

North Tyneside Council

Report to Council

Date: 27 September 2012

ITEM 10

Title: The Living Wage

Portfolio(s): Elected Mayor

Cabinet Member(s): Mrs Linda Arkley

Report from Directorate: Chief Executive's Office

Report Author: Carol Murphy (Tel: 0191 643 5027)
Human Resources Manager (Strategy, Remuneration and Reward)

Wards affected: All

PART 1

1.1 Purpose:

This report is provided pursuant to the Motion agreed by the Council at its meeting on 4 July 2012 in relation to investigating paying Council employees the Living Wage (£7.20 per hour) as a minimum, and to advise Council of the outcome of a pay audit of all full-time and part-time employees that has been conducted to assist in establishing the financial, legal and human resources implications associated with implementing the Living Wage.

1.2 Recommendation(s):

It is recommended that Council:

- a) Notes the information contained in this report and agrees that further work is undertaken to consider the fuller implications of implementing the Living Wage.
- b) Agrees that a report on progress is brought back to Council within the next 3 months.

1.3 Forward plan:

This report does not appear on the Forward Plan but requires consideration by Council in response to the Council Motion of 4 July 2012.

1.4 Council plan and policy framework:

This report relates to Priority 3: Our Resources in the Council Strategic Plan.

1.5 Information:

1.5.1 Background

At the rearranged meeting of Council held on 4 July 2012 the Council resolved as follows:

“This Council proposes that North Tyneside should investigate the implications of any National Agreement to pay Council employees the Living Wage (£7.20 per hour) as a minimum. To assist with this the Council will conduct and publish a pay audit of all full-time and part-time employees, and a report outlining all financial, legal and human resources implications associated with implementing the Living Wage will be submitted for consideration by full Council within 3 months.”

1.5.2 The Living Wage

The Living Wage is a campaign that began in the USA and moved to Britain in the early 2000s. The Living Wage Foundation has been set up in recent years to promote the Living Wage Campaign.

The Living Wage Campaign is promoted by the Fair Pay Network and calls for every worker in the country to earn enough to provide for their family with the essentials of life. These earnings are communicated in terms of a minimum wage per hour of £8.30 for London boroughs and £7.20 for areas outside of London.

The Living Wage Campaign does not form part of the National Minimum Wage Agreement nor is it part of the National Joint Council for Local Government Services Pay and Terms and Conditions Agreements.

1.5.3 Initial Findings

The Living Wage has been based on a formula in which the main living cost element is derived from figures from the Family Budget Unit (FBU). The FBU calculations, made in 1998, are based on lists of essential items in the budget of different types of family. These were drawn up by experts, based on a variety of evidence including scientific evidence on physical needs and current norms. The findings noted that based on these calculations the North East had the second lowest budget costs within England, Scotland and Wales. However there is no regional deviation from the proposed rates of pay other than for inner London and the rest of the country.

The Living Wage rates promoted by the UK Living Wage Campaign are set independently and updated annually. The ‘out of London’ rate is calculated by the Greater London Authority by a team of economists. The national rate for outside London is calculated by the Living Wage Foundation and economists from Loughborough University. The Joseph Rowntree Foundation funds this work.

A number of organisations have signed up to the campaign including a number of private sector companies and a few of the London Borough Councils. According to the Living Wage Campaign Website, the benefits to organisations of adopting the Living Wage include those listed below to varying degrees:

1. Reputation benefits

2. Recruitment and retention of staff
3. Worker morale and motivation
4. Productivity
5. Quality of service provided
6. Lower Absenteeism
7. Ability to attract high quality employees
8. Buyer/supplier relationship
9. Visibility of costs and resources
10. Ease of implementation of new working practices
11. Stakeholder relations.

1.5.4 Regional Considerations

A regional group has been set up by the North East Employers Organisation which includes trade union representatives to consider the implications for local authorities and the region of implementing the principles of the Living Wage. This group is due to report back its findings over the next few months.

Newcastle City Council has completed a comprehensive review of the Living Wage and has published its 'A Living wage for Newcastle' report which details how the concept could assist the Council in achieving its priorities for Newcastle in respect of delivering its social and economic policies. While the report discusses positively the impacts of the implementation of these topics, it does not detail how this would be implemented or how they plan to overcome the equality issues that are inextricably linked.

North Tyneside Officers from Human Resources attended an event hosted by Newcastle City Council to launch its proposals for implementing the Living Wage. The City Council commissioned an Independent Advisory Panel to consider the process for establishing a living wage for the City. The panel identified a number of practical issues and concerns associated with the implementation of a Living Wage. These were discussed at the event and included the following:

- **Affordability** – understanding how employers, particularly those from voluntary and community sector organisations, can afford to pay the Living Wage during a very difficult funding environment, and what the impacts might be on levels of service delivery.
- **Consistency** – where issues may arise if the private and voluntary organisations that provide services to the council adopt a Living Wage for their staff operating in Newcastle, as opposed to those working elsewhere.
- **Benefits** – whilst many employees will benefit from the Living Wage, others may see their increase in pay off-set by reductions in their in-work benefits.
- **HR** – the implementation issues, particularly for larger organisations that may have more complex salary scales.
- **Procurement** – clear legislative barriers exist to insisting that contractors pay a living wage. However, there are practical and voluntary approaches that could be adopted which promote the living wage through good procurement practice.

North Tyneside have done some limited research into other authorities outside the region, but many of those contacted have not yet implemented Job Evaluation, and

where this is the case, those that are considering the Living Wage are implementing this within their Job Evaluation launch and associated pay structure, therefore ensuring any associated equal pay risk is diminished.

1.5.5 Workforce considerations for North Tyneside

- North Tyneside currently pays above the national minimum wage of £6.08 for employees over the age of 21. The lowest hourly rate currently paid by North Tyneside is £6.29.
- There are currently only employees within the Green Book terms and conditions of employment that receive less than the proposed £7.20 per hour.
- Implementing a minimum payment of £7.20 per hour would remove grades 1, 2 and the bottom spinal column point of grade 3, within the current Green Book pay structure.
- The maximum difference between North Tyneside's current lowest payment per hour of £6.29 and £7.20 per annum, equates to £1,745.00 per person based on a full time post.
- North Tyneside employed 1433 employees on Grades 1 and 2 and the relevant parts of Grade 3 in August 2012, with the main posts within these grades being Catering Assistants, Cleaners, School Crossing Patrol and Lunchtime Supervisors, who are predominantly female employees.
- Any increase in salary for Lunchtime Supervisors may be paid from the employing School rather than the Council.
- The removal of Grades 1, 2 and 3 will result in the requirement for a large scale job evaluation and pay structure review, to protect the Council from the associated equal pay risks

1.5.6 Pay Audit

An audit of full-time and part-time employees has been conducted to establish the breakdown in each of the Pay Grades which would be affected by the implementation of the Living Wage. The outcome of this exercise and associated costs are set out at Appendix A.

1.6 Decision options:

Council may:

1. Agree that further work is undertaken to consider the fuller implications of implementing the Living Wage and that a report on progress is brought back to Council for consideration within the next 6 months.
2. Take no further action.

1.7 Reasons for recommended option:

Option 1 is the recommended option as this will allow time to fully explore and investigate all the implications of implementing the Living Wage linking it to a planned review of the Council's Pay and Grading Structure and Job Evaluation Scheme.

1.8 Appendices:

Appendix A: Pay Audit

1.9 Contact officers:

Carol Murphy, HR Manager (Strategy, Remuneration and Reward) (0191 643 5027)
Stephen Ballantyne, Lawyer Specialist (Governance and Employment) (0191 643 5329)
Janice Gillespie, Senior Manager Corporate Finance (0191 643 5701)

1.10 Background information:

A Living Wage for Newcastle – a report from Newcastle City Council

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

- 2.1.1 Based on the figures within the Pay Audit (Appendix A) the cost to increase the 1433 posts to £7.20 per hour would be £533,699.12 excluding 'on costs'. There would also be an effect on the payment of a number of enhancements which are calculated at time and a half, double time or similar, or those calculated at a percentage of the salary per hour.
- 2.1.2 The current Green Book pay structure does not include a spinal column point that equates exactly to £7.20 per hour. To maintain the integrity of the national pay spine posts could be aligned to spinal column point 11 which equates to approximately £7.64 per hour which would increase baseline costs to £905,680.96, again excluding on costs.
- 2.1.3 The movement of employees to Spinal Column point 11 would create significant 'bunching' at the bottom of the pay scale, which without any other action would create an equal pay risk.
- 2.1.4 Leading on from Paragraph 2.1.3 to avoid 'bunching' there would have to be a policy decision about how pay differentials would be maintained across the full salary and grading structure. This would create further financial pressures which have yet to be fully quantified in time for this report.
- 2.1.5 In addition as the employees could be moved to the mid point within the grade 3 range, it would mean that 1524 employees would move to spinal column point 12 the following year due to incremental progression in accordance with Council policy, which would create an additional cost of approximately £2,500 excluding on costs.

2.2 Legal

- 2.2.1 There are legal requirements around consultation with the workforce on any changes to terms and conditions of service. Pay and Grading of the employees who would be affected by the introduction of the Living Wage falls within Part 2 of the National Agreement on Pay and Conditions of Service provided by the National Joint Council for Local Government Services known as the "Green Book".
- 2.2.2 To make such a change to terms and conditions of service, with minimal risk, the Council would have to enter into a collective bargaining exercise with the recognised trade unions to secure a Collective Agreement. A Collective Agreement signed by all the recognised Trade Unions would amend the terms and conditions of employment of all the Council's

employees whether or not they were in the Trade Union. The Trade Unions, if they supported this proposal, would not enter into a Collective Agreement without first undertaking a ballot of their Members.

2.2.3 Any changes that would affect a National Agreement, even to the benefit of employees who would see an increase in their pay, would have to be carefully assessed as changes to pay and grades at the lower end of the Council's pay and grading structure will affect the rest of the pay structure.

2.2.4 The Council agreed a local pay and grading structure through a Collective Agreement with the Trades Unions in April 2007 for "Green Book" Employees. Although the Council determines grade boundaries it uses a nationally agreed line of pay points known as "Spinal Column Points" to set these boundaries. The mechanism that the Council uses to do this is its job evaluation scheme which assesses the value of each job in relation to a number of factors. Applying job evaluation methodology helps the Council to manage any equal pay risks. If the salaries at the bottom of the pay and grading structure were increased in isolation then the pay differential to higher grades would be lost and the Council's ability to maintain the integrity of its pay and grading structure would be significantly affected. Accordingly, in the event of a proposal to implement the Living Wage, a full review of the Council's current pay and grading structure would need to be undertaken to assess the full implications.

2.2.5 In addition to the above it should be noted that for those employees employed in Council Schools, whether teaching or non-teaching staff, discussions to change any terms and conditions of service cannot be undertaken by the Council itself directly with the trades unions or the employees employed in schools. The function of discharging the Council's employer responsibilities in schools is undertaken by the Governing Body of each school, via Local Management of Schools (LMS). Therefore to pursue this for all Council employees requires the Council to engage with the Governing Bodies of council schools.

2.3 Consultation/community engagement

2.3.1 The Elected Mayor has been briefed on the proposals contained within this report.

2.3.2 Any changes to the pay and grading of the Council's workforce are subject to legal requirements around employee consultation and negotiation.

2.4 Human rights

2.4.1 The proposals in this report support the Council's adherence to Human Rights legislation.

2.5 Equalities and diversity

2.5.1 An initial assessment on the proposals to implement the Living Wage would mean an increase in the hourly rate for all those employees on the spinal column points set out in the report. This would be irrespective of the protected characteristics of the affected workforce.

2.5.2 A more detailed equality impact assessment would need to be carried out as part of taking any recommendation forward on the review of the Council's pay and grading structure.

2.6 Risk management

2.6.1 Any risks associated with any proposed implementation of the Living Wage proposals would be managed as part of the Council's approach to project management.

2.7 Crime and disorder

2.7.1 The proposals in this report do not relate to crime and disorder.

2.8 Environment and sustainability

2.8.1 The proposals in this report have no impact upon the environment.

PART 3 - SIGN OFF

- Chief Executive X
- Mayor/Cabinet Member(s) X
- Chief Finance Officer X
- Monitoring Officer X
- Strategic Manager for Policy and Partnerships X

Appendix A – Pay Audit

Information contained within this Pay Audit is based on employee information as provided within the Business Management System Assignment Detail Report for August 2012. This information therefore includes all current employees who are expected to move to a partnership arrangement in November 2012.

North Tyneside Council currently has 9765 posts filled by employees, some of whom hold more than one post.

Of the 9765 posts, 4559 are full time and 5206 are part time posts.

The posts are split into 5 different sets of terms and conditions and therefore 5 different pay structures. These 5 groups are:

Table one: Number of posts by type

	Full time	Part time	Total
Craft	28	0	28
Green Book	3130	4450	7580
Soulbury	28	15	43
Teachers	1359	725	2084
Youth	14	16	30
Totals	4559	5206	9765

There are currently only employees within the Green Book terms and conditions of employment that receive less than the Living Wage Campaign's proposed £7.20 per hour. The Green Book presently allows for the payment of a number of enhancements to employees on or below spinal column point 28, therefore some of the employees earning less than £7.20 per hour are in receipt of such enhancements.

Based on employee data collated in August 2012, there are currently 1433 posts that are paid less than £7.20 per hour, of which 53 are full time and 1380 are part time.

Table 2 posts attracting less than £7.20 per hour

Grade	SCP	Job Title	Number of employees
1	4	Public Convenience Cleaner	1
		Cleaner	8
		School Crossing Patrol Warden	1
		Casual Cleaner	2
1	5	Public Convenience Cleaner	5
		Cleaner	19
		School Crossing Patrol Warden	18
		Casual Cleaner	8
		Unit Assistant	1
		Seafront Operative/Driver	4
1	6	Cleaner	342

		School Crossing Patrol Warden Casual Cleaner Unit Assistant Charge hand Cleaner Unit Assistant (Administration) Assistant Caretaker Cashier Staffroom Supervisor Caretaker Housekeeper Assistant School Cleaner Supervisor Cleaner Admin Assistant	46 11 13 1 2 1 1 1 2 1 1 1 1
2	7	Supervisory Assistant Catering Assistant Casual Cleaner Tractor Driver/Beach Cleaner Grass Cutting Operative (Pedestrian) Grass Cutting Operative (Driver) Curriculum Support Assistant Curriculum Resource Support Garden Waste Collection Team Member	28 23 1 1 13 28 2 1 11
2	8	Supervisory Assistant Catering Assistant Cleaner Casual Cleaner Garden Waste Collection Team Member Casual Catering Assistant Town Centre Operative	71 24 2 2 3 3 8
2	9	Supervisory Assistant Catering Assistant Cleaner Casual Cleaner Lunchtime Supervisory Assistant Supervisory Assistant Midday Supervisor Meals On Wheels Weekend Cat Assi Curriculum Resource Support Casual Catering Assistant Curriculum Resource Support L1 Technician CRS Food & Tech Kitchen Assistant Kitchen Domestic Food & Textile Technician Venue Assistant Support Assistant Clerk/Technician Resource Assistant	346 239 22 2 1 1 1 9 3 16 3 4 1 4 1 1 1 1 1 1

		Assistant Science Technician	1
		Toilet Attendant	2
		Play worker	1
		Staffing Support	1
3	10	Supervisory Assistant	1
		Domestic	1
		Exam Invigilator	30
		Senior Supervisory Assistant	2
		Senior Supervisor	4
		Senior Cleaner	1
		Casual Admin Assistant	8
		Breakfast Club Assistant	6
		Teaching Assistant	2
		Teaching Assistant	1
		Breakfast Supervisor	1
			Total 1433

The current Green Book pay structure is represented in Figure 1 below:

Fig1

<u>SCP</u>	<u>Salary</u>	<u>NI</u>	<u>Superann</u>	<u>TOTAL</u>	<u>Salary Scale</u>	<u>Staffing Numbers</u>
1	0	0	0	0		
2	0	0	0	0		
3	0	0	0	0		
4	12,145	512	1,737	14,394		12
5	12,312	529	1,761	14,602	Grade 1	56
6	12,489	547	1,786	14,822		424
7	12,787	577	1,829	15,193		108
8	13,189	617	1,886	15,692	Grade 2	113
9	13,589	658	1,943	16,190		663
10	13,874	687	1,984	16,545		57
11	14,733	773	2,107	17,613	Grade 3	91
12	15,039	804	2,151	17,994		493
13	15,444	845	2,208	18,497		57
14	15,725	873	2,249	18,847		107
15	16,054	907	2,296	19,257	Grade 4	103
16	16,440	946	2,351	19,737		532
17	16,830	985	2,407	20,222		82
18	17,161	1,018	2,454	20,633	Grade 5	119
19	17,802	1,083	2,546	21,431		109
20	18,453	1,149	2,639	22,241		1058
21	19,126	1,217	2,735	23,078		31
22	19,621	1,267	2,806	23,694	Grade 6	58
23	20,198	1,325	2,888	24,411		81
24	20,858	1,392	2,983	25,233		726
25	21,519	1,459	3,077	26,055		50
26	22,221	1,530	3,178	26,929	Grade 7	52
27	22,958	1,604	3,283	27,845		90
28	23,708	1,680	3,390	28,778		642
29	24,646	1,774	3,524	29,944		48
30	25,472	1,858	3,642	30,972		78
31	26,276	1,939	3,757	31,972	Grade 8	80
32	27,052	2,017	3,868	32,937		92
33	27,849	2,098	3,982	33,929		551
34	28,636	2,177	4,095	34,908		15
35	29,236	2,238	4,181	35,655		21
36	30,011	2,316	4,292	36,619	Grade 9	30
37	30,851	2,401	4,412	37,664		29
38	31,754	2,492	4,541	38,787		253
39	32,800	2,598	4,690	40,088		12
40	33,661	2,685	4,814	41,160		12
41	34,549	2,775	4,941	42,265	Grade 10	18

42	35,430	2,864	5,066	43,360		23
43	36,313	2,953	5,193	44,459		161
44	37,206	3,043	5,320	45,569		7
45	38,042	3,127	5,440	46,609		4
46	38,961	3,220	5,571	47,752	Grade 11	6
47	39,855	3,311	5,699	48,865		12
48	40,741	3,426	5,826	49,993		12
49	41,616	3,547	5,951	51,114		90
50	42,350	3,648	6,056	52,054	Hay Grade 12	6
51	43,700	3,834	6,249	53,783		15
52	45,150	4,034	6,456	55,640		11
53	46,600	4,235	6,664	57,499	Hay Grade 13	6
54	48,250	4,462	6,900	59,612		3
55	50,850	4,821	7,272	62,943	Hay Grade 14	21
56	53,700	5,214	7,679	66,593	Hay Grade 15	9
57	56,800	5,642	8,122	70,564	Hay Grade 16	4
58	60,400	6,139	8,637	75,176	Hay Grade 17	4
59	64,350	6,684	9,202	80,236	Hay Grade 18	0
60	69,000	7,326	9,867	86,193	Hay Grade 19	4
61	76,350	8,340	10,918	95,608	Hay Grade 20	1
62	79,500	8,775	11,369	99,644	Hay Grade 21	2
63	82,800	9,230	11,840	103,870	Hay Grade 22	4
64	86,350	9,720	12,348	108,418	Hay Grade 23	2
65	90,100	10,238	12,884	113,222	Hay Grade 24	2

66	108,950	12,839	15,580	137,369	Hay Grade 25	0
67	117,250	13,984	16,767	148,001	Hay Grade 26	2
68	125,600	15,137	17,961	158,698	Hay Grade 27	1
69	159,800	19,856	22,851	202,507	Hay Grade 28	0

The implementation of the Living Wage at this time would amend the pay structure at the bottom end as shown in Figure 2:

Fig 2

SINGLE STATUS TABLES - CONTRACTED-OUT - EMPLOYERS COSTS							
	<u>1 April 2011</u>		<u>6 April 2011</u>		<u>1 April 2011</u>		
	<u>Manual</u>		<u>Categories D,E</u>		<u>14.30%</u>		
<u>SCP</u>	<u>Grades</u>	<u>Salary</u>	<u>NI</u>	<u>Superann</u>	<u>TOTAL</u>	<u>Salary Scale</u>	<u>Staffing Numbers</u>
1		0	0	0	0		
2		0	0	0	0		
3		0	0	0	0		
4		0	0	0	0		
5		0	0	0	0	Grade 1	
6		0	0	0	0		
7		0	0	0	0		
8		0	0	0	0	Grade 2	
9		0	0	0	0		
10		0	0	0	0		
11		14,733	773	2,107	17,613	Grade 3	1524
12		15,039	804	2,151	17,994		493

Pay Audit Conclusions

Based on the figures above, the cost to the Council to increase the 1433 posts to £7.20 per hour would be £533,699.12 excluding 'on costs'. There would also be an effect on the payment of a number of enhancements which are calculated at time and a half, double time or similar or those calculated at a percentage of the salary per hour.