

## Implementing the Living Wage

---

### Reason for the Report

1. To inform Members of the implications for the Council in implementing the Living Wage, prior to consideration by the Cabinet at its meeting on 20 September 2012.

### Background

2. In July 2012 the Cabinet, within its 2013/14 Budget Strategy report, agreed the principle of the adoption of the Living Wage for all employees of Cardiff Council. The draft report, attached at **Appendix A**, outlines the implications for the Council of implementing this decision.
3. The report examines the impact of implementing the Living Wage on the new Single Status pay structure, on pay differentials, benefits, links with enhancements, and implications for schools based employees.
4. Paragraphs 24 and 25 of Appendix A outline the financial implications of implementing the Living Wage, which is costed at approximately £1m per financial year and to be paid in 2012/13 from Council reserves, and in future years from provision in the Medium Term Financial Plan.

5. Paragraphs 27 and 28 of Appendix A explain how affected employees will receive the Living Wage supplement, and how employee communications on this matter will be managed.
6. The report seeks Cabinet approval for examination of the benefits, opportunities, costs and legal implications of expanding the scheme to contractors as part of the next stage of this initiative, recognising that the approach will need to be balanced with the Council's economic objectives such as support for smaller and start up businesses.

### **Way Forward**

7. Councillor Russell Goodway, Cabinet Member (Finance, Business & Local Economy); Philip Lenz, Corporate Chief Officer (Shared), and Christine Salter, Corporate Chief Officer (Corporate) will be available to answer Member's questions on this matter.

### **Legal Implications**

8. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers of behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to

the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

### **Financial Implications**

9. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

### **RECOMMENDATION**

The Committee is recommended to note the Implementation of the Living Wage for information.

**Mike Davies**

Head of Scrutiny, Performance & Improvement  
10 September 2012

**IMPLEMENTING THE LIVING WAGE**

**REPORT OF CORPORATE CHIEF OFFICER (SHARED SERVICES)**

**AGENDA ITEM:19**

---

**PORTFOLIO : FINANCE, BUSINESS & LOCAL ECONOMY**

**Reason for this Report**

1. Following a commitment made at the Cabinet meeting on 12 July 2012, this report provides Members with details on how the Living Wage will be implemented and highlights the next steps in terms of broader community leadership.

**Background**

2. The Living Wage is based on the concept of the amount of money that is needed to ensure that people are able to live both with dignity and provide a decent standard of living for their families. The Living Wage should not be confused with the National Minimum Wage (£6.19ph from October) which is a legal requirement. Adoption of the Living Wage is optional for employers.
3. The Living Wage campaign started in the early 2000s and has since been adopted by a number of organisations across a range of sectors and currently includes KPMG, Save the Children and Barclays Bank amongst others. A number of Councils across the UK have also signed up, most notably Islington, Preston and Birmingham. A number of other Welsh local authorities such as Caerphilly and Swansea are now seeking to implement the Living Wage.
4. 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. 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 £8.30ph) and the outside of London rate (£7.20ph) calculated by the Centre for Research in Social Policy at Loughborough University.

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 absenteeism , increased productivity and improved ‘employer of choice’ perceptions.

## Issues

6. There are a number of issues regarding the implementation of the Living Wage for Cardiff and these are detailed below.

## Impact on the new Single Status Pay Structure

7. From 1 April 2012, the Council implemented its new equal pay compliant Single Status Pay structure, comprising 10 distinct and separate job evaluated grades. As part of Single Status implementation, the lowest Spinal Column Point (i.e. SCP 4) was removed which means that Grades 1 -10 utilise SCPs 5 to 46.
8. The application of the Living Wage of £7.20 per hour will therefore impact on staff currently paid between SCP5 (£6.38 ph) and SCP 10 (£7.19 ph) which covers Grade 1 and part of Grade 2 in the new pay structure. The main job groups affected include Breakfast Club Supervisors, Cleaners, Domestic, Kitchen Assistants and Midday Supervisors. The numbers of staff impacted across the Council are highlighted below:

<b>Service Area</b>	<b>Total</b>
Adult Services	43
Central Transport Services/FM	237
Childrens Services	6
City Management	24
Community Facilities	48
Education	832
Education - Schools Posts	1047
Finance	3
Housing & Neighbourhood Renewal	18
Regulatory & Supporting Services	3
<b>Grand Total</b>	<b>2261</b>

9. However, it is important to stress that the Living Wage is not about the role or the job - 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 is maintained.
10. 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 of £7.20ph. This is similar to how other employers have approached the issue. It is also similar to the way that

the Council pays Market Supplements. Applying this approach to the Living Wage will 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 are awarded a further pay increment, or secure a promotion.

11. On the balance of probabilities, it is likely that the Council will be able to justify the difference in treatment compared to other employees in that the application of the Living Wage is a proportionate means of achieving a legitimate aim, namely the application of a national initiative to address poverty.

### **Impact on Pay Differentials**

12. Application of the Living Wage to the Council's current pay and grading structure will have the effect of lifting Grade 1 staff to pay rates equivalent to the mid Grade 2 - an employee whose job content has been evaluated at Grade 1 now being paid equivalent to Grade 2 by virtue of receiving the Living Wage Supplement. 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. Further, 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 in the future. The payment of the Living Wage supplement could also have the potential to impact on the competitiveness of services delivered by the Council in circumstances where the external market pay rates are lower. However, to balance this, the Council is looking to encourage local employers/service providers to adopt the Living Wage. (See paragraph 20).
13. 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 retains the 10 grade structure intact. Implementation will serve to close the pay gap between females and males as the vast majority of eligible staff are female, part time employees.
14. An Equality Impact Assessment on this proposal has been completed and the implementation of the Living Wage has an overall positive impact.

### **Impact on Benefits**

15. Concerns have been raised about the 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.

16. Based on the learned experience from elsewhere, staff will 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.

### **Links with Enhancements**

17. The Living Wage is about staff being recompensed at a threshold of £7.20 ph. Employees on the Council's lowest SCP (5) currently receive £6.38 ph hour for basic hours worked. However, where hours are worked at night time or over the weekends, enhancements are payable which serve to increase this hourly pay rate to £8.50 and £9.57 respectively which is in excess of £7.20ph. 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, as these are already payable at an hourly rate in excess of £7.20

### **Schools Based Employees**

18. The proposal is that the Living Wage will apply to all qualifying Council employees and this will include Schools based employees. Under the Staffing of Maintained Schools (Wales) Regulations 2006, School Governing Bodies have discretion in relation to issues such as pay. 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, in order to reduce the potential of the School and/or Council being subject to further equal pay litigation.

### **Additional Issues**

19. It is proposed that a separate discretionary pay supplement to achieve the Living Wage will be paid with effect from 1 September 2012 at the current level of £7.20ph and that this will be reviewed in line with the usual pay cycle. Any agreed revisions to the rate will be paid from April 2013. These rates would also apply to qualifying agency workers in order to meet the requirements of the Agency Workers' Directive and in keeping with the spirit of fairness.

20. The aspiration behind the Living Wage proposal is that the Council will encourage other employers in the City to follow the Living Wage ideal not only by setting an example to others but through its procurement arrangements. Many of the organisations that have adopted the Living Wage for its employees have gone on to expand the Living Wage initiative to encourage and promote on a case by case basis contractors to adopt the scheme. It is therefore proposed that the benefits, opportunities, costs and legal implications of expanding the scheme to contractors will be examined as part of the next stage of this initiative. This stage is more complex, taking into account the legislative framework and needs to be balanced with the Council's economic objectives such as support for smaller and start up businesses.
21. 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.

### **Reasons for Recommendations**

22. The implementation of the Living Wage for Cardiff Council employees.

### **Legal Implications**

23. 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 effect 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.

### **Financial Implications**

24. The cost of implementing the Living Wage is estimated to be £1 million in a full year and c.£584,000 in 2012/13. For the current year, this expenditure will be found from resources in accordance with the Council Policy whereby the Cabinet has the authority, subject to the Chief Corporate Services & Section 151 Officer raising no objection, to use reserves and to commit expenditure in future years up to a total in the year of £1.5 million. The full year cost will be taken into account as part of the Council's budget process and reflected in the budget for 2013/14.
25. Discussions with the Schools Budget Forum will be needed to ensure that individual schools are aware of the implications of the initiative and how the funding will be received.
26. The report notes that further investigations into the benefits, opportunities, cost and legal implications of the Council expanding the



Living Wage principle to include contractors will be undertaken and any financial implications will be identified at that stage

### **HR Implications**

27. The application of the Living Wage is a proportionate measure to address the issue of low pay. The new Single Status current grading arrangements will need to be maintained and, therefore, those members of staff eligible for the Living Wage will receive a supplement to their pay. In accordance with the recommendation of the Living Wage Campaign, it is proposed that there will be no eligibility criteria based on age. All qualifying employees regardless of age will receive no less than the Living Wage.
28. 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.

### **Trade Union Comments**

29. The GMB, UNISON and Unite Trade Unions are all committed to the principle of the Living Wage at a National level, as is the TUC. They accept that there are some advantages in applying it within Cardiff Council, including the achievement of a minimum standard of living, some reduction in financial insecurity, an improved quality of life for the lowest paid staff, and it could potentially stimulate the local economy, by increasing the disposable income of those directly affected. The positive outcome of the Equality Impact Assessment would also be welcomed.
30. The three Trade Unions also support any initiative that seeks to encourage other employers and/or contractors to follow suite, by the use of any influence or contract terms that can be legitimately exploited. Further, they felt that it was important that the implementation issues, raised in the report, concerning impact on benefits and implications for pay differentials would need to be carefully monitored. They also reiterated the importance of an ongoing clear and constructive communication strategy for those impacted.

### **RECOMMENDATIONS**

Cabinet is recommended to agree that

- (1) the proposals set out in this report to achieve discretionary implementation of the Living Wage for employees be approved
- (2) further investigations into the benefits, opportunities, cost and legal implications of the Council expanding the Living Wage principle to include contractors be undertaken.

- (3) The Council pursue the external accreditation procedure in order to be formally recognised as a Living Wage employer

**PHILIP LENZ**  
Corporate Chief Officer  
30 August 2012