

<b>Report to:</b>	<b>CABINET</b>
<b>Report of:</b>	<b>The Chief Executive</b>
<b>Date of Decision:</b>	<b>11<sup>th</sup> June 2012</b>
<b>SUBJECT:</b>	<b>THE LIVING WAGE</b>
<b>Key Decision: Yes</b>	<b>Relevant Forward Plan Ref:</b>
<b>If not in the Forward Plan: (please "tick" box)</b>	<b>Complied with Rule 15</b> <input type="checkbox"/>
	<b>Complied with Rule 16</b> <input type="checkbox"/>
<b>Type of decision:</b>	<b>Executive / Non-Executive</b>
<b>Relevant Cabinet Member:</b>	<b>Councillor Ian Ward</b>
<b>Relevant O&amp;S Chairman:</b>	<b>Councillor Carl Rice</b>
<b>Wards affected:</b>	<b>All</b>

<b>1. Purpose of report:</b>	
1.1	This report outlines a proposal for Birmingham City Council to adopt the Living Wage for its employees, which at current rates would result in the establishment of a minimum wage of £7.20 per hour. It highlights the benefits of this for the Council and for the citizens of Birmingham and seeks agreement to commit the financial resources required to implement the scheme.
1.2	It proposes that further work is undertaken to consider a broader application of the scheme in respect of contractors, and agency providers to the Council.
1.3	A change of administration has meant that it was not practicable to put this item on the Forward Plan.
<i>* To be completed if Rule 15 or Rule 16 applies because a key decision was not included in the Forward Plan</i>	
<b>2. Decision(s) recommended:</b>	
That Cabinet agree:	
2.1	That the costs of implementing the Living Wage for Birmingham City Council employees be met as set out in paragraph 4.2 of this report
2.2	To refer the decision to the Employment Matters and Human Resources Committee to make the required revisions to the Council's pay and terms and conditions for NJC employees to implement the Living Wage from 1st July 2012.
2.3	To apply the national Living Wage calculation on 1st April each year as set out in paragraph 5.3 of this report.
2.4	To a detailed examination to be undertaken to consider the benefits to the local economy and citizens of Birmingham and the financial implications for the Council of a broader application of the scheme in respect of contractors, and agency providers to the Council. A further report to be brought to Cabinet in July 2012 making recommendations on this matter.
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### **3. Consultation**

Consultation should include those that have an interest in the decisions recommended

#### **3.1 Internal**

Consultation regarding the report has been undertaken with the Deputy Leader, Chair of Resources, Governance and Member Development Overview & Scrutiny Committee and they are content for the report to proceed to decision. In addition consultation has taken place with regional and local trades union officers regarding the proposals.

Consultation with the Head Teachers and Chairs of Governors of affected schools will be progressed over the forthcoming weeks

#### **3.2 External**

The proposals contained within this report only relate to City Council employees. Broader consultation with affected stakeholders will be undertaken as part of the analysis regarding the impact of expanding the Living Wage to contractors and suppliers of the City Council.

### **4. Compliance Issues:**

#### **4.1 Are the recommended decisions consistent with the Council's policies, plans and strategies?**

Decision(s) are consistent with the policy priorities set out in the Council Business Plan and Budget 2012+.

#### **4.2 Financial Implications.** **(Will decisions be carried out within existing finances and Resources?)**

#### **Financial Implications**

The total number of employees currently being paid less than £7.20 an hour is 2545 City Council staff, composed as shown in the table below, and 529 schools staff.

<u>Directorate</u>	<u>Employees</u>
Adults & Communities	119
Children, Young People & Families (DSD)	2081
Children, Young People & Families (other)	90
Corporate Resources	4
Development & Culture	214
Homes & Neighbourhoods	37
<b>Total City Council</b>	<b>2545</b>
Schools employees	529
<b>Overall total</b>	<b>3074</b>

The additional cost of raising each individual's hourly pay to £7.20 is set out in the table below. These costs include pay, National Insurance and superannuation.

	Part-Year Impact 2012/13 £m	Full-Year Impact 2013/14 onwards £m
Schools	0.15	0.21
DSD - charged to schools	0.64	0.85
Other Council employees	0.20	0.27

DSD is the Direct Services Division which provides catering, cleaning and other services to schools on a fully traded basis.

It is proposed that:

- The part year cost of schools' staff in 2012/13 be met from the central element of the Dedicated Schools Grant.
- The part year costs of DSD and other Council employees in 2012/13 be met from the Policy Contingency.
- The full year costs of schools' staff from 2013/14 be the subject of consultation with the Schools Forum in the context of Schools Funding reform.
- The full year costs of DSD staff from 2012/14 will be considered in the context of the service business model for future years.
- The full year costs of the other Council employees from 2012/14 be built into the long-term financial plan.
- Any systems costs will be met within existing budgets.

#### 4.3 Legal Implications



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.

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.

There is a potential that the application of the Living Wage to the Council's current pay and grading structure, could have the effect of lifting those on the Living Wage onto the pay rates of grade 2; so that an employee whose job content has been evaluated at grade 1, but as a result of the LW, is in fact 'paid' at a scale point in grade 2.

In addition, there may be circumstances where the LW is increased in a year and the Council is not awarding a pay increase to any employees of the Council in that year.

In either event, on a balance on of probabilities it is likely that the Council will be able to justify the differential treatment compared to other employees, on the basis that the application of the LW is a proportionate means of achieving a legitimate aim.

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.

#### 4.4 Public Sector Equality Duty. (see separate guidance note)

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 concept of the Living Wage was developed by the Joseph Rowntree 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 Since its establishment in 2000 the Living Wage has been both adopted and advocated by a number of local authorities, these include Glasgow City Council, Islington Borough Council, Lewisham Borough Council, The Greater London Authority and Newcastle City Council. In addition a number of private sector firms have adopted the scheme including KPMG, Lush Cosmetics and Barclays Bank.
- 5.3 The established rate for those living outside of London is currently £7.20 per hour. The current minimum hourly rate paid by Birmingham City Council is £6.39. The Living Wage is reviewed annually every November by the Centre for Research in Social Policy at Loughborough University. It is proposed that the Living Wage is implemented on 1<sup>st</sup> July 2012 for direct Council employees and that the revised rate is applied annually on the 1<sup>st</sup> April in line with the usual pay cycle.



- 5.4 In addition to the clear personal financial benefits to employees, research has shown that the introduction of the Living Wage into organisations has resulted in improved attendance, greater levels of motivation and loyalty and improved recruitment and retention rates.
- 5.5 If the council were to adopt the Living Wage circa 3,000 employees (6% of the workforce) would benefit. Those affected are predominantly women (88%) working in roles such as kitchen assistants, cleaners and domestic assistants. Many of these roles have traditionally been difficult to recruit to and have had high rates of turnover. For all who currently receive mitigation as a consequence of the implementation of the Birmingham Contract, any support provided through mitigation will cease in October 2012. The introduction of the Living Wage would go some way to soften the blow of this finite payment to some of the lowest paid members of our workforce.
- 5.6 The proposal is that the Living Wage will apply to all Council employees and this will include school based employees working within Community Schools. As a consequence of the Local Management of Schools the decision regarding employee's terms and conditions rests with the individual schools Governing Body on advice from their Head Teacher/Principal. The Council will therefore consult with each school to secure agreement to implement the proposal and if required enable the payment to be back dated to take effect on 1<sup>st</sup> July 2012.
- 5.7 Many of the organisations that have adopted the Living Wage for its employees have gone on to expand the scheme to require contractors and agency suppliers to adopt the scheme. It is proposed that officers investigate the benefits, opportunities and costs of Birmingham City Council expanding this scheme in this manner.
- 5.8 The implementation of the Living Wage will require amendments to terms and conditions and the introduction of a new Living Wage scale point. It is recommended that a detailed report making recommendations on these matters including the date of implementation is taken for decision to the Employment and Human Resources Committee.

## **6. Evaluation of alternative option(s):**

- 6.1 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.
- 6.2 Consideration could have been given to establishing a local minimum wage for the Council. To maintain the validity and efficacy of this would have required an ongoing investment in research and validation to enable an annual calibration of the rate. The rate for the Living Wage is annually review by Loughborough University and the information is provided to Local Authorities at no cost.

## **7. Reasons for Decision(s):**

- 7.1 To ensure that the lowest paid workers in Birmingham City Council receive a minimum level of pay as part of its strategy to tackle poverty and worklessness in Birmingham.

## **Signatures (or relevant Cabinet Member approval to adopt the Decisions recommended):**

Chief Officer(s): .....

Cabinet Member: .....

Dated: .....

**List of Background Documents used to compile this Report:**

None

**List of Appendices accompanying this Report (if any):** None