

**AGENDA ITEM 11****RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL****CABINET****24<sup>TH</sup> SEPTEMBER, 2015.****IMPLEMENTING THE LIVING WAGE.****REPORT OF THE DIRECTOR OF HUMAN RESOURCES****Author: Richard Evans, Head of Human Resources****1. PURPOSE OF THE REPORT**

Following a commitment made by the Leader to formally review the introduction of the Living Wage, this report provides Cabinet with details on how the Living Wage can be implemented.

**2. RECOMMENDATIONS**

It is recommended that Members agree:-

- 2.1 the proposals set out in this report to achieve the discretionary implementation of the Living Wage, on a phased basis for employees be approved;
- 2.2 the Council pursue over time the external accreditation procedure in order to be formally recognised as a Living Wage employer;

**3. BACKGROUND**

- 3.1 The Living Wage, which is optional for employers, is based on the concept of the amount of money that is required to ensure that people can live with dignity and provide a decent standard of living for their families. The Living Wage should not be confused with the National Minimum Wage (£6.70 ph from October 2015) which is a legal requirement, nor with the Chancellor's National Living Wage announced in this year's budget (£7.20 per hour from April 2016 rising to £9 an hour by 2020).
- 3.2 The Living Wage campaign started in the early 2000s and has since been accepted by a number of organisations across a range of sectors and currently includes Save the Children and Barclays Bank amongst others, along with a number of Councils across the UK, most notably Islington, Preston and Birmingham. A number of other Welsh local authorities such as Caerphilly, Cardiff and Swansea have also recently adopted the Living Wage.
- 3.3 The initiative is currently enjoying national and local cross party political support and in addition to setting examples of pay for employees, it also is concerned with ethical employment and procurement practices.

- 3.4 The Living Wage itself is an hourly rate that is set independently, updated annually and is calculated according to the basic cost of living in the UK. There are 2 rates of the Living Wage i.e. the London rate, calculated by the Greater London Authority (currently £9.15 ph) and the outside of London rate (£7.85 ph) calculated by the Centre for Research in Social Policy at Loughborough University.
- 3.5 In addition to the financial benefits to employees, research into those organisations who have introduced the Living Wage has reported a range of business and wider economic benefits including reduced absence rates, increased productivity and improved 'employer of choice' perceptions.

#### 4. IMPLEMENTING THE LIVING WAGE

- 4.1 There are a number of issues regarding the implementation of the Living Wage for Rhondda Cynon Taf Council to consider which are as follows:
- 4.2 From 1st June 2011, the Council implemented its new equality proofed Single Status Pay Structure, which comprised of 15 separate job evaluated spot salary grades. As part of that Single Status implementation, the lowest Spinal Column Point (SCP) of point 4 was removed. This meant that the Council's pay and grading structure of grades 1 to 15 utilised spot points from SCP range of 5 to 49. A copy of the grading system and associated SCP point is shown at Appendix 1.
- 4.3 The application of the Living Wage of £7.85 per hour will impact on staff currently paid on Grade 1 (£7.00ph), Grade 2 (£7.19ph) and Grade 3 (£7.43ph) in the pay and grading structure. The main job groups affected include Supervisory Assistants, General Kitchen Assistants, Assistant Cooks, Caretakers, Cleaners, School Crossing Patrol, Special Needs Support Assistants and Teachers Aides. The numbers of staff impacted across the Council is highlighted below:

<b>Group</b>	<b>Division</b>	<b>Employees</b>
CHIEF EXECUTIVE	CABINET OFFICE & PUBLIC RELATIONS	129
COMMUNITY & CHILDREN'S SERVICES	CHILDREN'S SERVICES	17
	DIRECT SERVICES, BUSINESS & HOUSING	89
	PUBLIC HEALTH AND PROTECTION	27
	TRANSFORMATION	8
CORPORATE & FRONTLINE SERVICES	CORPORATE ESTATES	3
	HIGHWAYS & STREETCARE	191
EDUCATION & LIFELONG LEARNING	ACCESS & ENGAGEMENT & INCLUSION	7
	CENTRAL SOUTH CONSORTIUM JES	4
	SCHOOLS	1,935
	SCHOOLS & COMMUNITY	1,132
<b>Total</b>		<b>3542</b>

- 4.4 It is important to stress that the Living Wage is not about the job role but 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 essential that the current SCPs matched against current job scoring for the fifteen grades is maintained.
- 4.5 Therefore, in order to preserve the integrity of the new pay structure, it is proposed that a separate discretionary supplement is paid in addition to basic pay to achieve the Living Wage. This is similar to how other employers have approached the issue and will also enable the arrangements to be monitored so that any future necessary adjustments to the supplement 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 secure a promotion or receive an honorarium payment. This approach will also likely mean that the Council will be able to objectively justify the difference in treatment compared to other employees, in that the application of the Living Wage via a supplement is a proportionate means of achieving a legitimate aim, namely the application of a national initiative to address poverty.
- 4.6 The application of the Living Wage to the Council's current pay and grading structure will have the effect of lifting Grade 1, Grade 2 and Grade 3 staff to the same rate of pay. Therefore the impact on pay differentials will need to be closely monitored to see if there are any recruitment and retention issues that need to be addressed. Furthermore, where the Living Wage is increased annually and pay awards are not being made, this could increase the number of staff who will become eligible for the supplement in the future. This could in turn present further additional budgetary challenges to the Council at that point.
- 4.7 The Single Status Collective Agreement states as an objective that all employees are paid based on an objective and consistent assessment of the key factors of their job, that bias and discrimination are eliminated, employees are paid fairly for the work that they do in the context of a pay structure that is affordable and sustainable. It is anticipated that the way in which the Council is proposing to implement the Living Wage will not diminish the transparency of the new Single Status pay structure, which keeps the 15 grade structure intact. Implementation of the Living Wage will serve to close the pay gap between females and males as the vast majority of eligible staff are female, part time employees.
- 4.8 An Equality Impact Assessment on this proposal has been completed and the implementation of the Living Wage has an overall positive impact.
- 4.9 There may also be a potential impact of paying the Living Wage Supplement to staff in receipt of benefits. The payment of the Living Wage supplement could take someone over an earnings threshold which, in turn, could result in a loss of or reduced benefits. For some, the loss could be greater than the gain and hence they would be worse off. Notwithstanding the future national agenda concerning welfare reform, the current benefits landscape is complex and is linked directly to individuals' personal circumstances so it is difficult to develop an approach that caters for every eventuality.

- 4.10 Staff will therefore be advised to contact their benefits provider to review their personal circumstances and the Living Wage Supplement. Employees in receipt of benefits will not be able to “opt out” of receiving the Living Wage supplement. This is on the basis that there is no provision currently for such employees to opt out of receiving national pay awards or increments. By extending this principle to the Living Wage Supplement, there is some consistency of treatment.
- 4.11 The Living Wage is about staff being recompensed at a threshold. Employees on the Council’s lowest pay point SCP5 (changing to SCP6 from October 2015 as part of the 2014 national pay agreement) currently receive £7.00 ph for basic hours worked. However, where hours are worked at night time, enhancements are payable which serve to increase this hourly pay rate to £9.33 ph, which is in excess of £7.85 ph. It is therefore proposed that the Living Wage Supplement will only be paid for hours worked at the basic rate of pay and will not apply to any hours to which an unsocial hours enhancement has already been attributed. This will be in line with the practices adopted by other councils in Wales that have implemented the Living Wage.
- 4.12 The proposal is that the Living Wage will apply to all qualifying Council employees and this will include School based employees. Whilst school based catering staff are primarily employed through Catering Services, so they will be picked up automatically, there may be some staff that are directly employed by Governing Bodies e.g. cleaning staff. Whilst all of the Council’s schools formally signed up to the Single Status and Job Evaluation process in June 2011, as the Living Wage is not associated with the actual job, the Council will therefore need to consult with each school to secure agreement to the proposal to enable the Living Wage implementation to take effect for staff directly employed by the school.
- 4.13 In terms of payment, it is proposed that a separate discretionary pay supplement to achieve the Living Wage will be paid with effect from 1 October 2015 at an interim level of £7.50 ph, rising to £7.85 ph from 1<sup>st</sup> April 2016 and then subsequently reviewed in line with the usual pay cycle.
- 4.14 To meet the requirements of the Agency Workers Directive, these rates would also need to apply to qualifying agency workers.
- 4.15 The Council has the opportunity to become formally recognised as a Living Wage employer through an accreditation process. This process is open to those already paying the Living Wage or those committed to an agreed timetable of implementation. Accreditation is managed by Citizens UK and provides employers with a licence to use the Living Wage employer mark.
- 4.16 The legal implications of implementing the Living Wage are outlined in the body of the report but it is important to stress that payment of the Living Wage will be discretionary and not contractual or in pursuance of any other legal obligation. At present it is not envisaged that the payment of a Living Wage Supplement to eligible employees will affect the current Single Status grading structure or the job evaluation of roles. It is recommended that the payment of the Living Wage Supplement should be reviewed periodically to ensure that any anomalies that have developed can be addressed.

- 4.17 The cost of phasing the introduction of the Living Wage at a rate of £7.50 ph from 1<sup>st</sup> October 2015 moving to a rate of £7.85 from 1<sup>st</sup> April 2016 is estimated to be £240k for the remainder of this financial year (£120k schools and £120k non-schools) and £1.2M for the next financial year (£670k schools and £530k non-schools). Discussions with the Schools Budget Forum will be needed to ensure that individual schools are aware of the implications of the initiative. Even with a phased approach, the introduction within this Council will still be above the Chancellor's National Living Wage announced in this year's budget of £7.20 per hour from April 2016.
- 4.18 It is proposed that the part year cost for the 2015/16 financial year (£240k) is funded from existing resources, that is, from within the current revenue budget (underspend position as at Quarter 1), and that the full year cost for 2016/17 and beyond will be dealt with as part of the budget strategy going forward.
- 4.19 Targeted communication will be produced with individual letters sent to the employees concerned. These letters will also signpost employees to relevant support services and agencies so that advice on implications for benefits can be sought. Wider communications will also be developed in order that all employees are aware of the rationale around the initiative.



**APPENDIX 1**

<b>NJC Spinal Column Point</b>	<b>Salary</b>	<b>RCT Grade</b>	<b>Hourly Rate</b>
5	£13,500	Grade 1	£7.00
6	£13,614		
7	£13,715		
8	£13,871	Grade 2	£7.19
9	£14,075		
10	£14,338	Grade 3	£7.43
11	£15,207		
12	£15,523		
13	£15,941	Grade 4	£8.26
14	£16,231		
15	£16,572		
16	£16,969		
17	£17,372	Grade 5	£9.00
18	£17,714		
19	£18,376		
20	£19,048		
21	£19,742	Grade 6	£10.23
22	£20,253		
23	£20,849		
24	£21,530		
25	£22,212	Grade 7	£11.51
26	£22,937		
27	£23,698		
28	£24,472	Grade 8	£12.68
29	£25,440		
30	£26,293		
31	£27,123	Grade 9	£14.06
32	£27,924		
33	£28,746		
34	£29,558	Grade 10	£15.32
35	£30,178		
36	£30,978		
37	£31,846		
38	£32,778	Grade 11	£16.99
39	£33,857		
40	£34,746		
41	£35,662	Grade 12	£18.48
42	£36,571		
43	£37,483		
44	£38,405	Grade 13	£19.91
45	£39,267		
46	£40,217		
47	£41,140	Grade 14	£21.32
48	£42,053		
49	£42,957	Grade 15	£22.27

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