

REPORT TO: East Lothian Council

MEETING DATE: 23 October 2012

BY: Executive Director (Support Services)

SUBJECT: Living Wage

1 PURPOSE

- 1.1 The purpose of this report is to submit proposals to Council that support the introduction of the Living Wage.

2 RECOMMENDATIONS

- 2.1 Taking into account the risks and the impact this would have on the Council's LGE pay and grading structure identified in Section 3 of this report, the Council is asked to approve implementation of the Living Wage by way of a discretionary, non-contractual allowance, effective from 1 November 2012.

3 BACKGROUND

- 3.1 In June 2010, the Scottish Government confirmed that it would deliver a Living Wage of £7.15 per hour to all employees under its direct control, reflecting similar commitments made by various political party manifestos in the run up to the May 2012 Local Government elections. The Living Wage has since increased to £7.20 per hour.
- 3.2 Following a number of benchmarking exercises the position in other Councils has been established (see Appendix A) and is summarised below:

Number of Councils, including ELC, who have not as yet implemented	7
Number of Councils who have either implemented or are considering implementation	24
Number of Councils who did not respond	1

Where Councils have implemented, it has been approached in different ways with some Councils applying it as a supplementary allowance and others amending their pay structures.

- 3.3 LGE employees currently on spinal column points 1 to 11 are earning less than the Scottish Living Wage Campaign manifesto threshold of £7.20 per hour. East Lothian Council's Pay & Grading Structure starts at SCP 3, £6.36 per hour. The effect of increasing the hourly rate of employees currently placed on SJC SCPs 1 to 11 to the living wage threshold represents increases of between 0.56% and 16.69%, as follows:

SJC scp	Hourly Rate w.e.f. 1/4/2010	Increase in Hourly Rate to Living Wage threshold	Increase as a Percentage of Current Hourly Rate
1	£6.17	£1.03	16.69%
2	£6.27	£0.93	14.83%
3	£6.36	£0.84	13.21%
4	£6.46	£0.74	11.46%
5	£6.56	£0.64	9.76%
6	£6.65	£0.55	8.27%
7	£6.75	£0.45	6.67%
8	£6.85	£0.35	5.11%
9	£6.96	£0.24	3.45%
10	£7.07	£0.13	1.84%
11	£7.16	£0.04	0.56%

- 3.4 The implementation of the Living Wage as part of the current LGE pay and grading structure would impact on the current policy of evaluating jobs to establish their placing within the Pay and Grading structure where they fall within Grades 1 and 2 of the current pay and grading structure.
- 3.5 Grades within the current Pay and Grading Structure are defined by their Job Evaluation scores. The impact on grades by applying the Living Wage would mean that all jobs SCP11 and below on Grade 2 of the structure would be paid at the same rate of pay thereby causing a loss of differential, particularly for those employees on SCP13 of Grade 2, currently 41 in total. Although there is no vulnerability to equal pay claims as those in non-affected grades are already being paid more than £7.20 per hour, there is no way of knowing what challenges might arise or precedents that may be set that might create a vulnerability to other types of challenge.
- 3.6 One of the key drivers of Single Status was to remove allowances. The introduction of an allowance or supplement could set a precedent for introducing other allowances and if supported, this should therefore be considered as a one off approach.

- 3.7 Taking into account the above mentioned risks, the preferred method of implementation within East Lothian is by way of discretionary, non-contractual allowance. This approach would be more robust and defensible and likely to have a greater positive effect on the gender pay gap. This allowance would not count as pensionable pay and it would not be used in the calculation of overtime. The affected employees will be advised of the application of this allowance.
- 3.8 There have been ongoing discussions with the relevant Trade Unions and due consideration given to financial, budgetary and other risk implications as well as any scope for potential renegotiation of terms and conditions including changes to the flexi-time scheme. In this respect, it was agreed that discussions would continue as part of the wider budget deliberations between management and the joint trade unions.

4 POLICY IMPLICATIONS

- 4.1 Implementation of the Living Wage is in accordance with a commitment made in the Council Plan approved by the Council on 28 August 2012.

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 An equalities impact assessment has been carried out and it has identified that the majority of affected employees in the two lowest grades of the LGE structure are women; and a significant proportion of them are part-time workers.
- 5.2 The application of the Living Wage need not be applied to apprentices in the same way as the National Minimum Wage is not applicable to them. For information, the National Minimum Wage is £6.19 per hour (from 1 October 2012) for employees aged over 21 and for Modern Apprentices the National Minimum Wage is £2.65 per hour (from 1 October 2012). It is therefore recommended that Apprentices should be excluded from this proposal.

6 RESOURCE IMPLICATIONS

- 6.1 Financial – currently, approximately 145 employees earn less than £7.20 per hour. The initial whole year cost of implementing the Living Wage would be in the region of £54,000. This is a baseline figure and could increase considerably depending on the number of hours worked by part-time employees. In addition, there are a further 150 casual/relief employees who have not been included in the above figures who work on an ad hoc basis. As their hours of work vary considerably from day to day, it is not possible to quantify the cost of paying the Living Wage to these employees. These costs would be offset in keeping with any pay

rise subsequently applied which would erode the supplement proportionately.

Any costs incurred within 2012-13, will require to be managed within the existing approved budget levels for the services/departments bearing the costs. The recurring future costs will require specific additional provision to be made within the revenue budget development process for 2013-16.

6.2 Personnel - New procedures and processes will require to be developed and implemented to take account of changes to the way in which we grade lower graded posts and pay employees. In addition, terms and conditions will require to be reviewed to take account of the new allowance.

6.3 Other - None

7 BACKGROUND PAPERS

7.1 Report to council 28 August 2012 - Council Plan 2012-2017

7.2 Equalities Impact Assessment

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DATE	12 October 2012

APPENDIX A

Benchmarking - Living Wage As at March 2012

The following Councils have implemented or are about to implement the Living Wage, mainly by way of a supplement to the basic hourly rate:-

Aberdeen City (introduced)
Aberdeenshire
City of Edinburgh
Clackmannanshire (intend to implement but no timescale as yet)
Dumfries & Galloway (introduced)
Dundee City (decision made to implement but no date agreed)
East Ayrshire
*East Dunbartonshire
East Renfrewshire
Falkirk (introduced)
Glasgow City Council
Inverclyde
Moray (introduced)
North Ayrshire (introduced)
North Lanarkshire (introduced)
Perth & Kinross (introduced)
Renfrewshire (introduced)
Scottish Borders (introduced)
*Shetland
South Ayrshire (committed to implementing but no date agreed)
South Lanarkshire (introduced)
Stirling
West Dunbartonshire (introduced)
*Western Isles

*These Councils already consider staff to be paid above the Living Wage but have not formally introduced the policy.

The following Councils are still considering whether or not to implement or have decided not to implement:-

Angus
Argyll and Bute
Fife
Highland
Midlothian
West Lothian (recent agreement to increase Band A to minimum of £6.85)

No response:-
Orkney