
Report To:	Policy and Resources Committee	Date: 13 November 2012
Report By:	Head of Organisational Development, Human Resources and Communications	Report No: HR/14/12/AM
Contact Officer:	Alasdair Moore	Contact No: 01475 712015
Subject:	Living Wage	

1.0 PURPOSE

- 1.1 The purpose of this report is to advise Committee how the Living Wage could be introduced in Inverclyde Council.

2.0 SUMMARY

- 2.1 The Living Wage is a proposal to set a minimum hourly rate currently £7.45 to be paid to employees.
- 2.2 The Living Wage can be introduced through various options but the preferred option being adopted by Councils in a similar position to Inverclyde is to make a payment using a supplement method of topping up an employee's pay to reach the £7.45 per hour recommended as the Living Wage.
- 2.3 There are issues in respect of differentials between Cleaners and Cleaning Supervisors but these have been discussed with the trades unions and it is accepted that the differential will be eroded.
- 2.4 There will be a cost to the Council if the Living Wage is introduced and this will become a budget pressure and included in the forthcoming budget round.

3.0 RECOMMENDATIONS

That the Committee agree:-

- 3.1 The introduction of the Living Wage from 1 April 2013.
- 3.2 The Living Wage of £7.45 is paid as a supplement as per the proposal in 5.2.
- 3.3 Where the Council applies a wage increase then any supplements are amended accordingly.
- 3.4 If the Living Wage is increased then a further report will be brought back to Committee.
- 3.5 The cost of introducing the Living Wage is included in the Budget process.
- 3.6 When the Council review the current Pay and Grading Model the Living Wage is incorporated into the design of the Model.

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4.0 BACKGROUND

- 4.1 The Living Wage is a proposal from the Administration contained in its manifesto and is supported by the trade unions and Scottish Government. The Living Wage is where an employer agrees to pay a minimum wage of £7.45, current rate.
- 4.2 Inverclyde Council currently has an agreed Pay and Grading structure based on the nationally agreed pay scales with a minimum wage of £6.27 per hour for employees on Grade A.
- 4.3 The number of employees affected if the Council were to adopt the Living Wage and the grades that they are on are shown in Appendix 1.
- 4.4 There is one issue in respect of grade differential if the Council were to introduce the Living Wage. This would be where Cleaners currently on Grade A and their Supervisors currently on Grade B would be paid the same rate of £7.45. This issue has been discussed with the trades unions and it has been agreed that if the Committee agree to introduce the Living Wage then the differential in pay would be eroded.
- 4.5 Options as to how the Living Wage would be introduced were considered. They included amending the Pay and Grading Model, phasing in the introduction to maintain differentials or by paying a supplement to the basic pay of affected employees. The Committee should note that other Councils who are in a similar position to Inverclyde Council have implemented the Living Wage using the supplement method.
- 4.6 If the Living Wage were to be introduced then this would be at cost to the Council. The cost is estimated at £385k per annum and as this would be a budget pressure, it would be included in the budget process.
- 4.7 If the Living Wage were to be introduced then any wage awards applied by the Council would require the Living Wage supplement to be amended accordingly.
- 4.8 The Council will, within the next few years, require to review its Pay and Grading Model. At that time the Living Wage should be introduced when redesigning the Model.
- 4.9 If the Council were to introduce the Living Wage as a supplement the current legal opinion is that there would be no equal pay challenges. This cannot be guaranteed but the proposals have been designed to minimise where practicable any risks to the Council.
- 4.10 The living wage was promoted throughout the country by the "Living Wage Week" which commenced on Sunday 4 November 2012. In addition it was announced that the Living Wage is to increase from £7.20 to £7.45 per hour. This increase in the level of the Living Wage has been used to calculate costs for the Council.

5.0 PROPOSALS

- 5.1 It is proposed that the Committee agree to implement the Living Wage of £7.45 per annum for basic pay only from the 1 April 2013.
- 5.2 It is further proposed that the Living Wage is introduced by paying this as a supplement to an employee's basic hourly rate as detailed below. This proposal is designed to minimise the risk of challenge to the Council in respect of equal pay.

The basic hourly rate that will be used when calculating the supplement will include any plusages applied through the Working Envelope, e.g. an employee on Grade B SCP 8 £6.85 per hour who attracts a 10% supplement will be paid £7.535 per hour which is above the Living Wage so no supplement would apply. The supplement will not be

applied to overtime rates.

- 5.3 That where a wage award is applied by the Council then the supplement paid will be reduced accordingly to reflect the hourly rate increase.
- 5.4 That if the Living Wage is increased from £7.45 an hour then it is proposed that a further report will be brought back to Committee.
- 5.5 That the cost of introducing the Living Wage becomes part of the Budget process.
- 5.6 When the Council agree to introduce a revised Pay and Grade Model then the Living Wage should be used as a guideline for the minimum hourly rate.

6.0 IMPLICATIONS

- 6.1 Finance: The introduction of the Living Wage will incur cost of £335,579 basic wage cost with NI and pension costs of £49,632 giving a total estimated cost of £385,211

Financial Implications – One off Costs

Cost Centre	Budget Heading	Budget Year	Proposed Spend this Report	Virement From	Other Comments

Financial Implications – Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
Allocated across services		1 April 2013	£385,211		To be included in the forthcoming Budget process

- 6.2 Human Resources: All Human Resources implications are included in this report.
- 6.3 Legal: Legal Services have been consulted on this report.
- 6.4 Equalities: The supplement will apply to all affected employees.

7.0 CONSULTATION

- 7.1 The trades unions have been consulted on this report.

8.0 LIST OF BACKGROUND PAPERS

- 8.1 Nil

APPENDIX 1

Affected Employees

Grade A : £6.27 to £6.46 per hour	199
Grade B : £6.46 to £7.07 per hour	232
Grade C : £7.07 per hour	33

TOTAL 464

Employee Groups concerned - Cleaners, Cleaning Supervisors, Catering Assistants,
School Crossing Patrollers, Park Let Officers