

Report of Head of Resources

LIVING WAGE

1 Purpose of report

At the Council meeting on 26 February 2013 the following resolution was passed:
"It was therefore **RESOLVED** that:

- (i) this Council support the 'Living Wage' campaign and explore how it might become accredited as a 'Living Wage' employer,
- (ii) a report be submitted to a meeting of the Resources Committee detailing the implications of implementing the 'Living Wage' principles."

This report explores options available to the council in consideration of the Living Wage.

2 Executive summary

The concept of the Living Wage is that a minimum hourly wage should be paid to all employees, sufficient for them to be able to enjoy a reasonable standard of living. This has to be considered in the light of local government terms and conditions, and national agreements.

3 Appendices

There are no appendices to this report.

4 Proposed action:

The committee is invited to RESOLVE that the council pays a Living Wage to all employees on the current establishment, but does not pursue accreditation by the Living Wage Foundation.

5 Background

- 5.1 The Living Wage campaign was created because there is a view that the national minimum wage is not sufficient for people's basic needs. In the long term the campaign's aim is to replace national minimum wage with a living wage.
- 5.2 National minimum wage is currently set at £6.31 for anyone over 21, with lower rates for younger people. Living wage is recommended at £7.65, with higher rates in London.
- 5.3 In 2008 the Centre for Research in Social Policy (CRSP), funded by the Joseph Rowntree Foundation, began calculating a UK wide Minimum Income Standard (MIS) figure. The MIS is an average across the whole of the UK, except London, for which there is a separate calculation.

- 5.4 The Living Wage calculation is based on the MIS. The research looks in detail at what households need in order to have a minimum acceptable standard of living. Decisions about what to include in this standard are made by groups comprising members of the public. The Living Wage is, therefore, rooted in social consensus about what people need to make ends meet.
- 5.5 In 2011 the Living Wage Foundation and Living Wage Employer mark were launched, encouraging employers to adopt the living wage as a minimum for their employees.
- 5.6 A Living Wage Employer ensures that all employees are paid at least the Living Wage. This includes individuals who work on the premises on a regular basis for a subcontractor, such as cleaners or security staff.

6 Discussion

- 6.1 Members asked officers to explore accreditation in February 2013 and report back. This has taken some time because of conflicting priorities, and the difficulties associated with obtaining information from contractors. Such information was essential as contractors would be affected by the decision to apply for accreditation.
- 6.2 Currently no permanent council employee is paid less than the living wage. In terms of the council's 59 salary points, the living wage falls between points 10 (£7.26 per hour) and 11 (£7.71 per hour). No-one is paid below point 11.
- 6.3 The council has appointed a few individuals on trainee contracts or maternity cover at a lower rate, but all of these are fixed term or temporary contracts, agreed in advance with union representatives.
- 6.4 The council could agree to adopt the living wage for all permanent employees (ie. employees on the current establishment) at no additional cost. If, however, full accreditation were to be achieved, this would have to include people who are not direct employees of the council, but are working on site at least two hours per week for eight consecutive weeks, such as those working for Wellingborough Norse. This is an essential requirement of the accreditation.
- 6.5 In addition to the above, the council employs casual workers to support events such as the Waendel Walk. For 2013, eight were employed and paid at the national minimum wage at the time of £6.19 per hour. Those casual workers will remain on the books, but with no retention fee, in order to ensure consistency and continuity for future events. Because of this there would be additional financial implications if the Living Wage is adopted. Other casual workers that would have to be considered include those undertaking delivery duties for purposes such as councillors' post and The Link.
- 6.6 Other requirements of being a Living Wage accredited employer are the inclusion of contractors and sub-contractors. Whilst this would not be an immediate condition in order for the council to achieve accreditation, there would have to be a timetable to introduce the requirement for contractors to pay the Living Wage as contracts are renewed. This would include Wellingborough Norse, DC Leisure and The Castle.
- 6.7 A further impact for the council and its contractors is the use of agency workers. Whilst the Living Wage does not apply to agency workers, they are protected under the Agency Worker Regulations 2010 and there is a requirement to pay them, after twelve weeks of working, the rate that they would be paid had they been employed direct if they are fully undertaking the role for which they are providing temporary

cover. This would have additional financial implications.

- 6.8 In view of the above points, it is recommended that the council does not agree to become accredited as a Living Wage employer in full, but does ensure that employees on the current establishment are paid a minimum of spinal column point 11 (currently £7.71 per hour). This would have to be reviewed if the make-up of the workforce were to change significantly.
- 6.9 The reasons for not recommending the pursuit of full accreditation are as follows:
- (a) all posts below head of service level in the council are ranked, via a job evaluation scheme, according to the skills and qualifications required. The introduction of a minimum arbitrary rate would jeopardise this scheme, which is run in agreement and in conjunction with the unions
 - (b) trainee (apprentice) posts are usually paid at a lower rate to encourage take-up of the scheme and to provide additional opportunities. The apprenticeship scheme is, however, restricted to just over one year in each case
 - (c) the funding of short-term temporary contracts (eg. maternity cover) would be more problematic if included, thus potentially affecting service delivery
 - (d) the Living Wage Foundation extends the principle to regular contractors; this would include Wellingborough Norse employees who are on site, some of whom are paid at a lower salary level than point 11. Adoption of the Living Wage would, therefore have an impact on third party organisations
 - (e) the introduction of the Living Wage could affect the cost of contracts such as Places for People Leisure (formerly DC Leisure) and The Castle
 - (f) accreditation may have an impact on national agreements in relation to salary provision
- 6.10 Some councils have already become accredited as Living Wage Employers but it has not been possible to find any which operate on the same scale as Wellingborough.
- 6.11 If there was a will to adopt the living wage for all employees and contractors, there would need to be negotiation with the union as it would not comply with existing pay arrangements.

7 Legal powers

There is no specific legislation in relation to Living Wage.

8 Financial and value for money implications

- 8.1 If the living wage is adopted by the council for its permanent employees there would be no cost implication. If this were to be extended to trainee/apprentice positions, there would be a cost of up to £9,576 per annum per person, including oncosts, but this would depend on age. This has been calculated based on an employee under the age of 18 currently being appointed on the National Minimum Wage rate for their age.
- 8.2 For casual workers who are paid at the National Minimum Wage rate, usually £6.31, the additional cost to the council of adopting the Living Wage would be £1.34 per hour for each casual worker. Based on the amount paid to casual workers in 2012/13, adopting the Living Wage would incur an additional annual cost

of around £306.

- 8.3 Basic information has been requested from Wellingborough Norse, Places for People Leisure and The Castle but, with only WN having responded. The following costs would, at some point in time, be incurred to these organisations, and ultimately to the council, if we decide to seek accreditation:

| Organisation | Number of Employees Earning Less than Living Wage | Additional Cost if Living Wage Adopted |
|---------------------------|--|---|
| Wellingborough Norse | Two | Current hourly rate not given – impact would be minimal |
| Places for People Leisure | Information not provided | Information not provided |
| The Castle | Information not provided | Information not provided |

- 8.4 Despite the information not being provided and considering the nature of the work undertaken by Places for People Leisure and The Castle, it is anticipated that a high percentage of their employees would be earning less than the Living Wage.
- 8.5 The cost of the licence for being a Living Wage accredited employer is currently £200 per year.

9 Risk analysis

There are no significant risks if the Council decided not to pay the Living Wage.

If it decided to pay the Living Wage to permanent and temporary (not casual) employees there would be a cost to the Council, as outlined in the financial and value for money implications.

10 Implications for resources

There are no significant risks for resources.

11 Implications for stronger and safer communities

The aim of the Living Wage campaign is to reduce the level of poverty in the UK. Poverty is linked - in some views - with community safety. As a result, there is the potential for a positive impact on our community if we adopted the Living Wage.

12 Implications for equalities

There are some potential implications for equalities if the Council pays all permanent employees the Living Wage, but not if it extends that to temporary employees. This is because some temporary contracts are predominantly occupied by younger people.

13 Author and contact officer

Bridget Lawrence, Head of Resources

14 Consultees

Senior Management Team
UNISON
Human Resources
Wellingborough Norse
Places for People Leisure
The Castle

15 Background papers

Minutes of the Full Council Meeting held on 26 February 2013.
Living Wage: A Guide for Employers – publication
Salary information held by the Borough Council of Wellingborough and related organisations referred to in the report

