

Meeting of:	Cabinet
Date of Meeting:	Thursday, 09 June 2022
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Cost of Living: The Living Wage & Pay Rates for Grades One and Two Staff.
Purpose of Report:	This report seeks approval from Cabinet to uplift the lowest paid pay scales (Grade 1 and 2) to adopt the current Living Wage rate, at present set at £9.90 per hour and approval to commence the process of the Council becoming an accredited employer of the Living Wage Foundation.
Report Owner:	Leader and Cabinet Member for Resources and Performance
Responsible Officer:	Tracy Dickinson, Head of Human Resources
Elected Member and Officer Consultation:	<p>Cllr Burnett, Leader and Cabinet Member for Performance and Resources</p> <p>Tom Bowring, Director of Corporate Resources</p> <p>Matt Bowmer, s151 Officer</p> <p>Strategic Leadership Team</p> <p>Relevant Heads of Service</p> <p>Trade Union Representatives</p>
Policy Framework:	This matter is for decision by Cabinet
<p>Executive Summary:</p> <ul style="list-style-type: none"> ○ This report provides an overview of the Living Wage, the Living Wage Foundation and explains the requirements to become a Living Wage Foundation Accredited Employer. ○ As part of our commitment to supporting all of our staff (particularly during the cost of living crisis) a cross functional group of officers was established within the Council to provide an integrated and collaborative review of the impact of the cost of living increase in the coming months and to consider how we can best support those most vulnerable in our communities and our internal staff, across all directorates. ○ This was in line with our long-standing commitment to staff wellbeing. 	

Recommendations

- 1.** That Cabinet approves the proposals set out in this report for the Council to adopt the Living Wage of £9.90 for our lowest paid grades (Grade 1 and Grade 2 who are currently paid £9.60 and £9.79 per hour respectively) with immediate effect.
- 2.** That Cabinet approves the proposal for the Council to commence the process of actively working towards the Living Wage Foundation Accreditation.
- 3.** That Cabinet receives a further report on the matters described in this report in due course in order to consider the implications of becoming an accredited Living Wage employer.

Reasons for Recommendations

- 1.** To acknowledge the significant contribution of staff in our lowest paid grades, which roles are often front line, part time, citizen facing and have been key to the Council's response during the pandemic.
- 2.** To support the Council with ongoing workforce pressures, articulated in our Corporate Risk Register around recruitment and retention and to ensure, in so far as possible, the Council has an attractive offering as a local employer of choice, with the ability to compete in a geographically wider market, which has become apparent with the widescale adoption of hybrid working, since the onset of the pandemic.
- 3.** To enable Cabinet to consider the implications of accreditation to the Living Wage Foundation, whilst acknowledging this is voluntary and will be reviewed by the Council regularly.

1. Background

- 1.1** A cross functional working group has been established to consider the current Cost of Living Crisis and what the Council can do to support citizens and employees. Proposals are to be considered by Cabinet as part of this agenda, for example, regarding the discretionary Cost of Living grant scheme and further work to provide information and advice for residents is currently underway.
- 1.2** As part of this working group, a focus has also been placed on how the Council can support Council employees with rising living costs in line with our continual review of staff pay and benefits. One such consideration has been to adopt the current pay rate reflective of the Living Wage (£9.90 per hour). The Living Wage is different to the National Minimum Wage which is a statutory provision.
- 1.3** Due to cost of living pressures and our commitment to staff wellbeing, the Council seeks to acknowledge the dedication and commitment of our staff across some of our lowest paid grades, acknowledging the excellent service provided to our citizens. This group have been predominately focused on the delivery of

front-line services and have been key to the Council response during the pandemic.

- 1.4** As well as directly benefitting those in receipt, adoption of the Living Wage and Living Wage accreditation comes with benefits to the employer (supporting staff retention, recruitment and development of our staff, particularly in a highly competitive recruitment market) and our communities, helping tackle inequality and lifting families of low paid workers out of poverty. There is also evidence to indicate that in doing so, other local employers are encouraged to adopt the Living Wage, improving the prosperity of the community and it is considered that this is a key community leadership role for the Council.
- 1.5** The national minimum wage (Currently £9.50) is statutory and is based on recommendations from the Low Pay Commission. The Living Wage (currently £9.90) is discretionary and is a separate rate calculated independently each year by the Resolution Foundation and overseen by the Living Wage Commission. The rate is based on the best available evidence about living standards in London and the UK. A basket of goods is used to benchmark and draws on the Minimum Income Standard to identify everyday living costs through public consensus. The real living wage is normally higher than the national minimum wage.
- 1.6** The Living Wage Foundation celebrates employers that sign up for accreditation by awarding them the mark of a responsible employer, which they may display on their materials and in their buildings. In order to be accredited employer, the Council must pay all directly employed staff the Living Wage and have an agreed plan in place for third party contracted staff.
- 1.7** Where contracted staff cannot be moved to the Living Wage immediately organisations can choose to roll out the Living Wage across third party contractors over time as the contracts come up for renewal.
- 1.8** More than 5,000 employers and over 50 Councils have made the commitment to go further than the national Minimum Wage and voluntarily pay the Living Wage, these include household names such as IKEA, Nationwide and Aviva.
- 1.9** Statutory apprentices pay rates are lower than the minimum wage as a contribution towards the cost of training and as a result there is no requirement for employers to adopt the Living Wage for apprentices' pay, although some choose to do so.
- 1.10** There are 3 elements an employer must consider when applying for accreditation:
 - Pay the Living Wage to all directly employed staff
 - Have a plan for contractors
 - Apply for accreditation

- 1.11** The Living Wage Foundation provides support to organisations who seek to gain accreditation and in the monitoring of compliance for directly employed staff and associated implementation plans for contractors.

2. Key Issues for Consideration

The Living Wage

- 2.1** This report seeks Cabinet approval to adopt the current Living Wage rate of pay (currently £9.90) for staff paid on our lowest paid grades (Grade 1 and 2) with immediate effect, subject of course to any call in requests being made for further consideration and scrutiny of the issue.
- 2.2** The report also outlines proposals for the Council to actively work towards becoming an accredited Living Wage Employer and as part of this work, a further report to Cabinet will be presented in due course to enable consideration of the implications of doing so.

The Living Wage and the Vale of Glamorgan Council

- 2.3** Having reviewed the pay structure back in April 2019, the Council approved the removal of spinal point one on the current NJC pay scale, automatically increasing the pay of the Council's lowest earning colleagues.

- 2.4** The following table shows the pay structure from Grades from one to five. Cabinet will note that this applies from 1st April 2021 following the recently delayed pay award. The rates from 1st April 2022 are currently being negotiated at a national level.

	Spinal Point	Full Time Annual Salary	Hourly Rate
Grade 1	2	£18,516	£9.60
Grade 2	3	£18,887	£9.79
Grade 3	4	£19,264	£9.99
Grade 4	5	£19,650	£10.19
	6	£20,043	£10.39
	7	£20,444	£10.60
Grade 5	8	£20,852	£10.81
	9	£21,269	£11.02
	10	£21,695	£11.25
	11	£22,129	£11.47
	12	£22,571	£11.70

- 2.5** Adopting the Living Wage rate would mean uplifting the rate of pay for the first two spinal points to £9.90 per hour. Therefore, any hours and enhancements would be paid at the new hourly rate.
- 2.6** Consideration has been given to the impact of doing so on those supervisory roles (for example, chargehand supervising cleaners who generally occupy grade three roles). A differential would be maintained, albeit of nine pence per hour. [Research in 2017 by Cardiff University](#) concluded “The main HR challenge associated with the Living Wage is potential disruption to established pay structures and just under half of employers (47 per cent) reported that the Living Wage had ‘reduced differentials between Living Wage employees and team leaders. As we have seen, there has been reform of pay structures in response to this effect. Where differentials had narrowed, however, the effect typically was not seen as of major significance and relatively few employers (19 per cent) reported that it had become more difficult to recruit to team leader or supervisory positions”.

2.7 Based on current salary information there are just over 650 staff on Grades one and two, with the majority of roles being within schools as illustrated in the following table:

	Grade 1 - £9.60 per hour	Grade 2 - £9.79 per hour
Number of staff	470	322
Salaries of Staff (per annum)	£2.521m	£1.614m
Increase of Salary of rates increased to £9.90 per hour	£79,500	£18,200
Oncosts – approx. 30%	£23,900	£5,500
Total Cost to increase to RLW p.a.	£103,400	£23,700

2.8 The table shows that the total cost to increase pay to the Living Wage rate would be £127k.

2.9 A number of staff in these roles regularly work overtime, and as such, it is considered prudent to include an additional £15k for overtime costs.

2.10 There are also a number of agency staff employed and the cost of increasing pay for this cohort is estimated to be a further £15k.

2.11 The proposals in this report therefore would cost approximately £157k in total

2.12 The following shows the most populated Grade one and two roles:.

Grade 1	Position	No. in Posts
	Breakfast Club Supervisor	162
	Cleaner	145
	Catering Assistant	98
	Domestic Assistant	21
	Kitchen Assistant	9

Grade 2	Position	No. in Posts
	Midday Supervisor	218
	Breakfast Club Senior Supervisor	33
	General Labourer	22
	School Crossing Patrol	11
	Security Guard	10
	LSA L1	7

- 2.13** Cabinet will note that due to grade one and two being uplifted to £9.90 per hour, the differential for the role of Break Club Supervisor (Grade one) and Breakfast Club Senior Supervisor (Grade two), will mean that both roles will be paid the same hourly rate.
- 2.14** This is the only role where this will be applicable . However, where this has happened with other roles in other authorities the issue has not caused any significant problems arising from the differential being removed. It is reported that a small number of staff requested to move to a lower grade role, but the majority stayed where they were as they enjoyed the additional supervisory responsibilities. This is consistent with the research from Cardiff University referenced above
- 2.15** It should be noted that there are a number of casual/relief roles with the structure paid at Grade one and two and this will also need to be factored into the ongoing assessment of costs to the organisation, albeit these will not be significant in the context of the overall cost of the proposals.
- 2.16** The Council has made significant improvements over the past few years to reduce its gender pay gap, with the figure for March 2021 standing at a median difference of 5.4% lower than men. In March 2018 this figure was 13.9%
- 2.17** Increasing the hourly rate of grades one and two would help reduce this further as approximately 90% of workers in these grades are female.

Accreditation as a Living Wage Employer

- 2.18** This report recommends that Cabinet approves the proposal for the Council to commence the process of actively working towards the Living Wage accreditation. Paying directly employed staff is the first step in seeking accreditation. It is important to note that as part of this process the Council has to commit to ensure that any suppliers or commissioned services also pay the Living Wage to their employees. It is proposed that the Council actively works towards the accreditation and in the coming months undertakes to determine the practicalities and affordability of doing so and that a further report to Cabinet be presented in due course.
- 2.19** Normally the Living Wage Foundation states that organisations have 5 years to ensure these suppliers pay the Living Wage. Therefore, there will need to be further work on how this would be achieved including the potential additional costs.
- 2.20** Should Cabinet approve the proposals in this report, communications will be issued to all colleagues to ensure they understand the reasons why the Council is applying the Living Wage rates. This will be part of a suite of communications relating to information and advice on the cost of living.
- 2.21** In proceeding in the way outlined in this report, Council staff will be positively impacted at the earliest opportunity.

3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?

- 3.1** The Council's Annual Delivery Plan 2022/23 has a theme specifically relating to hardship and draws together a series of actions across the Council focused on providing support, advice and assistance to those most in need. This includes our own staff employees.
- 3.2** A collaborative approach has been taken to identify how we best support those who could be impacted most harshly by the cost-of-living crisis. An Officer working group was established to fully understand the impact of the Cost-of-Living crisis on the residents and staff of the Vale and to make connections in an integrated way between the objectives of the Council's different departments. This has been cross-functional, integrated and collaborative, in line with the Five Ways of Working with input from all directorates.

4. Resources and Legal Considerations

Financial

- 4.1** There will be additional cost to the Council in increasing its wage budget. Details of the implications are outlined above and considering an element of modelling on any projected overtime and agency staff, total £157,000 at 2021 pay scales.
- 4.2** The pay rates from 1st April 2022 are currently being negotiated at a national level and as such any further increase will need to be considered once announced.
- 4.3** It is proposed to meet the additional cost for the 2022/23 financial year from the Council's reserves and for future years to consider as part of the annual budget setting process.
- 4.4** The Living Wage Foundation commits to reviewing the Living Wage each year, normally in November to align with Living Wage Week. As described above, this year it has been announced by the Living Wage Foundation that the review will be brought forward to the end of September 2022, to reflect the Cost-of-Living Crisis. It is therefore acknowledged that depending on the outcome of this, and any move to further the Council's accreditation application could lead to further costs not reflected in this report. Therefore Cabinet will receive a further report in due course.
- 4.5** Should the Council become accredited, there is a requirement to implement any announced increases as soon as possible and within six months of the increase announced.
- 4.6** Accreditation costs are nominal, based on a sliding scale and start at £60 for an organisation of less than 10 employees. The cost for our organisation will only become apparent as the application process progresses.

Employment

- 4.7** There are no direct employment considerations resulting from this report other than the benefits set out in this report and the increase in hourly rate to our lowest paid groups within our pay and grading structure.
- 4.8** As accreditation is voluntary any additional uplift to the Living Wage would be reviewed by the Council on an annual basis, considering aspects such as potential pay differentials as highlighted above.
- 4.9** In preparing these proposals, discussions have taken place with the Council's trade union representatives who have indicated support for the proposals set out within this report.

Legal (Including Equalities)

- 4.10** There are no direct legal implications relating to this report. Paying the Real Living Wage is voluntary and as such there are no legal implications to the Council's adoption.
- 4.11** These proposals are consistent with the socio-economic duty and have considered the impact on the staff demographic who will benefit from the increase in pay rates. The report highlights particularly the impact on female staff.

5. Background Papers

None.