

To: The Scrutiny Committee

Date: 2nd March 2015

**Joint Report of: Head of HR & Facilities
Head of Business Improvement & Technology**

Title of Report: Living Wage

Summary and Recommendations

Purpose of report: To provide an update on how the Council's commitment to paying the Oxford Living Wage has been implemented internally and across our supply chain.

Executive Lead Member: Councillor Bob Price

Recommendation(s) or major points for consideration:

To note the actions that have been taken in implementing this policy and proposed future initiatives.

List of background papers:

- ***Living Wage Employers business case report 2014 outlining the qualitative and quantitative benefits to businesses of paying the Living Wage***
- ***Living Wage Welcome Brochure 2015***

1. Introduction:

The Scrutiny Committee have indicated a general interest in how the City Council's commitment to paying the Oxford Living Wage (OLW) has been implemented. This update covers four specific areas:

- Whether all staff employed directly or through contractors are now being paid the Oxford Living Wage
- Whether this policy has presented any practical challenges or difficulties
- How the Council is promoting the Oxford Living Wage more widely
- Further initiatives to promote the OLW

2. Payment of the Oxford Living Wage:

The Council agreed to implement the Oxford Living Wage in Sept 2009. It is set at 95% of the London Living Wage in recognition of the high cost of housing within the City. In November 2014 the National Living Wage rate increased to £7.85 and the London Living Wage rate to £9.15 an hour. From April 2015, no Council employee or agency worker will earn less than the revised Oxford Living Wage of £8.69; the lowest Council salary scale point will be £8.98 per hour. From October 2015 this will increase to £9.12 as the bottom scale point will be removed at that time as part of the pay agreement. The only exception to this are our 26 apprentices who are paid at scales above the statutory national minimum for apprentices and who, on successful completion of their training, are likely to migrate into full-time roles paid above the OLW.

As a large employer and major commissioner of services with an annual third party spend of £56m, we use this position to influence others by demonstrating the business and longer term benefits of paying the OLW. All Council tenders with values over £100k require contractors to pay their staff and sub-contractors the OLW. It is a standard clause in the terms and conditions for all contracts including those below £100k.

The procurement team hold two Meet the Buyer events each year and at each event the team promote the requirement for our supply chain to pay the OLW and the benefits it provides to both employers and the wider Oxford economy.

3. Has this policy presented any practical challenges or difficulties?

The Council was already committed to addressing low pay, e.g. through its Single Status agreement, the introduction of an innovative Partnership Payment during the pay freeze, and most recently in its negotiation of a five year pay deal. The cost in relation to existing substantive post holders was factored in to medium term financial planning and has been relatively modest at around £9k per annum (with on-costs). New national and London Living Wage rates are conventionally notified in November which allows time for budgeting and implementation of the OLW.

Contracts with a value of more than £100k a year (e.g. FUSION) are subject to a robust monitoring process. These contractors are required to regularly provide performance information including evidence that they are fulfilling their obligations to the living wage policy. This is not the case for lower values contracts, so it is planned that the Business Improvement Team should conduct an annual survey of all current suppliers in October/ November each year. The results of this survey will be reported back to the Council and the public as part of Small Business Saturday (*usually in December each year). This will also include notification to the suppliers of the latest Oxford Living Wage rate. Additionally, instructions will be issued to contract managers on an annual basis requiring them to: a) notify contractors of the OLW uplift and b) request confirmation from contractors that they pay the OLW.

It is likely that requiring small businesses to increase their rates of pay in line with the OLW will result in an increase in procurement costs.

4. How the City Council is promoting the Oxford Living Wage more widely:

The Living Wage Foundation spoke at the January Meet the Buyer event which was attended by over 120 local small and medium sized enterprises (SME's).

The Council was shortlisted for a Living Wage Champion award by the Living Wage Foundation in November 2014 and is currently the only LW Council in Oxfordshire. We know that there are six other LW accredited employers in Oxford but determining how many other employers actually pay the LW is more difficult.

Both Procurement & HR promote the initiative further at any conferences we present at, writing to local employers and using Business in the Community cluster meetings to encourage them to join the campaign. The Leader of the City Council, working through the Local Enterprise Partnership, has promoted the OLW at:

- Business Leaders Roundtable
- 1:1 meetings with businesses and meetings with business groups
- Events - Business Breakfast and Business in Oxford 2014

Possible further initiatives:

The City Council has been championing the concept of a Living Wage since 2009 when Councillors passed a motion to introduce an Oxford Living Wage (OLW). We have continued to campaign actively for its wider adoption since we became an accredited Living Wage employer in 2012, and recognise that presenting a coherent business case to employers to encourage them to pay the Living Wage and take the next step to become accredited Living Wage employers is a smart strategy (an approach corroborated by the recent Living

Wage Employers business case report 2014). It is pleasing to see that two of the city's biggest employers, Oxford University and Oxford University Hospitals Trust, have made their first moves in January 2015 to seek LW accreditation.

A further possible initiative would be to encourage local businesses to have a two or three year phased approach to paying the OLW, starting by paying the national Living Wage; the Council could promote this through its various channels into business.

Members are asked to consider whether there are other viable options or incentives that could be explored to stimulate businesses to pay the OLW. For instance, Brent's Living Wage offer to businesses for discounts of up to £5k off their rates if they pay all staff a living wage?

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