

ADOPTION OF THE LIVING WAGE

1. SUMMARY

- 1.1 The Living Wage has received much scrutiny over the last two years and the political momentum driving this has increased over that period. It should be noted that the Scottish Government is committed to this policy.
- 1.2 The majority of other Councils in Scotland have already formally adopted and implemented the Living Wage.
- 1.3 The estimated cost to Argyll & Bute Council of implementing the Living Wage would be around £250,000 per annum. These estimated costs include NI and superannuation contributions.
- 1.4 Following discussions with the Joint Trades Unions agreement has been reached to rationalise the pay frequencies from 6 payrolls per month to 2 per month provided a number of conditions were met. One condition was the implementation of the Living Wage at the Scottish Local Government rate of £7.50 with effect from 1st April 2013. The rate of £ 7.50 is linked to the 1% Pay Award on offer to the Trade Unions through CoSLA for implementation with effect from 1st April 2013.

2. RECOMMENDATIONS

- 2.1 That the Council agree to the implementation of the Living Wage with effect from 1st April 2013.

3. BACKGROUND

- 3.1 The Living Wage is deemed to be the minimum hourly income necessary for a worker to meet their basic needs and is calculated

according to the basic cost of living in the UK. A living wage is defined as a wage that gives individuals and families enough income to meaningfully participate in society, rather than merely provide the minimum income necessary for basic necessities.

- 3.2 The living wage differs from the minimum wage in that the latter is set by law and can fail to meet the requirements of a living wage - or is so low that borrowing or application for top-up benefits is necessary. In the UK, living wage campaigners take the position that a full-time worker on the National Minimum Wage cannot purchase a standard of living that meets “socially acceptable” standards.
- 3.3 Internal research from the Society of Personnel Directors in Scotland (SPDS) West of Scotland Group and CoSLA has confirmed that there are only three Local Authorities who have still to make a decision regarding the implementation of the Living Wage, Argyll and Bute Council is one of the three.
- 3.4 As part of the above research CoSLA conducted an online survey in both December 2011 and November 2012. The results clearly demonstrated that there is a commitment from most local authorities who have not already moved to the Living Wage to do so as part of a wider modernisation of terms and conditions.
- 3.5 It should be noted that following the implementation of Single Status Agreement, Councils implemented new pay and grading structure based on job evaluation outcomes of the agreed Scottish Councils’ Job Evaluation Scheme.

The agreed pay and grading structures in each Council underwent an independent Equality Impact Assessment and were endorsed as meeting statutory duty to provide an equality based pay and grading framework. These frameworks will provide a robust defence against future equality claims.

- 3.6 It is argued by some that the Living Wage, which essentially means “bottom loading” these pay structures, has the potential to compromise the work that has been done, and therefore the living wage, however desirable, is legally and technically complex at local level. While there is benefit to the lowest paid employees, the majority of whom are female, it gives rise to concerns that:
 - the rate would no longer reflect the assessment of the job content through the job evaluation process;
 - the differential in pay rates between grades would be significantly reduced whilst the differential in job content would not have changed;

- The adoption of an arbitrary rate not linked to job evaluation and the statistical methodology used to develop the pay structure undermines the integrity of the current pay structure;
- The deployment of separate methods of setting pay for different groups of employees within the same job population (to whom a common Job Evaluation scheme applies) potentially renders Councils vulnerable to a challenge that the pay structure is fundamentally flawed.

3.7 There are therefore concerns that adoption would distort the pay and grading model developed upon the evaluation of roles and the link between job content and payment levels established through the application of statistical methodology, undermining the integrity of the overarching pay and grading structure and making councils vulnerable to legal challenge and at risk in terms of defending their pay structures.

All differences in pay need to be justified on grounds other than gender in order to ensure the technical integrity of the structure- i.e. objective justification that is not tainted by gender. Some have argued that means increasing pay rates proportionately throughout the organisation, at significant cost, or rewriting the current pay structure altogether. This position is currently not under consideration.

3.8 It should also be noted that councils have a statutory duty to provide equal pay for employees and to conduct regular equal pay audits. Failure to meet these statutory responsibilities may result in future costly litigation and possible enforcement action by the Equalities and Human Rights Commission.

4. IMPLEMENTATION THE LIVING WAGE

4.1 The Living Wage would be introduced through a

- separate living wage 'allowance/supplement' that would sit alongside pay structures

The benefit to the Council in this option is that as employees progress through the salary grade the differential to the Living Wage rate should reduce over time and/or cease. In addition it allows the Council to clearly demonstrate which employees received the supplement and justify the reason why it is being paid which will assist in defending any potential challenges. All differences in pay need to be justified on grounds other than gender in order to ensure the technical integrity of the pay structure.

4.2 A Living Wage affords people the dignity to provide for themselves and their families.

50% of employees felt that the Living Wage had made them more willing to implement changes in their working practices; enabled them

to require fewer concessions to effect change; and made them more likely to adopt changes more quickly.

- 4.3 The estimated cost to Argyll & Bute Council based on current numbers would be around £250,000, inclusive of NI and superannuation contributions this however, may be subject to change depending on actual numbers affected at time of implementation should the Council decide to proceed.

5. CONCLUSION

- 5.1 The Living Wage has been adopted and implemented by the majority of Councils and is being supported by Scottish Government.

- 5.2 Research concludes that the Living Wage could be beneficial to both the employer and the employee which results in a potential win-win situation.

- 5.3 The initial assessment of the overall cost of this move to address low paid employment is that it is affordable.

- 5.4 However, there are risks in relation to the integrity of the pay scales and possible erosion of pay differentials if an option other than the separate 'living wage allowance' was adopted. This could result in challenges as a result of equality issues.

5.5 Following discussions with the Joint Trades Unions agreement has been reached to rationalising the pay frequencies from 6 per month to 2 per month provided a number of conditions were met. One condition was the implementation of the Living wage at the Scottish Local Government rate of £7.50 with effect from 1st April 2013.

5.6 The rationalisation of pay frequencies were identified as a key dependency in the HR & Payroll Service review agreed in February 2012. Failure to rationalise the number of pay frequencies would result in the anticipated savings not being achieved.

6. IMPLICATIONS

HR Potential changes required to salary scales and contracts for those employees paid below the Living Wage rate.

BUDGET	A significant impact on the Council's budget for 2013/14 onwards of an estimated £250k per annum inclusive of NI and superannuation contributions.
EQUALITY	In relation to Single Status and the evaluation of all posts through the Councils Job Evaluation Scheme – Gauge, it is likely that employees on the lower grades will see the introduction of a living wage as having a detrimental effect on their grading differential.
LEGAL RISK	None
	Risk to Council's reputation if only LA not to implement. In addition staff morale issues.
CUSTOMER SERVICE	None

Jane Fowler, Head of Improvement and HR – Telephone: 01546 604466

For further information, please contact: Lynn Finlay, HR Manager – Telephone 01546 604706