

LIVING WAGE— Briefing Note NOVEMBER 2013

- **What is Living Wage – what it is derived from and by whom**

The idea behind a Living Wage is very simple: That a person should be paid enough to live decently and to adequately provide for their family. At its heart is an ethical argument for preventing in-work poverty and ensuring workers are not exploited through low wages. This requires a wage that takes into account the area-specific cost of living, as well as the basic expenses involved in supporting a family.

It is suggested that a 'Living Wage' campaign is necessary because the National Minimum Wage is too low to address these issues.

A key issue when looking at individual organisations paying Living Wage is to ask if they have facilitated it for both in-house and contracted-out staff. An employer which seeks accreditation from the Living Wage Foundation must ask external contractors to commit to paying the Living Wage and encourage other employers in the area to do so. This will clearly have cost implications other than those associated with staff salaries

- **How much it is, how calculated and how often reviewed**

There are currently two widely accepted standards for the Living Wage. One for London and another for all parts of the UK outside of London.

The London Living Wage

Since 2005 the London Living Wage (LLW) has been calculated annually by the Living Wage Unit of the Greater London Authority (GLA). **The LLW currently stands at £8.55/hour.**

The Living Wage Outside of London

The tools for calculating the living wage outside of London are provided by the Minimum Income Standard (MIS) research project based at Loughborough University and funded by the Joseph Rowntree Foundation. The MIS provides a well-researched measure of how much a worker needs to earn to avoid the effects of poverty, such as ill health, poor levels of child development and social exclusion. **This is currently calculated at £7.45 an hour.**

Note: National minimum wage is set at £6.31 per hour for adults

- **What status does it have, who supporting etc**

Originally an inner London phenomenon, the LW has now spread elsewhere and 40% of LAs paying the LW are outside London (One Society 2012 survey).

It's more of a 'movement' than something with a status, widely supported by a variety of organisations. There is a view that it benefits not only the employees but also the local economy – one in ten of the LAs surveyed by One Society acknowledged the benefit of paying a living wage to the local economy.

- Several LAs recognise that many of their staff and contractors are recipients of their services and in-work poverty may create a cost to them.
- The IFS estimates that below living wage pay costs the taxpayer £6billion a year in benefits and lost revenue.
- In addition, the Marmo report estimates the impact of poverty related ill health at £5.5billion a year.
- And a recent Unicef report identified low wages and the consequent need to work long hours, potentially in several jobs, as a significant factor in a poor quality of child welfare and family life in the UK
- Implications for other local employers – i.e. LA's draw staff from other employers; Community Leadership e.g. Newcastle on Tyne

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- **Coverage in different sectors/ view of LG employers**

20% of LAs are paying the LW, another 8% are considering it.
7% require contractors to pay the LW and a further 10% are considering it.

The results of a recent survey of the intentions of councils in the South West in respect of payment of the Living Wage is available

Some private sector employers (finance, legal, retail and media) are also committed to paying the Living Wage – arguably more as a PR exercise than in pursuit of any 'fair wage' initiatives given the base level salaries in these areas.

The LGAs view is

that nationally the employers are very unlikely to implement the 'Living Wage' for 3 main reasons. First, they will see it as a local matter for councils to decide whether they wish to implement it, second it would cost a significant amount of money and for many councils the cost would be prohibitive and third the issue goes beyond just our own workforce and has implications for procurement and commissioning more widely within councils.

That said, members are concerned about the position of lower paid workers in LG and have that in mind in their approach to any national wage settlements.

- **Local issues – i.e. what is our current minimum who gets this roles and numbers.**
- **What would it cost to implement here**

Excluding apprentices: Our lowest salary is £12,435 (£238 per week or £6.44 and hour) .

Employees on grades T through to R (our 3 lowest pay grades) fall below the Living Wage which equates to £14,373 pa

Around 800 staff (inc. schools) are currently paid below the LW- the greatest number of these are in schools Post which are not paid at LW level include

CLEANER
SPORTS ASSISTANT
PARK & RIDE ATTENDANT
SCHOOL MEALS SUPERVISORY ASSISTANT
CATERING ASSISTANT
SCHOOL CROSSING PATROL

The total cost of implementing the LW would be around £310k. This includes a maximum allowance for 'on-costs' (Employers National Insurance and Pension Contributions) assuming staff are in the Local Government Pension Scheme. For the non-schools pay bill the cost is around £210k, for schools the cost would be in the region of £100k. The apparent disparity in cost arises from hours worked i.e. a large number of part-time staff in schools working very few hours.

These costs relate only to uplift the wages of those currently falling below the LW.
If this is a Council decision there is potential that schools will need to be compensated for their additional pay costs. Their funding is distributed through an agreed formula and distributional impacts would require consideration as well as the position in relation to Academies.

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Implications remain for differential and pay line/strategy.

Implications for implementing National Award would also need consideration.

- **What are the other potential implications of implementation/ how might they be avoided)**
 - Introducing the LW would give all the staff on grades S-R a salary increase.
 - This would effectively take staff off the National Pay Spine and careful consideration about how to implement this would be necessary in order not to compromise the Council's position in respect of national pay bargaining
 - Serious consideration also need to be given to existing differential and the continuing impact on pay points adjacent to the 'LW rate' As the LW is reviewed each year, implementation may encroach further up the pay scale.
 - There are concerns that the introduction of the LW could give rise to equal pay claims as staff graded differently would attract the same salary. However, in order to succeed, with such a claim, the claimant would need to show that the discrepancy in salary was due to gender. As this would clearly not be the case, claims could be successfully resisted. Further advice and some discussion with LAs who have implemented would be advisable before making any decisions.
 - There are also concerns about the timing of such an initiative in the current financial climate and the context of staff cuts.
 - There will be increases in salary cost for some services already looking at reducing salary costs
 - There will be an increase in the cost of services provided at a charge by the council – principally cleaning and catering .Schools would be most significantly affected
 - There would be increases in the cost of services provided by external contractors if this aspect of the LW were implemented If external contractors did not implement the LW then
 - They could undercut the council if there was competition on procurement possibly resulting in loss of jobs
 - They might be disinclined to bid for contracts if a staff TUPE exercise were necessary, potentially conflicting with the new procurement policy and initiatives. This needs to be considered against the 'Think Local ' aspects of the Procurement Strategy
 - The potential for generating conditions on which equal pay claims could be mounted needs to be carefully managed
 - The impact on the pay line and the potential for the LW to affect staff at higher levels within the grades must be carefully considered

SCP	Band	Hay Points	April 2011-12	Living Wage	April 2013-14
4	T	50-69	12, 145		12,266
5	S	70-80	12, 312		12,435
6			12, 489		12,614
7	R	81-97	12, 787		12,915
8			13, 189		13,321
9			13, 589		13725
10			-	£14,373 pa	
11	Q	98-112	14, 733		14,480
12			15, 039		15,189
13			15, 444		15,598

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- **What are the potential implications related to procurement of service**

Further consideration is needed in relation to the request seeking contractors to also pay the LW. We could not insist on contractors paying the LW, although some recognition could be specified within award criteria to those paying it. There could also be associated cost implications.

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