

REPORT TO: Policy and Resources Committee - 29 October 2012

REPORT ON: Living Wage

REPORT BY: Head of Human Resources

REPORT NO.: 368-2012

1 PURPOSE OF REPORT

- 1.1 The purpose of this report is to propose a timescale and outline the necessary steps for implementing the Living Wage and to advise the committee on the financial implications and other potential consequences thereof.

2 RECOMMENDATIONS

It is recommended that the Committee:-

- 2.1 notes the impact of introducing the Living Wage as committed to by the Council; and
- 2.2 approves the implementation of the Living Wage within DCC with effect from 1 November 2012, by paying a supplement to existing wage rates to bring them up, where applicable, to the equivalent of £7.20 per hour or £266.40 for a standard 37 hour week. (The supplement would not apply to overtime working, where existing premiums already ensure that more than £7.20 per hour is paid and should future pay increases result in existing basic rates moving closer to or exceeding the Living Wage, supplements would reduce or cease.)

3 FINANCIAL IMPLICATIONS

- 3.1 The cost of implementing the Living Wage within the Council would be £122,371 in a full financial year (see Appendix 1). The part year cost of implementation from 1 November 2012 would be £50,988 and this can be funded from the 2012/13 Revenue Budget provision for General Contingencies.

4 LIVING WAGE - BACKGROUND

- 4.1 At its meeting of 12 March 2012, the Committee welcomed the commitment by the First Minister that all SNP run Councils would introduce the Living Wage for Council employees. The Committee agreed to introduce the Living Wage and further that the Chief Executive would instruct appropriate officers to commence the necessary steps for implementation, reporting back to Committee on the commencement date for the introduction and also on the financial and other consequences of this decision.

- 4.2 The Scottish Government and its agencies already pay their own employees the Living Wage and encourage other employers within the public, private and third sectors in Scotland to do likewise. However, Scottish Councils are separate employers and although Local Government Employees are subject to some terms and conditions negotiated nationally via COSLA, it is a matter for each Council to determine its own grade structure and rates of pay and budget accordingly.
- 4.3 The Living Wage is calculated using a methodology constructed by the Centre for Research in Social Policy at Loughborough University, by the team that produces the Minimum Income Standard. The Minimum Income Standard is based on the CRSP's detailed research into the basket of goods and services that a family needs to be able to afford to buy in order to reach a minimum acceptable standard of living. The Living Wage outwith London is currently £7.20 an hour.
- 4.4 John Park MSP for Mid Scotland and Fife has launched a consultation process in connection with a proposal to introduce a Living Wage Member's Bill in the Scottish Parliament. The aim of the proposed legislation is to increase the number of workers, who are paid the Living Wage, by influencing their employers directly or through public sector procurement.
- 4.5 The Living Wage enjoys cross party support, with public backing from the Prime Minister and the Leader of the Opposition. Paying the Living Wage is good for business, good for the individual and good for society. Employers implementing a Living Wage policy report improvements in morale, productivity, attendance and recruitment and retention. Living Wage Employers also gain from improvements in public perception and approval. Most significantly the Living Wage affords working people the opportunity to provide for themselves and their families with some time and money left over for family life. Many thousands of families have been lifted out of working poverty as a direct result of the Living Wage.
- 4.6 The national legal minimum wage for workers aged 21 and over is £6.19 (with effect from 1 October 2012).
- 4.7 The DCC Local Government Employees Single Status job/grade structure has 13 grades, each with four incremental points and starts as follows:-
- Grade 1 - £6.27, £6.46, £6.65 and £6.85
 Grade 2 - £6.85, £7.07, £7.29 and £7.49
 Grade 3 - £7.49, £7.73, £7.94 and £8.31

(NB all pay rates have been frozen since 1 April 2010)

Implementing the Living Wage requires all employees in Grade 1 plus those on the first two points of Grade 2 to be paid £7.20 an hour. See Appendix 1 for numbers and costs.

- 4.8 There is no budgeted provision for additional wage costs and departments of the Council would have to fund any increases from savings. This would be assisted if implementation of the Living Wage was staged or commenced part way through the financial year. A number of other Councils have achieved the Living Wage by adding a supplement to existing wage rates, where applicable, to bring them up to £7.20 an hour for the standard working week. The supplement is not payable on overtime hours, where premiums take the hourly rate over £7.20. It is also recognised that should future pay increases result in existing basic rates rising towards or exceeding the Living Wage the need for supplements would reduce or cease.

- 4.9 Tayside Contracts is an arms length organisation owned jointly by Dundee, Angus and Perth and Kinross Councils. It operates as a separate organisation overseen by a joint committee of elected members from the three authorities. The Chief Executive and the Director of Corporate Services have met with the Managing Director of Tayside Contracts and it was agreed that consideration of the Living Wage in Tayside Contracts should be referred to the Joint Committee of that organisation. Consideration of the Living Wage should also be referred to other Joint Boards or arms length organisations, where appropriate.

5 **PROPOSAL**

- 5.1 It is proposed to implement the Living Wage within DCC with effect from 1 November 2012, in the form of a supplement to existing wage rates to bring them up, where applicable, to the equivalent of £7.20 per hour or £266.40 for a standard 37 hour week. The supplement would not apply to overtime working, where existing premiums already ensure that more than £7.20 per hour is paid. Should future pay increases result in existing basic rates moving towards or exceeding the Living Wage, supplements would reduce or cease.

6 **POLICY IMPLICATIONS**

- 5.1 This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti Poverty, and Risk Management. An Equality Impact Assessment has been carried out and will be made available on the Council website <http://www.dundee.gov.uk/equanddiv/equimpact/>

There are no major issues.

7 **CONSULTATIONS**

- 7.1 The Chief Executive, Director of Corporate Services and Head of Democratic and Legal Services have been consulted in the preparation of this report.

8 **BACKGROUND PAPERS**

- 8.1 An Equality Impact Assessment has been conducted in relation to this Report.

I Martin
Head of Human Resources

19 October 2012

APPENDIX 1

FINANCIAL IMPLICATIONS OF IMPLEMENTING MINIMUM LIVING WAGE OF £7.20 PER HOUR

DEPARTMENT	Staff With Contracted Hours		Staff Without Contracted Hours		Total	
	COST (£)	NUMBER OF PEOPLE	COST (£)	NUMBER OF PEOPLE	COST (£)	NUMBER OF PEOPLE
Education	6,372	28	86	1	6,458	29
Social Work	19,630	47	332	10	19,962	57
City Development	5,898	3	2,903	32	8,801	35
Environment	44,180	28	493	14	44,673	42
Chief Executive	369	2	622	8	991	10
Leisure & Communities	183	1	0	0	183	1
Corporate Services	1,086	2	953	15	2,039	17
Housing	566	5	0	0	566	5
Sub Total - DCC Departments	78,284	116	5,389	80	83,673	196
Leisure & Culture Dundee	2,980	5	10,467	154	13,447	159
Grand Total	81,264	121	15,856	234	97,120	355

Add National Insurance/Superannuation @ 26%

25,251

122,371