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| <b>Report to:</b>   | <b>Council and Business Management</b>   | <b>Report of the Chief Executive</b> |
| <b>Date of Decision:</b>  | 16 <sup>th</sup> February 2016   |                                      |
| <b>SUBJECT:</b>   | The Living Wage  |                                      |
| <b>Wards Affected:</b>  | All  |                                      |
| <b>1. Purpose of Report:</b>  |  |                                      |
| 1. This report outlines the implications of the national annual review of the rate of the Living Wage for the Council and makes recommendations regarding payment for 2016-17. It seeks the agreement of Council and Business Management to apply the new rate from 1 <sup>st</sup> April 2016. |  |                                      |
| 2. Provide information about the new mandatory National Living Wage which is being introduced by the government for workers aged 25 and above, initially set at £7.20 per hour from 1 <sup>st</sup> April 2016.   |  |                                      |
| <b>2. Decision(s) Recommended:</b>  |  |                                      |
| That Council and Business Management agree:   |  |                                      |
| 2.1 to the proposal to increase the Living Wage supplement so, that with effect from 1 <sup>st</sup> April 2016, all Council employees are paid a minimum of £8.25 per hour.  |  |                                      |
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| <b>3. Consultation</b>  |  |                                      |
| 3.1 <u>Internal</u>   |  |                                      |
| The proposals contained within this report only relate to City Council employees.   |  |                                      |
| <b>4. Financial Implications</b>  |  |                                      |
| 4.1 After taking account of the NJC pay offer for 2016/17 and the likely outcome of the My Appraisal process, the additional salary costs to the Council in implementing the Living Wage at £8.25 per hour from 1 <sup>st</sup> April 2016 is as follows:-                                      |  |                                      |
|   |  | Full Year Impact<br>2016/17<br>£m    |
| Schools   |  | £0.290                               |
| DSD – Charged to Schools  |  | £0.814                               |
| Other Council Employees   |  | £0.102                               |
| <b>Total</b>  |  | <b>£1.206</b>                        |

The costs in the table above are inclusive of on-costs.

4.2 Subject to approval by Council and Business Management Committee, it is recommended that the costs of implementing the Living Wage for 2016/17 are met as follows:-

- the full year costs of Schools' staff from 2016/17 be the subject of consultation with the Schools Forum in the context of Schools Funding Reform
- the full year costs of DSD staff from 2016/17 will need to be recovered through income generation and be considered in the context of the service business model for future years
- the full year costs of the other Council employees from 2016/17 be met from existing service budgetary provision, including any corporate provision for inflation.

The full year cost of implementing the Living Wage at £8.25 per hour to Schools and DSD charged to Schools will be met as per Cabinet's decision on 11<sup>th</sup> June, 2012.

#### 4.2 Legal Implications

4.2.1 To ensure that any potential Equal Pay risks are mitigated it is essential that the principles of the Living Wage (LW) are applied consistently across the Council to all Council managed and School managed (non-teaching) employees and workers.

4.2.2. In order for the Council to continue to justify and defend challenges to its current Job Evaluation Scheme it is essential that the current grading structure, including the current scale points matched against current job scoring is maintained.

4.2.3. Governing Bodies in City Council Community Schools should be encouraged to apply the Living Wage in Schools for those non-teaching staff so that the minimum wage paid by the School for these staff is at the same minimum level as the Council to ensure that neither the school nor the Council is subject to equal pay litigation.

#### 4.3 Public Sector Equality Duty

An initial Equality analysis has been undertaken to identify whether there is any disparate impact arising from this proposal. This has identified that the proposal benefits the lowest paid employees within the Council who are predominantly female and part time.

### **5. Relevant Background**

5.1 The Council took the decision in June 2012 to implement the Living Wage for all employees including those working within schools. The new pay rates took effect in July 2012. The concept of the Living Wage was developed by the Joseph Rowntree Foundation trust and is the term used to describe the minimum hourly wage necessary for shelter (housing and incidentals such as clothing and other basic needs) and nutrition. This standard generally means that a person working

full-time with no additional income, should be able to afford a specified quality or quantity of housing, food, utilities, transport, health and recreation.

5.2 The current rate of pay for the Living Wage is £7.85 per hour and this is above scale point 10 of Grade 1 in the Council's pay scheme. With the increase to £8.25 per hour, this rate will now fall within Grade 2, scale points 11 and 12.

5.3 The Living Wage up-lift is currently paid to circa 2,576 employees of which 668 work within schools. These are predominantly women working in roles such as Kitchen Assistants, Cleaners and Domestic Assistants.

5.4 The rate for the Living Wage is annually reviewed by Loughborough University and is then recommended to 'Living Wage Employers' for adoption. The Council's policy is to review the rate annually and for any changes if agreed to be applied alongside any annual pay increase in the April of each year. The recommended rate for the Living Wage for 2016-17 is £8.25. If this rate is applied it will require a supplement to be paid to employees on scale points 4-10 within Grade 1 which is the existing cohort of employees in receipt of the Living Wage and scale points 11 – 12 within Grade 2.

5.4 From April 2016, the government will introduce a new mandatory National Living Wage for workers aged 25 and above, initially set at £7.20 per hour. Those aged 21 to 24 will continue to receive the National Minimum Wage which is currently set at £6.70. With the introduction of the National Living Wage the Council will have two scale points (5 and 6) within Grade 1 that are below the National Living Wage. However, the Living Wage rate paid to employees for 2016/17 of £8.25 per hour is above the hourly rate set by government.

## **6. Evaluation of Alternative Option(s)**

## **7. Reason for Decision(s)**

The Council is committed to tackling poverty and worklessness in Birmingham, the implementation of the Living Wage makes an important contribution to achieving this goal.

## **Signatures**

Chief Officer(s): .....

Dated: .....

## **List of Background Documents Used to Compile this Report**

Cabinet Report June 2012 - The Living Wage

Committee Report - Employment & HR Committee June 2012

## **List of Appendices Accompanying this Report (if any)**

None