

**EXETER CITY COUNCIL**  
**SCRUTINY COMMITTEE - RESOURCES**  
**4 DECEMBER 2013**

**EXECUTIVE**  
**10 DECEMBER 2013**

**COUNCIL**  
**17 DECEMBER 2013**

**LIVING WAGE**

**1. PURPOSE OF THE REPORT**

- 1.1 The Leader of the Council, as part of his priority setting announcement for the 2013/14 financial year, instructed officers to consider how the Living Wage might be implemented within the Council. Specifically to consider the impact, both financially and organisationally, and to devise an appropriate plan to potentially enable implementation as from 1 January 2014.
- 1.2 This paper considers these specific issues and asks Members to approve a set of recommendations for implementing the Living Wage for employees with council contracts as from 1 January 2014.

**2. BACKGROUND**

- 2.1 The Living Wage Campaign was launched by London Citizens in 2001 and called for every worker in the country to earn at least enough to meet the essentials of life. A number of successful campaigns were held, with various parties joining together to form the Living Wage Foundation. The Foundation is the lead body and provides accreditation, advice and support to potential and existing Living Wage employees.
- 2.2 The current Living Wage rate of £7.65 (outside London) was announced by the Chief Executive of the Joseph Rowntree Foundation on 4 November 2013. The rate is increased each year by the Living Wage Foundation based on a number of detailed calculations completed by the Centre for Research in social Policy at Loughborough University. Living Wage Employers have six months within which to apply the rate.
- 2.3 The rate is set by the Centre for Social Policy at Loughborough University and announced in November each year. It is based on the Joseph Rowntree Foundation Minimum Income Standard research in which members of the public identify what is needed for a minimum standard of living. This is then combined with an analysis of the actual cost of living including essentials like rent, council tax, childcare and transport to produce the Living Wage figure. As such, it is intended to meet the basic needs to maintain a safe, decent standard of living and enable individuals to have the ability to save for the future, based on a 40 hour week with no additional income.
- 2.4 Research by the Foundation has indicated that there are numerous benefits of a living wage both for the individual and the employer. In addition to reputational and ethical benefits for the employer research has identified improvements in the following areas:
- morale and motivation

- quality of work
- recruitment and retention
- absenteeism rates
- consumer awareness and reputation.

2.5 Appendix 1 of this report sets out which Local Authorities in England and Wales have implemented, or firmly committed, to implementing the living wage.

### **3. LIVING WAGE ACCREDITATION**

3.1 There are two distinct elements to the Living Wage which directly impact on any potential implementation plan. The first, and simplest of these, is to use the Living Wage Rate to ensure that no employee earns less than this minimum, presently £7.65.

3.2 The second and more complex scenario is to become an accredited Living Wage Employer. This goes beyond paying Council staff the living wage pay rate and would include the following additional commitments:

- Asking contractors to comply with the living wage requirements and develop, in conjunction with the Living Wage Foundation, a set of achievable milestones for applying the living wage across all our contracts/contractors. Whilst there is no defined timescale, the Foundation would anticipate that all contractors would be complying with the Living Wage within 2-3 years. This would include both existing and any future contracted services.
- Where contractors are unable/unwilling to comply with the living wage requirements, the Council would need to make a commitment to renew contracts at the living wage rate.

3.3 For clarity, this paper does not consider or ask Members to approve the implementation of the full accreditation scheme to become a Living Wage Employer, but simply the implementation of the Living Wage hourly rate to Council employees.

### **4. OPERATIONAL AND FINANCIAL IMPACTS**

4.1 As previously stated, this report considers the application of a Living Wage for individuals with Council employment contracts. In addition since the Council applies its adopted pay scale to Casual Workers, the adoption of the Living Wage will, by default, apply to all casual workers.

4.2 It is also recommended that Apprentices be excluded from the application of the Living Wage in recognition of the additional support received as part of their training programme. Therefore they would remain on their currently rates of pay (see Appendix 2).

4.3 The implementation of the living wage rate of £7.65 would positively impact 64 individuals whose hourly rate is below this figure. This represents approximately 7-8% of the workforce (excluding casuals), with the majority of these employed within the Materials Reclamation Facility and Street Cleansing Service. At present no other operational staff would be affected.

4.4 The financial impact to the Council of introducing the Living Wage as from 1 January 2014 is estimated to be in the region of £28,000 (basic salary only) in the current

financial year. The on-going additional financial cost is impossible to calculate due to its direct dependence on the rate of increase in the Living Wage and its correlation to any future negotiated wage increases in the Council's salary scale. However it is deemed as prudent to allow a figure in the region of £25,000 per annum (based on a potential increase of 3% Living Wage and 1% pay increase) to cover any potential increase. These calculations do not include any additional costs associated with casual and agency employees.

- 4.5 The Trade Unions have agreed (subject to approval by Full Council) the revisions to the pay scale (attached as Appendix 2) that would enable the introduction of the Living Wage from 1 January 2014. This approach enables the Council to maintain the integrity of its grading structure in the short-term.
- 4.6 In simplistic terms the existing grading structure remains, with the number of spinal points being reduced to reflect the Living Wage rate. Therefore grade 1, rather than being four spinal points, becomes a single rate based on the living wage. In respect of grade 2, this moves from four spinal points to two; one based on the Living Wage minimum figure and a higher rate that currently exceeds the living wage rate. This can be seen by reference to Appendix 2.
- 4.7 The recommendations within this report are for implementation as from 1 January 2014. However since the living wage rate is reviewed each year, with any change in rate being announced in November, the intention would be that any increases to spinal column points associated with the living wage would be applied from 1 April each year. Employers have 6 months from the announcement of any increase in which to implement the increase, and an April effective date would be in line with the nationally agreed pay awards for all other employees.
- 4.8 It is additionally intended that any National Joint Council for Local Government (or Exeter City Council specific) spinal column points which are replaced by the introduction of the living wage would not be impacted by the nationally negotiated pay award. To clarify, rates increased to meet the Living Wage standard, would not also benefit from a negotiated salary increase in that same year. This would remove the potential incidence where an employee gets an increase in line with the Living Wage and, in addition, receives a nationally negotiated pay increase.
- 4.9 Consultation is on-going with the Trade Unions with regard to the proposals for implementation.
- 4.10 Given the financial challenges facing the Council and the substantial work involved in assessing and developing an approach during what is already a period of significant change, it is currently not the intention to introduce the Living Wage in relation to procured services. This is something that Elected Members may wish to consider in the future. In the meantime, the Council will want to encourage suppliers and employers to share its ambition to address the low wage economy.

## **5. RECOMMENDATIONS**

It is therefore recommended that approval is given to:

- a) adopt the Living Wage for employees with Council Contracts of Employment and associated casual staff (excluding apprentices), commencing 1 January 2014.

- b) delay the implementation of any future increases in the Living Wage until the subsequent April, to bring any increases in line with the national wage negotiation timetable,
- c) amend the current and future pay scales to reflect the changes invoked by the adoption of the Living Wage,
- d) increase the budgeted allocation by £25,000 in order to meet additional salary costs,
- e) amend the Council's Pay Policy to reflect the changes highlighted above,
- f) to conclude any outstanding negotiations with the recognised Trade Unions.

Mark Parkinson  
DEPUTY CHIEF EXECUTIVE

S:PA/LP/ Committee/1213SCR1/12.9.13/Updated 5.11.13/Updated 25.11.13

**Local Government (Access to Information) Act 1985 (as amended)**

Background papers used in compiling this report

None