

## REPORT OF CHIEF EXECUTIVE

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### **SUBJECT: THE LIVING WAGE**

#### Purpose of Report

Employee Forum and Personnel Committee at their recent meetings considered this issue and endorsed the proposal for Members discussion and approval.

#### Background

The Living Wage is an hourly rate of pay set independently and updated annually, currently £7.85 (outside of London). The national figure is calculated by the *Centre for Research in Social Policy* at Loughborough University.

Based on a full-time employee working 37 hours per week, the Living Wage equates to about £15,144 per annum. The National Minimum Wage (NMW) is £6.50 (from 1 October 2014) for employees aged 22 years and above which equates to around £12,500 for a full-time employee working 37 hours a week. Unlike the NMW, paying the Living Wage is not a statutory requirement, it would be a voluntary undertaking.

From 1<sup>st</sup> January 2015, the lowest Scale point (scp) on the Local Government pay scale is £7 per hour (ph). On 1<sup>st</sup> October 2015 this scp will be deleted and the lowest will be £7.06 ph. All points within Scale 1 fall beneath the Living Wage, while Scale 2 starts at £7.88 ph. PCNPA currently employs around 40 staff within Scale 1, many are part-time and/or work for part-year.

From data provided by Local Government Association, 115 authorities across the UK had implemented the Living Wage as at September 2014, of these 25 were accredited (a further 9 already had pay structures above the Living Wage). 4 Welsh authorities have implemented the Living Wage (Caerphilly, Cardiff, Monmouthshire, Swansea).

#### Accreditation and the Living Wage Foundation

The Living Wage Foundation works with employers to help them implement the Living Wage. It offers accreditation to employers that pay the Living Wage, or those committed to an agreed timetable of implementation, by awarding the Living Wage Employers' mark.

To be accredited as an official Living Wage Employer an organisation must satisfy four basic criteria:

- to pay all of its own staff at least the Living Wage;
- to commit that within six months of the annual uprating of the Living Wage, its pay rates will be uprated accordingly;
- to demonstrate progress towards requiring any contractors to do the same;
- and

- to have a plan in place to work with any remaining contractors to get them to pay the Living Wage.

### Considerations

Full accreditation commits an organisation to future rises in the Living Wage, whether or not these are 'affordable' at the time. It also places requirements within the procurement process.

Reasons given for not committing to the Living Wage have been: costs, impact on salary/grading structures and the open-ended commitment to a figure set by a third party, not part of national negotiation of pay rates. Note however that it is possible that the NMW may see significant rises in the future and these are statutory.

Equal Pay: provided an Authority applies consistently and doesn't exclude any categories of worker, there should be no equal pay issue. If two groups of workers are paid **the same** because of the living wage despite being graded differently, there is no 'less favourable' pay on which to base a claim.

State benefits: an increase in pay can impact on receipt of state benefits.

Communication: it is important to consider reasons for and against paying the Living Wage and to communicate clearly.

The reason for adopting any sort of low pay scheme would be 'to ensure that pay is enough to meet the cost of living'. (i.e. a legitimate non-discriminatory reason). It is a moral/ethical issue that many Members and managers have expressed support for. One of the actions included in the recently published consultation by the Welsh Government on a "Revised Child Poverty Strategy for Wales" is to "Encourage employers in the private, public and Third sectors to consider becoming Living Wage employers". Therefore this proposal can be seen to be consistent with our wider work to tackle poverty. However, no additional resources have been provided by the Welsh Government to pay the Living Wage. It may lead to more recruitment choice, more skills, less turnover, better engagement and quality of service.

### Financial considerations

The cost of paying a supplement to bring all pay to the current Living Wage rate will be approximately £15,000 in 2015.

### Risk considerations

The following risks can be identified:

#### Not paying the Living Wage

- the Welsh Government encourages all employers to pay the Living Wage, therefore not paying it could go against the policy direction set out by the Welsh Government.

#### Paying the Living Wage

- this has a cost implication, currently identified at around £15,000. In a situation where our budget is reducing, increasing costs may lead to a need to reduce some services;
- paying the Living Wage in 2015-16 may create an expectation to pay the Living Wage in the future. A significant increase in the Living Wage or a

significant reduction in our funding could lead in future to a need to pay some staff at below the Living Wage; and

- while paying the Living Wage is likely to have a positive response from staff paid at Scale 1, it will remove the differential between staff paid at Scale 1 and 2. This may not be positively received. However, staff paid on Scale 2 do receive increments to the top of the Scale (currently £8.26 ph) while Scale 1 staff will not progress above the Living Wage, thus maintaining a differential overall.

If this proposal is approved it is proposed to take the following actions:

- consult staff and union representative;
- agree the terms and conditions of this and manage expectations as regards any future ability to track the Living Wage;
- communicate to staff; and
- listen to the concerns of staff who may be concerned about 'pay differentials' both between scales and the fact that all employees within Scale 1 would in effect be paid the same. At current levels, a post graded Scale 2 has salary points greater than those being paid the Living Wage equivalent especially as employee progresses to the maximum of the scale.

#### Compliance

Implementing the Living Wage would contribute towards the Welsh Government's current proposals as regards action to address child poverty and supports the Authority's standing as a public body in Wales.

#### Human Rights/Equality issues

There are no immediate issues regarding staff with protected characteristics that are addressed by the Living Wage (both genders are proportionately represented within Scale 1).

An Equality Impact screening has been undertaken.

#### Biodiversity implications/Sustainability appraisal

The proposed policy contributes towards a fairer society.

#### Welsh Language statement

There are no specific issues relating to the Welsh language, however, paying the Living Wage may contribute to retaining staff in areas where Welsh is the main language.

#### Recommendation

Members are asked to approve the following proposal:

1. That the Authority adopts a supplementary living allowance payable as a separate element of pay to bridge the gap between actual pay rate and the value of the Living Wage in 2015-16.. The allowance to be implemented from 1 April 2015;

2. The Authority will not guarantee to match future increases of the Living Wage without thorough consideration of affordability;
3. That the Authority does not seek full accreditation as a Living Wage Employer

Background Documents  
PCNPA pay scale

*(For further information, please contact either June Skilton, Personnel Manager 01646 624835 or Tegryn Jones, Chief Executive)*

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