

REPORT TO THE EXECUTIVE



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PORTFOLIO	Resources & Performance Management
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Living Wage Pay Policy Proposals

PURPOSE

1. To seek approval to amend the Council's locally agreed National Joint Council (NJC) Pay Policy in order that the Council can become a Living Wage Employer.

RECOMMENDATION

2. That the Executive notes the report and recommends to Full Council that the proposed changes to the Council's grading structure in the NJC Pay Policy to implement the Living Wage be approved.
3. That the Director of Resources, in consultation with the Executive Member for Resources and Performance Management, be delegated to reach an agreement with the trade unions on an amendment to the time off in lieu (TOIL) arrangements as set out in the current version of the NJC Pay Policy and that she further be delegated to amend the Pay Policy in line with the agreement reached.
4. That, subject to the TOIL arrangements being agreed between the Council and the trade unions, the Living Wage amendments to the NJC Pay Policy will be implemented with effect from 1st April 2013.
5. That once implemented, the level of Living Wage paid to Council employees be reviewed annually as part of the budget process with any agreed changes being implemented from 1st April each year.

REASONS FOR RECOMMENDATION

6. To ensure that the Council's lowest hourly rate is enough for employees and their families to meet the basic costs of living, as calculated independently and updated annually by the Centre for Research in Social Policy at Loughborough University, which undertakes the calculation nationally (outside London).
7. To harmonise time off in lieu and overtime rates across the Council and eliminate the risk of unfairness in the workforce.

SUMMARY OF KEY POINTS

8. The Living Wage campaign had its early origins in the United States. It was launched in the UK in 2001 by parents in East London, who were frustrated that working two minimum wage jobs left no time for family life. The campaign was then championed across the capital by London Citizens and Mayoral candidates. Further campaign groups were then established in other cities.
- The original campaigns initially emphasised the role of local people seeking to identify a specific local Living Wage for the place in which they worked, but subsequently campaigns have increasingly moved towards adopting the Living Wage promoted by the Living Wage Foundation for all places outside London. This is sometimes referred to as the ‘national Living Wage.’ (NB The Living Wage Foundation is a registered charity and is an initiative of Citizens UK. It provides advice, support and accreditation to Living Wage employers.)
- The national Living Wage has merits over a locally determined rates in that its is simple and generally robust, the Foundation is independent and informed by experts in the field and the national Living Wage is increasingly accepted as a standard less open to challenge than one that is determined locally.
9. There have been no pay increases for NJC employees since 2009. As a result the National Minimum Wage (NMW) is now within approximately 10 pence of the equivalent hourly rate for the lowest point on the national pay scale (spinal column point 4). The method of calculating annual increases to NMW in future years means that it is likely to overtake local government Spinal Column Point (SCP) 4, if there is no national pay increases in 2013/14 or 2014/15. This will impact on authorities that retain SCP 4&5.
10. The Living Wage (LW) could have a significantly beneficial policy impact, if widely implemented within the North West region of England. The proposed LW rate outside London has just been increased from £7.20/hr (£13,609.32 nearest to SCP10 at £13,874) up to £7.45/hr (£14,082 – which sits between SCP10 and 11 - currently £14,733).
11. The LW position in the North West is as follows, based on information provided to the North West Employers organisation in November 2012
- | LW implemented (£7.20) | Commitment to implement LW | LW under consideration |
|-------------------------------|-----------------------------------|-------------------------------|
| Hyndburn | Blackpool (1/04/13) | Allerdale, Copeland, |
| Oldham | Chorley | Halton, Liverpool, |
| Preston | Manchester | Rochdale, |
| Wirral | Salford | Rossendale, Tameside |
| | | Trafford, Wigan |
12. The current national negotiations are not expected to make any commitment or establish a national process for the adoption of LW across English local authorities, despite this being part of the trade union pay claim for 2013/14. Based on current understanding, through to 2015, LW is likely to remain for local determination with implementation potentially having a significant impact authorities with higher numbers of employees on the lower SCPs.

13.	In addition to the financial benefits to employees, research into those organisations who have introduced the LW has reported a range of business and wider economic benefits including reduced absenteeism, increased productivity and improved 'employer of choice perceptions'. However some authorities (e.g. Newcastle City Council - A Living Wage for Newcastle) have worked with partners and the Living Wage Foundation to make a commitment to demonstrate broader benefits in the wider economy.
Issues for Implementation	
14.	Impact on the Single Status Pay Structure In April 2006 the Council implemented its agreed 14 grade pay structure and pay policy (backdated to 1 st April 2005). All the pay points in Grade 1 (SCP4 – 7) and Grade 2 (SCP 7- 10) in the current national pay spine (see Appendix 1) fall below the recently revised LW level of £7.45 / hr. The first pay point on Grade 3 also sits below this hourly rate. The application of a Living Wage of £7.45/hour would therefore impact on staff currently paid in these grades.
15.	The proposals will not change the pay levels for apprenticeships or other trainee posts.
16.	It is important to stress that the LW is not about the role or the job - it is about the cost of living. To ensure that any potential equal pay risks are mitigated, it is essential that the principles of the LW are applied consistently across the Council to all eligible employees. In order for the Council to continue to justify and defend challenges to its Job Evaluation Scheme, it is also essential that pay differentials are maintained in line with established JE scores and any changes agreed with the trade unions. Proposal
17.	In order to preserve the integrity of agreed pay structure one option would be to pay a separate discretionary supplement in addition to basic pay to achieve the LW of £7.45/hr. Other employers have approached the issue in this way and this is similar to way the Council is able to pay a market supplement as detailed in the NJC Pay Policy.
If this approach were applied, the arrangements would need to be monitored so that any future necessary adjustments to the supplement can be made including changes to basic pay, if an increment is awarded, or there is a promotion etc. The negative impact of this approach would be to reintroduce "the bonus" which is something the Council has purposefully moved away from as part of the Single Status Pay Structure. A further concern is that this approach erodes identified pay differentials as agreed under the Council's Pay Policy.	
18.	An alternative approach and the one proposed in this report, is for the Council to realign the pay structure for Grades 1, 2 and 3. A suggested revised pay spine is detailed in Appendix 2 .
As the Council has so few employees (3) and casual workers (24) on Grade 1 the proposal is that Grade 1 be deleted from the pay structure altogether and the job evaluation points score band for Grade 2 be changed from "240 – 269" to "up to 269". In addition, Grade 2 would be reduced from 4 to one single pay point, set at the LW. This would mean amending the current SCP10 from £13,874 to £14,082. The bottom pay point of Grade 3 would also be deleted leaving 3 pay points in this grade.	

	<p>This option would incur the same costs as paying a discretionary supplement, but has the advantage of greater stability, it does not reintroduce a bonus culture and would be administratively more straightforward to maintain.</p> <p>The equal pay risk is low. The Council will be able to justify the difference in treatment compared to other employees in that the application of the LW is a proportionate means of achieving a legitimate aim, namely the application of a national initiative to address poverty.</p> <p>Other Considerations</p>
19.	<p>There could be a potential impact of paying the LW to staff in receipt of benefits, as this could take someone over an earnings threshold which, in turn, could result in a loss of or reduced benefits. For some, the loss could be greater than the gain and hence they would be worse off. In such cases employees would be advised to contact their benefits provider to review their personal circumstances, but the Council would not be able to allow employees to opt out of the realigned pay structure.</p>
	<p>The Council renegotiated how it compensated employees for shift, evening, weekend and irregular hours working in October 2010. These are now based on a fixed amount and therefore the option proposed will have no impact on such payments. However this would have a potential but limited impact on overtime and Bank Holiday payments for those currently in Grades 1 – 2.</p>
20.	<p>NJC Pay Policy</p> <p>The proposals detailed in Appendix 3 are a change to the Council's agreed NJC Pay Policy and the amendment to SCP10 is a local change to the agreed national pay spine. In future, SCP10 will be a minimum of the LW or the agreed SCP10 on the national pay spine, whichever is the greater.</p> <p>SCPs 4-9 will be removed from the Council's grading structure which will reduce from 14 to 13 grades. SCPs 4-9 may still be used for traineeships or higher level apprenticeships.</p>
21.	<p>Time off in Lieu (TOIL)</p> <p>In addition, the Council would like to take the opportunity to bring the overtime and accumulation of TOIL calculations into line. In 2006 when the Pay Policy was agreed the overtime rate was reduced to time and a third but the higher calculation rate for TOIL for evening meetings (time and a half) was left unchanged. It is proposed that these will both be calculated at time and a third from 1st April 2013.</p> <p>Consultations are on going with UNISON at present to seek a resolution on the proposed TOIL changes and delegation is sought under the recommendations for the Director of Resources to reach an agreement, prior to the implementation of the LW changes to the Pay Policy.</p>

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

22.	<p>The hourly rates for casual staff will increase from between £0.11 – £1.02 per hour plus on costs. Based on casual hours worked in the relevant grades from October 2011 to September 12 the total increase is estimated as £4,000 including on costs.</p>
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For permanent or temporary staff the total cost of revising the pay structure or paying a LW supplement is estimated at just under £4,500.00 for 2013/14 plus on costs estimated at £1,300 to give a total cost of £5,800.00.

The total increase to the Council is therefore estimated at £10,000 per annum mainly impacting on Sport and Culture (Mechanics), Green Spaces and Amenities (Towneley) and Facilities Management (office cleaners) and represents a growth item as identified in the Council's budget process.

POLICY IMPLICATIONS

23. Changes to the NJC Pay Policy have been drafted at Appendix 3 for Council approval as detailed in para 20 and 21.

DETAILS OF CONSULTATION

24. The existing Pay Policy was agreed locally with the trade unions and the proposed changes have been discussed with both the Management Team and the Trade Unions. The GMB fully endorses the changes. UNISON supports the Living Wage and changes to the grade structure and discussions are on going regarding reaching an agreement on the proposed changes to TOIL.

BACKGROUND PAPERS

25. None.

FURTHER INFORMATION

PLEASE CONTACT:

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ALSO:

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