

REPORT TO: Executive Board

DATE: 14 March 2019

REPORTING OFFICER: Strategic Director, Enterprise, Community & Resources

PORTFOLIO: Resources

SUBJECT: Adoption of the Real Living Wage for Council employees

WARDS: Borough Wide

1.0 PURPOSE OF THE REPORT

- 1.1 To outline the context and background of the Real Living Wage in the UK.
- 1.2 To set out the relationship between the new NJC pay spine for Local Government employees (April 2019) and the UK Foundation Living Wage, within the context of the Liverpool City Region Fair Employment Charter currently being consulted upon
- 1.3 To provide a summary of requirements placed upon employers who seek to become accredited to the UK Living Wage Foundation.

2.0 RECOMMENDATION: That

- 1) the report be noted;**
- 2) the Board approves the paying of the prevailing Living Wage rate from April 2020, and each April thereafter; and**
- 3) the Council does not seek accreditation from the UK Living Wage Foundation.**

3.0 SUPPORTING INFORMATION

- 3.1 The UK Living Wage Foundation publishes a 'Real Living Wage' annually in November, which the Foundation calculate on the basis of a true cost of living. The 'Real Living Wage' has existed since 2011 and has increased year on year.

- 3.2 The Council has previously explored the option of adopting the Real Living Wage, however it was found to be unaffordable and has remained an aspiration.
- 3.3 The 2018/19 Real Living Wage rate, announced in November 2018, is £9.00 per hour for the UK (outside of London). That compares to the 2018/19 National Living Wage rate of £7.83 per hour, as set by Government in legislation.
- 3.4 The National Living Wage was introduced in 2016. The rate increases every April in line with indexing and from April 2019 will be £8.21, increasing by 4.9% over the 2018 rate.
- 3.5 The law dictates that the National Living Wage must be paid to all employees over the age of 25.
- 3.6 It should be noted that in 2016, the Council took a decision to pay the National Living rate wage to all employees, including those under the age of 25. This has been the case since, and will remain so.
- 3.7 In addition, Members will also be aware that on the inception of the new national Apprenticeship framework in April 2017, the Council determined a pay rate for apprentices of 75% of the prevailing HBC3 grade – currently equating to £6.87 per hour. This is significantly higher than the £3.70 per hour first year apprenticeship wage applied in law, and higher than the National Minimum Wage rates applicable to people under the age of 20 (£4.20 and £5.90).
- 3.8 In April 2018 a two year pay deal for Local Government employees on NJC terms and conditions (Green Book) was agreed by National Employers and Trade Unions.
- 3.9 The first year of the deal covered 2018/19 and awarded staged percentage increases to staff on the pay points (SCP's) of the current NJC pay scales. The staged increases were higher for the lower pay points to enable Local Government employers to meet the legislative requirements brought about by the UK National Living Wage.
- 3.10 These increases are contractual and were applied to all NJC employees in Halton Borough Council in April 2018.
- 3.11 The second year of the pay deal is more radical and introduces a restructuring of the pay points from April 2019, resulting in a revised pay spine.
- 3.12 On examination, it is found that the 2018/19 Real Living Wage of £9.00 per hour exactly matches the hourly rate of the minimum pay point (SCP 1) in the revised NJC pay spine to be introduced in April 2019, which is also £9.00.

- 3.13 This means that from 1st April 2019, the Council will be paying the Real Living Wage as a minimum.
- 3.14 There is no guarantee that in future years a gap will not emerge between the bottom pay point(s) of the NJC scales and the 'Real Living Wage', however it is clear that the gap that had existed in previous years is largely eradicated by the implementation of the new NJC pay spines.
- 3.15 The Real Living Wage hourly rate is announced in early November each year. Accredited employers are given a six month period in which to implement the increase. It is therefore feasible that the Real Living Wage rate can be integrated with the annual NJC pay round, which takes effect each April.
- 3.16 If, in future years the lowest pay point in the NJC pay spine is set at a lower hourly rate than the Real Living Wage rate, the scope exists for the Council to match the rate and inflate the lowest NJC pay point (SCP 1) in April of the respective year to the hourly rate announced by the UK Living Wage Foundation in the preceding November. This would enable the Council to consistently pay the Real Living Wage.
- 3.17 Consultation is currently underway within the Liverpool City Region on a 'Fair Employment Charter'. There is a salient expectation that public sector employers within the City Region will sign up to the charter, in order to lead by example and encourage other employers to do so.
- 3.18 It is expected that within the final version of the 'Fair Employment Charter' there will be a commitment to pay the Real Living Wage.
- 3.19 The UK Living Wage Foundation encourages employers to become accredited 'Living Wage Employers', signing up to adhere to the published 'Real Living Wage' rate and ensuring that all employees are paid that rate as a minimum.
- 3.20 Accreditation also requires that payment of the Real Living Wage is inherent within the organisational supply chain, which would mean that the Council would need to ensure that all procured suppliers and service providers were paying the Real Living Wage to their own employees.
- 3.21 In practice this would be extremely difficult to achieve because a supplying organisation can only be asked to pay a given rate voluntarily. Were they to do so, it would invariably be passed back to the Council in contract costs during the procurement process, and for the duration of the contract.
- 3.22 In requiring procured suppliers and service providers to pay the Real Living Wage, there is a risk that suitable organisations would exclude themselves from the procurement process, thus reducing the number of available suppliers in the market-place.

- 3.23 In addition, for an employer to become an accredited 'Living Wage Employer', a project must be implemented with the support of the Living Wage Foundation. A charge is made for this, based upon the size of workforce. The charge is not publicly available and is provided on application.
- 3.24 No enquiries have been made to the Foundation in respect of becoming accredited, on the basis that it would prove too difficult to incorporate the Real Living Wage into the Council's supply chain. Consequently, accreditation is not an option.
- 3.25 Within the immediate locality three other local authorities pay the Real Living Wage (Warrington, Knowsley and Wirral), as do Merseytravel, but none of these are accredited to the UK Living Wage Foundation.
- 3.26 The Liverpool City Region Combined Authority is accredited to the UK Living Wage Foundation. As it stands currently, this organisation appears to be the only accredited Living Wage employer in the sub-region with staff on Local Government terms and conditions.
- 3.27 It should be noted that a commitment to pay the Real Living Wage is a significant one in social and political terms. It would be very difficult to reverse that commitment if, for any unforeseen reason, the Council was to seek to do so in the future.

4.0 POLICY IMPLICATIONS

- 4.1 If the Board approves a commitment to pay the Real Living Wage, the Council's Pay Policy Statement (published annually in April) would require a slight revision to incorporate that commitment.

5.0 FINANCIAL IMPLICATIONS

- 5.1 The financial implications of an ongoing commitment to pay the Real Living Wage are neutral for 2019/20, and for any year that follows where the bottom NJC pay point equated to the prevailing Real Living Wage.
- 5.2 Future year costs, where the bottom NJC pay point did not equate to the prevailing Real Living Wage, would be difficult to forecast given the socio-economic dynamics that influence the calculation made by the Living Wage Foundation.
- 5.3 Notwithstanding 5.2 above, it is not anticipated that there would be a significant gulf between the calculations used by the UK Living Wage Foundation and that used by National Employers and Trade Unions in the collective bargaining process to determine annual NJC pay awards.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 Children and Young People in Halton

The recommendation is designed to ensure fair and equitable pay to the Council's lowest paid employees across all services, thus aiding recruitment and retention and securing quality service delivery.

6.2 Employment, Learning and Skills in Halton

The recommendation is designed to ensure fair and equitable pay to the Council's lowest paid employees across all services, thus aiding recruitment and retention and securing quality service delivery. In addition, it demonstrates a commitment to fair employment practices.

6.3 A Healthy Halton

The recommendation is designed to ensure fair and equitable pay to the Council's lowest paid employees across all services, thus aiding recruitment and retention and securing quality service delivery.

6.4 A Safer Halton

The recommendation is designed to ensure fair and equitable pay to the Council's lowest paid employees across all services, thus aiding recruitment and retention and securing quality service delivery.

6.5 Halton's Urban Renewal

The recommendation is designed to ensure fair and equitable pay to the Council's lowest paid employees across all services, thus aiding recruitment and retention and securing quality service delivery.

7.0 RISK ANALYSIS

7.1 As outlined in section 5.0, there is a risk that future year costs, where the bottom NJC pay point did not equate to the prevailing Real Living Wage, could be higher than anticipated. This risk is not thought to be significant.

7.2 Reputational risk may exist if the Council fails to sign up the final version of the Liverpool City Region Fair Employment Charter, given the Council's profile as a major public sector employer in the sub-region.

7.3 Future reputational risk may occur if the Council commits to pay the Real Living Wage in the immediate future, but later removes that commitment.

8.0 EQUALITY AND DIVERSITY ISSUES

There are no equality and diversity issues.

9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

None under the meaning of the Act.