrangements for a permanent solution to replace the supplement by April 2018.

REASONS FOR RECOMMENDATIONS

- 3.1 A short term measure will reconfirm the commitment of becoming a Living Wage employer, as made through the Council's Employment Charter, whilst work continues to implement a permanent long term solution which is financially sustainable.

SUPPORTING INFORMATION

- 4.1 A copy of the Employment Charter outlining its commitments, including that of becoming a Living Wage employer, can be found at Appendix 2.
- 4.2 In April 2014, the Council introduced the MEL to benefit its non-schools based employees. With implementation of Pay and Reward on 1st June 2016, the introduction of MEL was expanded to cover all non-teaching employees based in Schools and thus harmonising earning terms for all of its employees. MEL is spinal column point 11 which equates to £8.04 per hour (post recent national pay rise). MEL applies to all employees regardless of age. MEL is at a higher rate than Central Government's NLW which was introduced in April 2016 at £7.20 per hour.
- 4.3 Despite now paying MEL to all employees; to be a Living Wage employer, the Council will need to pay the LWF rate. This rate is set by the Living Wage Foundation annually during Living Wage Week (normally in November). Living Wage employers are expected to apply the LWF rate within 6 months of it being announced.
- 4.4 The current LWF rate is £8.25 (outside London). This hourly rate falls between spinal column point 12 at £8.20 per hour and spinal column point 13 at £8.39 per hour. Therefore an increase to the LWF rate would only affect employees currently being paid at spinal column points 11 and 12.
- 4.5 It is therefore proposed that whilst a permanent measure to assure the long term commitment to become a Living Wage employer is further investigated; a short term supplement is paid to those at spinal column points 11 and 12 to recognise the commitment of the Council and allow Derby City Council to become a Living Wage employer, whilst maintaining the existing pay structure thereby avoiding undermining the recently implemented Pay and Reward Review.

- 4.6 It is to be noted that the proposed supplement will ensure the Council is a Living Wage employer until April 2017; at which point the annual increase to the LWF rate, announced November 2016 would need to be implemented.

Any agreed supplement will need to be reviewed prior to April 2017 to ensure that this short term measure continues to be fit for purpose whilst a permanent solution to replace the supplement is investigated.

A table for previous wage increases can be found at Appendix 4.

4.7 Implementation in Schools

The cost of implementing the supplement proposal is more heavily weighted within the Council's schools. The cost in schools would have to be met by individual school budgets. It is important that any future actions resulting from this report include acknowledgement of the potential impact on schools budgets and ensures early communication with schools representatives to ensure consistency of approach.

4.8 The Living Wage Foundation

What is the Living Wage?

- A voluntary hourly rate set independently and updated annually.
- The Living Wage figures are announced in the first week of November of each year, during Living Wage Week.
- The Living Wage is calculated according to the basic cost of living in the UK.
- The UK rate is set annually by the Living Wage Foundation and calculated by the Centre for Research in Social Policy at Loughborough University.
- The current UK Living Wage Foundation Rate is £8.25 an hour.
- Employers choose to pay the Living Wage on a voluntary basis.
- The Living Wage enjoys cross party support.
- The Living Wage Employer Mark and Service Provider Recognition Scheme provide an ethical badge for responsible pay.

A table explaining UK Wage Rates can be found at Appendix 3.

4.9 What does the Living Wage Foundation do?

The Living Wage Foundation does three things:

- **Accreditation:**

They offer accreditation to employers that pay the Living Wage, or those committed to an agreed timetable of implementation, by awarding the Living Wage Employer Mark.

They offer a Service Provider Recognition Scheme for third party contractors who pay their own staff the Living Wage and always offer a Living Wage option when submitting tenders.

- **Intelligence:**

They provide advice and support to employers and service providers implementing the Living Wage including best practice guides; case studies from leading employers; model procurement frameworks and access to specialist legal and HR advice. They coordinate the announcement of the new Living Wage rates each November.

- **Influence:**

They provide a forum for leading employers and service providers to publicly back the Living Wage. They work with Principal Partners who bring financial and strategic support to their work. They coordinate Living Wage Week each November, a UK wide celebration of the Living Wage.

OTHER OPTIONS CONSIDERED

- 5.1 Do nothing. The Council will remain compliant with the NLW. Employees will still receive MEL which is above NLW. This would not meet the commitment captured by the Employment Charter.
- 5.2 Permanently adjust the payline to introduce a new MEL in line with the LWF rate promoted by The Living Wage Foundation. This would have the effect of complicating the pay structure as it would effectively remove SCP11 and force an amendment to SCP12. It would also make the Grade A payline redundant and constrict the differentials in pay where supervisory duties exist within spinal column points 11-13. This would have the impact of undermining the implementation of the pay line on 1st June 2016 arising from the Pay and Reward Review and could ultimately be damaging to employee relations. Whilst this will be considered in the development of a long term solution, it is not recommended in the current climate.

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Other(s)	Janie Berry, Director of Governance and Monitoring Officer Martyn Marples, Director of Finance David Cox, Head of Human Resources
For more information contact: Background papers: List of appendices:	Tania Hay, Employee Commission Lead. (01332) 643453 tania.hay@derby.gov.uk Appendix 2: Employment Charter Appendix 3: Explaining UK Wage Rates Appendix 4: National Pay Rates

IMPLICATIONS

Financial and Value for Money

- 1.1 There is a financial cost of increasing the overall paybill to accommodate the LWF rate across the Council. In non-schools this would cost approximately £30,000 in a full year. In schools this would cost approximately £90,000 in a full year.

If Members wish to progress this policy in 2016/17 there will be a part year effect. From 1 October 2016 it would cost £15,000 in non-schools and £45,000 in schools.

- 1.2 Non-schools funding could be met from the additional funding received in relation to specific grants confirmed since setting the 2016/17 budget. This will be addressed in a Cabinet Report.

The cost in schools would have to be met from individual school budgets. Analysis of the impact across schools highlights that there is a wide range of costs averaging approximately £1,400 in a full year.

Full year effect costs would need to be planned within the Councils 2017-20 MTFP and within the 2017/18 school budget plans.

Legal

- 2.1 We are required to ensure a legally compliant pay and grading structure. As detailed within this report, the Council is required to comply with the National Living Wage introduced in April 2016. Any supplement application is non contractual and can be reviewed at any time.

Personnel

- 3.1 Implementing a supplement with an ongoing commitment to developing a long term solution supports the aspirations of the Employment Charter. It is intended to enhance employee relations and make Derby City Council an employer of choice.

IT

- 4.1 N/A.

Equalities Impact

- 5.1 No implications at this time.

Health and Safety

6.1 N/A.

Environmental Sustainability

7.1 N/A.

Property and Asset Management

8.1 N/A.

Risk Management

9.1 There is a potential risk linked to the financial impact on individual schools as this supplement will not have been previously budgeted for. This risk needs to be managed, as would any linked to longer term solutions.

Corporate objectives and priorities for change

10.1 A skilled and motivated workforce.

Appendix 2

The Employment Charter:

1. We will pay at least the living wage to all employees and support Derby to become a living wage city.
2. We are committed to providing fair employment contracts and stability of employment to all employees.
3. We actively support trade union membership among our employees and recognise trade unions for the purposes of employee representation and collective bargaining.
4. We will provide an environment that creates work force training opportunities to support everyone.
5. We will work to minimise the use of agency workers and ensure agencies we engage use professional methods and follow fair employment practices.
6. We will actively support and encourage our employees to take up volunteering opportunities across the city.
7. We will ensure we have policies and procedures in place which support employees to achieve work-life balance.
8. We will not award any contract to any company found guilty of blacklisting workers.
9. We will strive to be as self-sufficient as possible and minimise the usage of external consultants by developing the skills and capacity of our own employees. We will seek value for money when using consultants whilst ensuring that they also follow fair employment practices.
10. We will seek to offer a wider range of employee incentives.

Appendix 3



Explaining UK Wage Rates

	Minimum Wage 21-24	Minimum Wage 25+ (‘national living wage’)	Living Wage
	£6.70	£7.20 from April 2016	£8.25 across the UK and £9.40 in London
Is it the law?	Law	Law	Voluntary
What age group is covered?	21 and older	25 and older	18 and older
How is it set?	Negotiated settlement based on recommendations from businesses and trade unions	A % of median income, currently at 55% it aims to reach 60% of median income by 2020	Calculation made according to the cost of living, based on a basket of household goods and services
Is there a London Weighting?	No London Weighting	No London Weighting	Yes - there is a separate higher rate for London

Appendix 4

National Wage Increases

Year	National Min Wage*	UK Living Wage**	Difference
2011	6.08	7.20	1.12
2012	6.19	7.45	1.26
2013	6.31	7.65	1.34
2014	6.50	7.85	1.35
2015	6.70 / 7.20	8.25	1.55

*Set by the Government funded Low Pay Commission

** Set by the Living Wage Foundation, calculated by the Centre for Research in Social Policy from 2011.