

Title of meeting: Employment Committee

Date of meeting: 10th March 2014

Subject: Living Wage for Portsmouth

Report by: Head of HR Legal and Performance
(written by Gemma Limburn, Assistant Head of HR - Strategy)

Wards affected: N/A

Key decision: No

Full Council decision: No

1. Purpose of report

For the Employment Committee to consider how to implement the Living Wage for PCC employees and decide upon an agreed timescale.

2. Recommendations

It is recommended that Employment Committee agree

- 1) a separate discretionary supplement/allowance to be paid as an addition to basic pay to achieve the Living Wage at £7.65 an hour for all those staff currently below SCP 11 (at this stage, excluding agency and casual staff, and those employed in schools).**
- 2) An annual review of the continued payment of the supplement to staff in line with annual increases in the Living Wage**
- 3) The Initial implementation and launch of the Living Wage prior to the Living Wage week in November 2014.**
- 4) That discussions should continue with PCC schools to encourage their implementation of the Living Wage.**
- 5) That further consideration be given to the implications of implementing the Living Wage for agency and casual staff**
- 6) That the Living Wage is to be applied only to hours worked at base rate of pay and not to hours with any enhancement or additional allowances.**

3. Background

3.1 The full background to the reasons for implementation and commitment to be a Living Wage Employer are set out in Appendix 1.

3.2 Sign up to the Living Wage will impact on the future commitment to uplifting pay in line with increases to the Living Wage. The result of which may impact on the following;

- The design of jobs - a review would need to take place and duties designed at a higher rate if the new pay was consolidated and bandings changed.
- The grading structure - there is a significant risk that increasing consolidated pay particularly in schools will start to erode the differential between those on the lowest point and the staff on the next points above them, who in some cases may be their supervisor. This will certainly be an issue in schools and will have a knock on effect on the overall pay structures. Additionally if the Living Wage continues to increase at its current rate and small or no pay awards are being made then this will increase the number of staff eligible for Living Wage in the future.

3.3 To lift the whole grade structures sufficiently high enough to lift bands 1-3 above the living wage would be prohibitively expensive hence the recommendation for an unconsolidated payment.

3.4 Implementation in autumn 2014 will allow sufficient time for negotiations with Trades Unions to take place and for further discussions with schools.

3.5 An annual review will allow the council to respond to any changes in the Living Wage amount or changes to the Living Wage as a concept as well as allowing the authority to respond to efficiency pressures and will ensure that the integrity and transparency of the pay structure is not compromised. It will also allow any necessary adjustments to be made to the supplement.

4. Other issues for consideration

4.1 Schools - The Assistant Head of HR Strategy attended the Schools Executive chaired by the Head of Education (interim) on the 8th January 2014 and presented a paper on the Living Wage. The group were positive about the concept of the Living Wage and believed that there were opportunities to fund this. They have requested that HR model some financial examples to be taken back to the same meeting when it next meets on the 5th March.

4.2 Contractors - whilst not applying for accreditation PCC may wish to consider procurement practice stating that contractors and their subcontractors providing a service on the council's behalf should pay their employees the Living Wage and also meet any annual increases in the Living Wage Rate. The Living Wage is only permitted to the extent permitted by Law and not where it might be a barrier to potential suppliers. It is proposed that the council's Responsible Procurement Policy be reviewed to ensure that procuring managers promote adoption of the Living Wage where possible having regard to legal and economic factors.

4.3 Agency Staff - the council employs a large number of temporary agency staff, both through its own internal employment agency and from a wide variety of high street

and specialist agencies. A review is currently underway to improve the management and hiring arrangements for agency staff. The implications of implementing the Living Wage for agency staff require further analysis, in terms of cost, management and commercial viability. It is proposed that a further report is brought to this committee once this analysis has been completed.

5. Reasons for recommendations

Members committed, when agreeing the budget for 2014/15, to the Council becoming a Living Wage Employer and recommendations for its implementation have been made based upon the implementation of this commitment to this whilst minimising the impact on efficiencies that continue to be required.

6. Equality impact assessment (EIA)

EIA concerns around the Living Wage itself centre around equal pay and this is set out in the Legal Implications below. However it is worth noting that if all PCC employees below the Living Wage are uplifted then 89 % of those benefiting would be female. If schools are not included it is approximately 60 % benefiting that are female.

7. Legal implications

Exempt (see Exempt Appendix 2)

8. Finance comments

The estimated costs to raise all PCC (non-school) employees to the Living Wage is £38,500 in a full year (£16,000 in a part year if implemented in November). For schools the full year cost would be approximately £259,500 in a full year (£108,100 in a part year).

These costs exclude casual and agency staff as they do not have set contracted hours however on average the increase to employ these staff when the Living Wage is implemented would be 16.7% and 3.9% respectively

On the basis that this is paid as a supplement/allowance the financial implications would be as follows;

- The council will need to commit to an on-going uplift of salaries in line with any changes to the national rate which at present is projected to be 2% higher than the city council pay award however this would not be a significant pressure on budgets after the initial implementation.
- If the Living Wage continues to increase higher than the National Wage increase then it is possible this could affect the pay structure further in the future where staff on spinal point 11 drop below the living wage and need to be moved to the next Spinal Column Point.

- Any increase in costs will need to be funding from existing approved budgets. In respect of schools if the increase was agreed the additional costs would have to be met from their existing annual budget allocations.

The type of staff the increase would be applicable to are Domestic Assistants, Cleaners, Food Preparation Assistants, Porters/Caretakers, Drivers, Gardeners, Passenger Assistants and Play Workers. In schools many are lunchtime staff and LSA's.

.....
Signed by:

Jon Bell, Head of HR Legal & Performance

February 2014

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location

Appendix 1 Background to the Living Wage

- 1.1 The Living Wage is an hourly rate of pay which is set independently from the minimum wage, and is updated annually. It is calculated annually by the Centre for Research in Social Policy at Loughborough University and from Monday 4th November 2013 the Living Wage has been calculated at £7.65 per hour (outside of London). It is higher than the minimum wage, which is £6.31 for those aged 21 and over. It is a voluntary scheme for employers.
- 1.2 The Living Wage was created to give the minimum pay rate required for a worker to provide their family with the "essentials of life". The information used to develop this rate is gathered via focus groups who agree a 'basket of goods' for a range of household sizes and age, to achieve a minimum acceptable standard of living in the UK. The cost of the basket of goods is updated annually so that the Living Wage calculation is relevant, up-to-date and based on public opinion.
- 1.3 The Living Wage does not replace in-work benefits – it assumes full take-up of Child Benefit, Tax Credits, Housing Benefit and Council Tax Support and Disability Benefits.
- 1.4 A Living Wage was first introduced in London in 2003 following a campaign by London Citizens, who found that even though they were working two minimum wage jobs, they were struggling to make ends meet; and working long hours meant there was little time for family and community life. Their solution was to call for a Living Wage.
- 1.5 The Living Wage then began its journey in the early days through hospitals such as Bart's and the Royal London, where London Citizens made the case that low pay can lead to poor health and hospital bosses agreed. They then took the Living Wage to Canary Wharf and as a result, KPMG became one of the first private sector employers to pay the Living Wage, first to cleaners and then to all contracted staff.
- 1.6 There are currently 432 accredited Living Wage employers in the UK. Accreditation is undertaken by the Living Wage Foundation, a charity which was formed in 2011 through the work of campaigners and employers, and which is an initiative of Citizens UK. The Living Wage Foundation works with employers to help them implement the Living Wage. Those who receive accreditation are awarded with the Living Wage Employer mark. There is an annual fee for accreditation - which is approximately £400 for public sector organisations (depending on size).
- 1.7 Despite the above, it would be fair to say that it is still early days in terms of the evidence base regarding the Living Wage. It would also be true to say that one of the main financial beneficiaries of the Living Wage - as a result of reduced take up of benefits - is the Treasury, which is estimated to see significant financial gains. (With the recent approval of the City Deal, there may be opportunities, as part of any ongoing negotiations for Treasury savings to be re-invested in Portsmouth?). However there are wider gains to be had - for example not just the business benefits listed above but the wider benefits that would be brought to the local economy as well as raising aspirations and placing a sense of value upon low paid workers in the city.

- 1.8 Taking account of all of the above, The Living Wage Foundation believes that the strongest argument for introducing the Living Wage is the moral one - in that it is the right thing to do, and demonstrates ethical employment practice. Given that resident wages are below average in Portsmouth and that elementary occupations account for 11% of the workforce, the Living Wage would clearly benefit lower paid workers in the city. This would in turn contribute to the city's Tackling Poverty Strategy, which aims to alleviate poverty and break the cycle of deprivation which is evident in the city's poorer communities. With about a quarter of all children in the city classified as living in poverty (rising to as high as 60.9% in one LSOA (within Charles Dickens Ward), paying the Living Wage can contribute significantly to breaking cultures of dependency through earning a decent 'stand-alone' wage, rather than being paid poor wages and having to claim top up benefits and thus have the stigma and dependency associated with this.
- 1.9 A number of Local Authorities and other public sector organisations are now becoming Living Wage employers. Currently, employers who agree to pay the Living wage are seen as quite progressive; but with the numbers starting to come on board, there may be a tipping point which comes shortly, where within the public sector, employers who are not paying the Living Wage are seen as unethical employers. 25 % of all councils will have applied the living wage by the end of this year (78 councils) although only 22 have applied this to contracts. In the South East 3200 employees (5%) are on less than the Living Wage. Surveys on participation are on-going.