

Report of the Deputy Chief Executive

Report to Executive Board

Date: 23 September 2015

Subject: Paying a Real Living Wage

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. This report recommends that LCC pays staff a real Living Wage from 1st April 2016.

Recommendations

2. To note that Council staff will be paid a real Living Wage at £8.01 per hour from 1st April 2016. This decision will be implemented by the Deputy Chief Executive.
3. That the budget strategy is developed to accommodate this and the minimum pay rate is annually reviewed as part of the budget strategy. Increases will be considered in terms of affordability, impact on pay structures and national pay settlements. This decision will be implemented by the Deputy Chief Executive.
4. LCC engages partners and the business community in Leeds to demonstrate how this change will help build a stronger economy and a compassionate city, with the Deputy Chief Executive reporting back on this and other key national developments regarding pay and benefit changes that affect low paid staff.

1 Purpose of report

- 1.1 This report recommends that Leeds City Council pays staff a real Living Wage of £8.01 per hour from 1st April 2016.

2 Background information

- 2.1 In-work poverty and low-pay issues are a concern in Leeds and actions are being taken regarding this. Specifically:
 - 2.1.1 Provision was made in the 15/16 budget to award a local top-up pay increase for our lowest paid staff. This deleted spinal column points 6 and 7; raising the base pay level to £7.19 per hour.
 - 2.1.2 In April 2015, the Executive Board agreed that Leeds City Council would adopt the West Yorkshire Combined Authority's Low Pay Charter. This commits the Council to initiatives to improve how lower paid staff are supported. This covers pay and benefits, but also how low paid staff are engaged at work in terms of training and development, communications etc. By acting as a good employer, the Council will also be able to assert influence through our supply chain and employers in the city in general
- 2.2 The charter commits the Council to work towards offering a Living Wage, as then defined by the Living Wage Foundation (LWF). This pay rate is currently £7.85 per hour outside of London. With assumed inflation this rate would be expected to be £8.01 per hour from 1st April 2016.
- 2.3 In July 2015, the government's budget proposals included the introduction of a National Living Wage for employees aged over 25 from 1 April 2016 at £7.20 per hour and rising to £9 per hour by 2020. The recommendation in this report is to use the LWF rate as the most appropriate benchmark and to pay in addition to what would be required to meet a new statutory minimum.

3 Main issues

A real Living Wage

- 3.1 There are number of reason why the LWF rate is currently an appropriate benchmark to use:
 - 3.1.1 This is a nationally and consistently recognised figure used widely across the UK and based on the costs of affording basic necessities. This rate is calculated by the Foundation by the Centre for Research in Social Policy (CRSP) drawing from research looking in detail at what households need in order to have a minimum acceptable standard of living. Decisions about what to include in this standard are made by groups comprising members of the public. The Living Wage is therefore

rooted in a consensus about what people need to make ends meet. The Living Wage figure each year takes account of rises in living costs and any changes in what people define as a 'minimum'.

- 3.1.2 This pay rate is not age-discriminatory as it does not set a qualifying age.
- 3.1.3 West Yorkshire Councils now pay this rate.
- 3.1.4 LCC can take the opportunity now to show leadership in the city to help the lowest paid benefit at a time of wider economic recovery.

Application and scope

- 3.2 By paying a real Living Wage of £8.01 per hour from 1 April 2016 the Council is not committing to automatic indexed future increases. Any future increases will need to take into account recommendations from the LWF, any national pay increases, affordability and the financial circumstances of the Council.
- 3.3 Estimates for adopting the pay rate of £8.01 per hour in 2016/17 are £4.6m (including basic pay and on-costs): broken down into general fund £2.3m, HRA £0.2m, Schools £2.1m.
- 3.4 It is proposed that all staff receive a real Living Wage. Unless there are exceptional circumstances, this principle applies to casual workers, agency workers and apprentices. This will be reviewed as part of the implementation process. A dialogue regarding implementation will also be held to support Schools.
- 3.5 Currently the Living Wage can be accommodated within the broad banded pay structure. It may, however, be necessary to review some roles who take on a very specific supervisory role at the bottom end of the pay structure (e.g. A2 staff who supervise A1 staff). Also, as the large majority of affected staff are part time and weekday only, there is a limited effect on the payment of premium rates in terms of the 2016/17 staffing bill.
- 3.6 Investment will affect around 3380fte/7800 actual employees, of which 1930 fte/3600 actuals are LCC staff and 1450 fte/4200 actual employees in Schools. The covers a range of front-line and support jobs most commonly including: Cleaners, Kitchen Assistants, Transport Assistants, Recreation Assistants, School Crossing Patrol Wardens and lunch-time Supervisory Assistants in schools. Around 80% of these staff are women.
- 3.7 In terms of how such staff will be better off under this proposal the following examples are given to show how income will rise:

A Kitchen Assistant is currently paid an annual salary of £6,748 for an 18 hour week. This salary will increase to £7,451 per year with the introduction of the Living Wage

A full-time Driver/Escort earns £14,338 per year. On the Living Wage this will increase to £15,207.

A part-time 16 hour Streetscene Attendant would increase pay from £5998 per year to £6,576 at the Living Wage rate.

Future considerations

3.8 In making this change attention is also drawn to further work that will need to be undertaken and reported to Executive Board. This includes:

3.8.1 How a new pay rate can support optimising increased skills, productivity, engagement and flexibility amongst staff

3.8.2 How this pay level will link to the development of the National Living Wage and national pay bargaining

3.8.3 Supporting and advising staff in terms of the links with welfare benefit changes regarding Family Tax Credits and the roll-out of Universal Credit in the next year or so. In doing this we will do more work to understand the many different types of circumstances staff are in and how better pay helps to maintain income levels.

3.8.4 Determining how the Council can explore and improve low pay through our supply chain.

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.1 Trade Unions support the introduction of a LWF Living Wage and have made this part of their latest pay claim.

4.1.2 There have been some initial discussions with Schools and these will continue to support implementation.

4.1.3 Business community views are being sought to see how the Council can increase awareness of links between skills, productivity and better pay.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 The proposals have a positive impact on in-work poverty, women, part time and young workers.

4.3 Council Policies and Best Council Plan

4.3.1 In June a White Paper was considered by Full Council regarding a cost of living issues. It is stressed that by paying a real Living Wage Leeds City Council will be furthering commitments to having a strong economy and being a compassionate city; leading the way in addressing skills and productivity alongside fair pay.

4.4 Resources and Value for Money

4.4.1 The estimated cost of adopting the Living Wage is £4.6m (including basic pay and on-costs) broken down into general fund £2.3m, HRA £0.2m, schools £2.1m. The Council will need to accommodate these costs in its budgets for 2016/17. In terms of overall context Leeds City Council plans to spend £890m on staffing in 2015/16, so this increase would be around 0.5% of this pay bill.

4.5 Legal Implications, Access to Information and Call In

4.5.1 Equal pay risks will be minimal provided overall pay structure differentials remain unaffected by increases.

4.6 Risk Management

4.6.1 This will be included in the Corporate Risk Register, together with similar pressures and uncertainties regarding our supply chain and contracts.

5 Recommendations

5.1 The Executive Board are asked to:

5.1.1 Note that Council staff will be paid a real Living Wage at £8.01 per hour from 1st April 2016. This decision will be implemented by the Deputy Chief Executive.

5.1.2 That the budget strategy is developed to accommodate this and the minimum pay rate is annually reviewed as part of the budget strategy. Increases will be considered in terms of affordability, impact on pay structures and national pay settlements. This decision will be implemented by the Deputy Chief Executive.

5.1.3 LCC engages partners and the business community in Leeds to demonstrate how this change will help build a stronger economy and a compassionate city, with the Deputy Chief Executive reporting back on this and other key national developments regarding pay and benefit changes that affect low paid staff.

6 Background documents¹

6.1 None.

¹The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.