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<b>PART B:</b>	<b>RECOMMENDATIONS TO COUNCIL</b>
<b>REPORT TO:</b>	<b>POLICY AND RESOURCES COMMITTEE</b>
<b>DATE:</b>	<b>24 SEPTEMBER 2015</b>
<b>REPORT OF THE:</b>	<b>CORPORATE DIRECTOR PHIL LONG</b>
<b>TITLE OF REPORT:</b>	<b>LIVING WAGE MOTION</b>
<b>WARDS AFFECTED:</b>	<b>ALL</b>

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## **EXECUTIVE SUMMARY**

### **1.0 PURPOSE OF REPORT**

1.1 This report considers the following motion presented to Council on the 9 July 2015 as follows:

That Members consider the following motion referred from Council on the 9 July 2015 to this Committee:

Ryedale Council has an objective of increasing the average wage level in Ryedale. So as to set an example and show sound leadership this Council resolves to:

- i) "Pay all RDC employees at the Living Wage or above";
- and
- ii) "That preference will be given to external contracts where the applicant pays the Living Wage or above."

Any cost of the above to be financed in 2015/16 year from the reserves.

### **2.0 RECOMMENDATION**

2.1 Members are recommended:

- i. To pay RDC employees who currently earn less than the living wage at the rate of the Living Wage amount for outer London areas of £7.85 with effect from 1 November 2015 until such time as this is naturally overtaken by the National Living Wage.
- ii. Not to sign up to the Living Wage Foundation concept for the reasons outlined in the report.

### **3.0 REASON FOR RECOMMENDATION**

3.1 Implementation of the Living Wage principle has nominal impact on the Councils

budget at a projected cost of £5,091 per year excluding on-costs. As a low wage economy the implementation of the recommendation by Ryedale District Council would potentially encourage local employers to follow by example.

- 3.2 However it is recommended that the Council does not sign up to the Living Wage Foundation concept for the reasons outlined in the main body of the report. In summary the Council would be handing over pay decisions to a third party over which it would have no input or influence. Such increases could impact on future budgets and significantly erode the differentials within the Council's job evaluation system.

#### **4.0 SIGNIFICANT RISKS**

- 4.1 Implementation of the Living Wage hourly rate brings risk regarding Equal Pay Claims as it introduces a new factor in determining pay and a two tier system of pay/remuneration.
- Any benefit of increase in the cost of earnings could be off set by a loss or reduction in any state benefits.
  - The perception and effect on morale of employees not receiving a pay increase could have a negative effect on team relations.
- 4.2 Inclusion of preference in contracting for those organisations who pay the living wage may result in increased costs and delays to service delivery and this is not recommended.
- 4.3 Adverse press and public reaction to what could be portrayed as 'excessive' pay increases for Local Government employees during a period of austerity.

#### **5.0 POLICY CONTEXT AND CONSULTATION**

- 5.1 Council Aim 5: To Transform the Council. To deliver future improvements and build capacity.

### **REPORT**

#### **6.0 REPORT DETAILS**

- 6.1 At Council on the 9 July 2015 it was moved by Councillor Clark and seconded by Councillor Thornton:

*Ryedale Council has an objective of increasing the average wage level in Ryedale.*

*So as to set an example and show sound leadership this Council resolves to:*

*iii) "Pay all RDC employees at the living wage or above";*

*and*

*iv) "That preference will be given to external contracts where the applicant pays the living wage or above."*

*Any cost of the above to be financed in 2015/16 year from the reserves.*

- 6.2 The Chairman referred the motion to the Policy and Resources Committee under Council Procedure Rule 11.4. and this report allows members consideration of the motion.

#### **Background**

- 6.3 The Living Wage Campaign in the UK was launched by London Citizens in 2001 and calls for every worker in the country to earn enough to provide their family with the

essentials of life. Following a series of successful campaigns, various interested parties joined together and formed the Living Wage Foundation in 2011. The Foundation is now the lead body and provides accreditation, advice and support to potential and accredited Living Wage Employers.

- 6.4 The Living Wage hourly rate outside of London has been calculated for the Living Wage Foundation by the Centre for Research in Social Policy (CRSP) at Loughborough University. The calculation is based on Minimum Income Standards for the United Kingdom, the product of research by CRSP funded by the Joseph Rowntree Foundation. 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 the 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. The updating of the Living Wage each year takes account of rises in living costs and any changes in what people define as a 'minimum'. It also takes some account of what is happening to wages in general.
- 6.5 The Living Wage rate (outside of London) is currently £7.85 per hour which equates to an annual full time salary of £15,145. Changes to the Living Wage figures are announced the first week in November and there is no indication of what those % increases may be. In contrast the Adult National Minimum Wage is currently £6.50 and will increase to £6.70 from 1 October 2015 as recommended by the Low Pay Commission (LPC). Any changes are currently effective from October.
- 6.6 The lowest pay point in this Authority is currently spinal column point (scp) 6, £7.0565 per hour within grade 1 on the local salary scale. The NJC for LGS in the pay negotiations determined for the 2014-16 pay scales that scp 5 will be deleted from 1.10.2015 and will result in the bottom of the pay spine being scp 6, £7.0565 per hour. All relevant Ryedale District Council employees on grade 1 are currently paid on scp 6 or above.
- 6.7 There are currently 15 established employees (2 male, 13 female) to whom this would apply within the Council, all part time. In full time equivalents, this equates to 3.9 FTE per week. The jobs which fall within this group of staff are cleaning staff, canteen assistants, toilet cleaners and toilet key holders.
- 6.8 Implementation of the Living Wage would currently cost £5,091 per year excluding on-costs as such it would effectively put all grade 1 employees midpoint on grade 2.

#### **Living Wage Foundation Concept**

- 6.9 The Council can implement the Living Wage with or without signing up to the Living Wage Foundation, however there are a number of implications of fully signing up to the Living Wage Foundation concept:
- If the Council signed up to the Living Wage Foundation ultimately the Council would be handing over some of its pay decisions. It would be bound to a third party over which it would have no input and any future increases in the living wage would have to be met by the Council. Such increases could further erode the differentials within the Council's job evaluation system, especially during times where increases in pay for employees are low.
  - It could undermine the integrity of the Council's established and agreed job evaluation scheme. The payment of the Living Wage artificially increases the pay beyond that which job evaluation and the pay structure have deemed appropriate. This in turn could lead to claims from other officers to ensure that differentials are maintained. Any changes to the agreed grading structure makes

the Council vulnerable to Equal Pay claims. There is no statutory requirement to implement the living wage.

- Such a change would require consultation with the recognised trade unions
- The grading structure may need to be redesigned and thus require renegotiation of collective agreement and lifting all of the grading structure sufficiently high enough to lift the lower grades above the Living Wage.
- If the Council implemented the living wage without signing up to the Living Wage Foundation, the issue would need to be considered by Council on each occasion an increase in the living wage was made.
- There would be immediate increased and uncontrolled costs to the wage bill in a difficult financial climate.

**That preference will be given to external contracts where the applicant pays the living wage or above**

6.10 In procuring goods and services officers are bound by the Constitution, which basically tiers purchases into different categories, with the overall proviso that officers should seek to ensure best value and operate within budgets:

- For purchases under £5k officers should proceed in a manner most expedient to the efficient management of the service.
- For purchases between £5k and £50k officers should seek 3 written quotes.
- For purchases over £50k formal tendering with specification is required with various permitted procurement routes.

6.11 In 2014/15 the Council made payments to nearly 915 different suppliers.

6.12 It would be relatively straightforward in tendering contracts over £50k to give preference, through a weighting in the tender evaluation criteria. Below this there is major concern that checking will increase administration cost and delay service delivery. Often such purchases do not have formal evaluation criteria and therefore giving preference to the living wage would be difficult. Therefore should members wish to implement this part of the motion the officer recommendation is that it applies only to contracts of over £50k.

**New National Minimum Living Wage**

6.13 In the summer budget it was announced that the existing minimum wage for over 25's will rise to £7.20 an hour with effect from 1 April 2016 and increasing to £9 an hour by 2020 through the concept of the new National Minimum Living Wage. Ryedale District Council is under obligation to implement this. There is currently no indication of the % increase year on year to 2020.

- The change will not affect people aged 24 and under currently on the minimum wage.
- The national minimum wage is £6.50 and applies to everyone aged 21 and over. This will increase to £6.70 from 1 October 2015.
- 18-20 year olds' current rate will increase by 17 pence to £5.30 per hour.
- The rate for 16 to 17 year olds will increase 8p to £3.87 per hour.

6.14 The current estimated cost on implementing the New National Minimum Living Wage for a full year is an additional £202 excluding on-costs for the same 15 people. This effectively puts all grade 1 employees on Grade 2

**7.0 IMPLICATIONS**

7.1 The following implications have been identified for the Living Wage:

- a) Financial  
The cost of implementing the Living Wage at the rate of £7.85 per annum is currently £5,092 for a full year.  
The cost of implementing the Living Wage rate from November 2015 is unknown to date as no information is yet available.  
The cost of implementing the new National Minimum Living Wage in April 2016 is £202 for a full year.
- b) Legal  
There are no significant Legal issues.
- c) Other (Equalities, Staffing, Planning, Health & Safety, Environmental, Crime & Disorder)  
Payment of the Living Wage or new National Minimum Living Wage artificially increases the pay of some staff beyond that which job evaluation and the pay structure have determined is appropriate.

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**Background Papers:**  
Ryedale District Council salary scales 1 and 2