

To: City Executive Board

Date: 20 May 2009

Item No:

Report of: Head of Human Resources

Title of Report: Achieving a Living Wage

Summary and Recommendations

Purpose of report: To make recommendations for the payment of a "Living Wage" following a Motion adopted by Council in November 2007

Key decision? No

Executive lead member: Cllr Bob Price

**Report approved by: Peter Sloman, Chief Executive
Simon Howick, Head of HR**

**Finance: Penny Gardner
Legal: Jeremy Thomas**

**Policy Framework: Oxford City Council Corporate Plan
Transform Oxford City Council by improving
value for money and service performance**

**Recommendation(s):
That the City Executive Board notes:**

- a) that it is proposed to implement the 'living wage' minimum level of pay as part of the Single Status collective agreement which is presently being negotiated with the trade unions;**
- b) The Oxford Living Wage will increase annually by any cost of living increases negotiated for the national pay scheme for local government. The Council will also review its living wage position in the context of the London Living Wage on a bi-annual basis, and make adjustments to pay grades accordingly to ensure it continues to reflect the relative position in Oxford.**
- c) The Strategic Procurement and Shared Services Manager will instruct Champion (the Council's preferred supplier of agency staff) to increase rates of pay to ensure all agency staff receive at least £7 per hour, inclusive of "rolled up" holiday pay with effect from the implementation date of the Single Status collective agreement;**

d) The Head of HR will work with Service Heads with a view to reduce the demand for agency staff over the next year by maximising the use of direct hire employees in accordance with the needs of the service;

e) The Strategic Procurement and Shared Services Manager will introduce into the Council's procurement process measures designed to allow appropriate consideration to be given to the sustainability of the offers received, such consideration to include the supplier's attitude towards the payment of the Living Wage, when considering the overall merits of the offers received. All such considerations will form part of the process to determine the lowest or most economically advantageous offer received in accordance with the Council's contract rules

Introduction

- 1.1 The Council adopted a Motion on a Living Wage in November 2007 (Appendix 1). In summary, the Council resolved that:
- Oxford City Council should commit to achieving Living Wage Employer status by April 2009, paying at least £7 per hour to all staff (permanent and temporary, including sub-contracted employers);
 - That the City Council should work with living wage campaigners, low paid workers, trade unions and employers to make Oxford a 'Living Wage City' in which every worker earns a living wage;
 - That the Chief Executive should designate an officer to prepare a report to the Executive Board setting out the financial commitment needed to achieve Living Wage Employer status, to consult with the Council's employees, and to work with other employers to get them to commit to becoming Living Wage Employers. This report should explore all possible funding options, including redistribution of current salary levels within the Council structure”.

Definitions

- 2.1 The Council provides a range of services through various means and for the purposes of this report the following definitions are relevant:

Employees – those persons directly employed by the Council and paid through its payroll

Agency staff - workers who are paid by an employment agency to provide gaps in our staffing or to support direct delivery of services (not employees of the Council).

Contractors - provide a service on behalf of the Council typically engaged on a day rate basis (services in practice are often provided by one person)

Key service suppliers - suppliers delivering key services on the Council's behalf (e.g. Fusion)

Tier 1 suppliers - any main suppliers that provide services to our key service suppliers (such as Emprise, the cleaning supplier to Fusion)

Suppliers –deliver services on the Council's behalf. They typically include companies such as Champion, Lyreco, Buildbase, etc.

Living Wage – employees

- 3.1 The Council pays all of its direct employees using the national pay scheme for local government. This is compliant with the National Minimum Wage Regulations 1998 that applies to all workers, currently set for adults (which means people aged 22 and over) at £5.73 an hour. For workers aged 18-21, its £4.77 an hour (the 'development rate').
- 3.2 The lowest rate of pay for a current Council employee is £6.21 per hour (Including the recent arbitration settlement on the national pay award).
- 3.3 There were 29 employees paid at below £7 per hour although many of these have transferred to Fusion as part of the new Leisure services partnership arrangement.
- 3.4 Employees also receive paid annual leave and bank holidays.
- 3.5 The Single Status project is at an advanced stage and implementation is planned for 1 September 2009, subject to agreement. Under the agreement, a new set of pay grades will be introduced and the lowest pay point is £7.10 per hour.
- 3.6 Any cost of living increase applied (effective from each April) to these pay points will have a further positive effect.
- 3.7 As part of the Single Status project, the Council is also undertaking a fundamental review of terms and conditions of employment in order to ensure equality and value for money across services. This will include minimising the requirement for overtime and use of flexible working arrangements (e.g. proposing to introduce annualised hours contracts for some groups of staff where the work is more seasonal (i.e. longer hours in the summer, such as Parks)
- 3.8 The cost of achieving a Living Wage for Council employees is budgeted within the Single Status project, therefore there are no additional costs.

Living Wage – agency staff

- 4.1 Following the recent loss of agency work at BMW through another temporary agency supplier the Council will look at to maximise permanent employment opportunities by reviewing the number of agency staff employed.
- 4.2 The Council has a sole agency contract with a local supplier, Champion, for supply of agency staff and the contract is managed by the Strategic Procurement and Shared Services Manager.
- 4.3 Agency workers (typically paid at less than £7 per hour) include cleaners refuse/recycling loaders and street cleaners. There are approximately 30 of these.
- 4.4 These workers receive an hourly rate which includes holiday pay (thus an increased hourly rate). This is to address the complexities of granting paid holiday to agency workers who typically prefer to be paid for holiday and take time off between contracts.
- 4.5 Agency workers only get Statutory Sick Pay when sick (Council employees receive full and half pay sick leave benefit, based on service). The Council motion also proposes 10 full days sick pay, but this could have significant cost and administrative implications for the Council and its contractors. The drive to maximise permanent employment opportunities will create improved terms and conditions equivalent to the core staff group.

- 4.6 Forthcoming EU agency laws under a European Directive (once implemented domestically) will grant basic working and employment conditions that will apply to the worker concerned if they had been recruited directly to occupy the same job, i.e. such as equal pay and holiday entitlement after 12 weeks in the job as an agency worker. It will not cover occupational social security schemes (schemes (i.e. any enhanced Council sick pay, maternity, paternity and pension benefits).
- 4.7 In order to ensure that all current agency workers receive a Living Wage of £7 or more (inclusive of an allowance for holiday pay), increased costs to the Council per annum are estimated to be £80k including on-costs. This assumes current workers are contracted for a year on their existing basis.
- 4.8 There are existing staffing budgets which typically fund agency workers so this is not necessarily a new funding requirement. The pattern and level of use of agency workers is also likely to vary over time.
- 4.9 The Strategic Procurement and Shared Services Manager will instruct Champion to increase rates of pay to ensure all agency staff receive at least £7 per hour, inclusive of “rolled up” holiday pay, with effect from the implementation date of the Single Status collective agreement.
- 4.10 As part of the review to maximise permanent employment opportunities, the Head of HR will work with Service Heads with a view to reduce the demand for agency staff over the next year by maximising the use of direct hire employees in accordance with the needs of the service.

Living Wage – contractors, key service suppliers, tier 1 suppliers, suppliers

- 5.1 The Council spends over £50m a year on a wide range of goods, services and works and over 60% of our spend is with local suppliers. The supply arrangement ranges from large value contracts including the new Fusion contract who will be a key supplier through to specific commodity and service suppliers.
- 5.2 Whilst there may appear to be an opportunity to write a Living Wage requirement into contracts and make it a condition that the contractor is a “Living Wage” employer, legal advice suggests this course of action presents significant legal risk.
- 5.3 There are legal requirements under the Local Government Act 1988 that non-commercial reasons such as terms and conditions of the contractor's workers must not be taken into consideration when letting a public contract.
- 5.4 It is possible however, to take positive action through the tender process by exploring potential contractors attitudes to the Living Wage alongside their approach to equal pay, fair employee relations and management on the basis that a positive approach is likely to produce improved outcomes.
- 5.5 A blanket policy of not considering or not inviting tenders from contractors unwilling to consider such clauses in their employment contract will be unlawful and open to legal challenge and is therefore not recommended.
- 5.6 The Strategic Procurement and Shared Services Manager will introduce into the Council's procurement process measures designed to allow appropriate consideration to be given to the sustainability of the offers received, such consideration to include the supplier's attitude towards the payment of the Living Wage, when considering the overall merits of the offers received.

- 5.7 All such considerations will form part of the process to determine the lowest or most economically advantageous offer received in accordance with the Council's contract rules.

Cost of Living

- 6.1 Potential cost of living increases in the national pay scheme for local government are negotiated each year and these would increase the Living Wage basis accordingly.
- 6.2 The London Living Wage is currently £7.45 which takes into account the higher living costs of London. The Council will also review its living wage position in the context of the London Living Wage on a bi-annual basis, and make adjustments to its pay grades accordingly to ensure it continues to reflect the relative position in Oxford.

Consultation

- 7.1 The trade unions are continuing to be consulted as part of the Single Status implementation and are supportive of achieving a Living Wage. The Secretaries of both unions have had an opportunity to comment on the proposal in this report.

Risk

- 8.1 A risk assessment has been undertaken and the risk register is attached at Appendix 2. All risks have been mitigated to an acceptable level

Climate Change / environmental impact

- 9.1 There are no climate change or environmental impact implications.

Equalities impact

- 10.1 An Equalities Impact Assessment for this proposal is attached at appendix 3.

Financial Implications

- 11.1 The financial implications have been addressed in the body of the report, summarised as follows:
- 11.2 Additional costs per annum attributable to implementing the Living Wage:
- a) Direct hire employees at implementation of Single Status = included in Single Status budget;
 - b) Agency Workers - £80k – (based on current commitments and there are existing underspent staffing budgets used to fund Agency Workers which may net off some of this £80k).

Legal implications

- 12.1 The Council will be issuing new contracts of employment for all of its employees as part of Single Status implementation.
- 12.2 All Council employees will have access to the same terms and conditions of employment, unless there is an objectively justifiable reason for different treatment (e.g. apprentices)
- 12.3 The Strategic Procurement and Shared Services Manager will determine measures designed to allow appropriate consideration to be given to the sustainability of the offers received, such consideration to include the supplier's attitude towards the payment of the Living Wage, when considering the overall merits of the offers received.

Recommendations

13.1 That the City Executive Board notes:

- a) that it is proposed to implement the 'living wage' minimum level of pay as part of the Single Status collective agreement which is presently being negotiated with the trade unions;
- b) The Oxford Living Wage will increase annually by any cost of living increases negotiated for the national pay scheme for local government. The Council will also review its living wage position in the context of the London Living Wage on a bi-annual basis, and make adjustments to pay grades accordingly to ensure it continues to reflect the relative position in Oxford.
- c) The Strategic Procurement and Shared Services Manager will instruct Champion (the Council's preferred supplier of agency staff) to increase rates of pay to ensure all agency staff receive at least £7 per hour, inclusive of "rolled up" holiday pay with effect from the implementation date of the Single Status collective agreement;
- d) The Head of HR will work with Service Heads with a view to reduce the demand for agency staff over the next year by maximising the use of direct hire employees in accordance with the needs of the service;
- e) The Strategic Procurement and Shared Services Manager will introduce into the Council's procurement process measures designed to allow appropriate consideration to be given to the sustainability of the offers received, such consideration to include the supplier's attitude towards the payment of the Living Wage, when considering the overall merits of the offers received. All such considerations will form part of the process to determine the lowest or most economically advantageous offer received in accordance with the Council's contract rules

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List of background papers:

Version number:

Appendix 1 - LIVING WAGE MOTION

“This Council believes:-

The minimum wage was an important development to ensure a basic level of income for the lowest paid. However, the cost of living in Oxford is higher than in most of the rest of Britain, and the minimum wage is not enough for an individual or family to avoid living in poverty with all the ill effects that has. A living wage is considered the minimum wage needed to provide 'adequate income' to ensure social inclusion for an individual and their family.

Paying a living wage also helps an organisation or business as it has been shown to reduce staff turnover, reduce sick leave and improve productivity.

The Welsh Assembly recently agreed a living wage of £6.70 per hour for its employees, and employers in London including KPMG and the London Assembly agreed a living wage of £7.20 per hour. It is suggested that we use £7 per hour as a rate for Oxford, along with the right to at least 20 days holiday per year, and 10 days full sick pay, as well as free access to a trade union.

To promote the economic and social well-being of people living and working in Oxford, we believe that everyone working in the City should be paid a living wage. As one of the City's biggest employers, the City Council can help make sure that this happens by becoming a “living wage employer”, and by working with other employers in the City to persuade them to follow our lead.

This Council resolves:-

- a) That Oxford City Council should commit to achieving Living Wage Employer status by April 2009, paying at least £7 per hour to all staff (permanent and temporary, including sub-contracted employers);
- b) That the City Council should work with living wage campaigners, low paid workers, trade unions and employers to make Oxford a 'Living Wage City' in which every worker earns a living wage;
- c) That the Chief Executive should designate an officer to prepare a report to the Executive Board setting out the financial commitment needed to achieve Living Wage Employer status, to consult with the Council's employees, and to work with other employers to get them to commit to becoming Living Wage Employers. This report should explore all possible funding options, including redistribution of current salary levels within the Council structure”.

Appendix 2 – CEB Report Risk Register

CEB Report Risk Register

Risk Score **Impact Score:** 1 =Insignificant; 2 = Minor; 3 = Moderate; 4 = Major; 5 = Catastrophic **Probability Score:** 1 = Rare; 2 = Unlikely; 3 = Possible; 4 = Likely; 5 = Almost Certain

No.	Risk Description Link to Corporate Obj	Gross Risk		Cause of Risk	Mitigation	Net Risk		Further Management of Risk: Transfer/Accept/Reduce/Avoid		Monitoring Effectiveness				Current Risk	
		I	P			I	P	Action: Action Owner:	Outcome required: Milestone Date:	Q 1	Q 2	Q 3	Q 4	I	P
1		I	P		Mitigating Control: Level of Effectiveness: (HML)	I	P	Action: Action Owner:	Outcome required: Milestone Date:	Q 1 ☹	Q 2 ☹	Q 3 ☹	Q 4 ☹	I	P
22	Failure to ensure sufficient management capacity & capability – insufficient capacity due to high absence rates	2	2	Low morale amongst the lowest paid due to low wages, resulting in high absence, low productivity, etc	Implement Living Wage recommendations (M) including increasing pay, maximising permanent employment opportunities, giving equality in employment	2	1	Implement recommendations subject to approval process	September 2009 for single status implementation. Immediate / on-going for other recommendations						
3	Failure to understand and manage the impact of job evaluation & Single Status	3	3	Lack of progress in implementing process – leading to delay in implementing Living Wage	Continued partnership and successful negotiations very likely to bring an agreement which will allow progress in implementing Living Wage	2	2	Implement Living Wage outside of Single Status agreement, if necessary	By 1 st September 2009						
4															

Appendix 3 – Equalities Impact Assessment



Form to be used for the initial assessment

Service Area: HR	Section:	Key person responsible for the assessment:	Date of Assessment:
Is this assessment in the Corporate Equality Impact Assessment timetable for 2008-2011?		No	
Name of the Policy to be assessed:	Achieving a Living Wage		
Is this a new or existing policy?	New		
1. Briefly describe the aims, objectives and purpose of the policy	<p>To achieve a 'Living Wage' for all Oxford City Council employees and agency staff recruited to work for or on behalf of the Council.</p> <p>To improve morale and commitment of the group of staff affected by this Policy.</p> <p>To promote the 'Living Wage' and lead the way in making Oxford a 'Living Wage City' by encouraging other contractors and suppliers to adopt the Living Wage ethos.</p>		

2. Are there any associated objectives of the policy, please explain	To promote Oxford City Council as an employer of choice and reflect the ethical values it represents.
3. Who is intended to benefit from the policy and in what way	<p>Lowest paid groups of staff in the Authority, who are predominantly in cleaning and refuse collection jobs.</p> <p>They will benefit from increased pay, which should contribute to improving their living standards. This should also improve morale and work commitment.</p> <p>Agency staff by being placed on the an equivalent employment basis as direct hire employees.</p> <p>Staff employed by contractors and suppliers assuming they adopt the Living Wage ethos.</p>
4. What outcomes are wanted from this policy? To ensure that all Council employees (direct and non direct) receive a 'living wage' as a minimum To work towards establishing the Council as a 'Living Wage Employer' and the City as a 'Living Wage City'	
5. What factors/forces could contribute/detract from the outcomes?	The Council's ability to pay the increased wage The willingness of other organisations to follow the Council's lead The legal constraints regarding making contracts.
6. Who are the key people in relation to the policy	Elected Members, Managers, Employees, Employment Agencies, other suppliers of Council Services. Trade Unions
7. Who implements the policy and who is responsible for the policy?	The Head of HR will have overall responsibility for overseeing that the Policy is implemented in conjunction with the Strategic Procurement and Shared Services Manager. HR and Procurement will have day-to-day implementation responsibilities.

8. Could the policy have a differential impact on racial groups?		N	Many agency workers in unskilled and low paid work are from minority racial groups
What existing evidence (either presumed or otherwise) do you have for this?	Make up of agency workforce		
9. Could the policy have a differential impact due to gender?		N	Most low paid work is cleaning and refuse collection. There is a balanced gender split.
What existing evidence (either presumed or otherwise) do you have for this?	There is no evidence suggesting that an increase in pay for lowest paid workers would have a differential impact due to gender.		
10. Could the policy have a differential impact due to disability?		N	Employees may be asked to disclose disabilities, but are not obliged to do so and a number of people who have a disability as defined by the Disability Discrimination Act either do not consider themselves to have a disability or wish to declare it
What existing evidence (either presumed or otherwise) do you have for this?	There is no reason why increasing pay should have a differential impact on disability. It is difficult to evidence this, as reliable information is not easy to obtain.		
11. Could the policy have a differential impact on people due to sexual orientation?		N	
What existing evidence (either presumed or otherwise) do you have for this?	There is no evidence suggesting that an increase in pay for lowest paid workers would have a differential impact due to sexual orientation.		

25

12. Could the policy have a differential impact on people due to their age?		N	
What existing evidence (either presumed or otherwise) do you have for this?	There is no evidence suggesting that an increase in pay for lowest paid workers would have a differential impact due to age.		
13. Could the policy have a differential impact on people due to their religious belief?		N	
What existing evidence (either presumed or otherwise) do you have for this?	There is no evidence suggesting that an increase in pay for lowest paid workers would have a differential impact due to religious belief.		
14. Could the negative impact identified in 8-13 create the potential for the policy to discriminate against certain groups?		N	The introduction of this policy is intended have a positive impact on lowest paid groups of the workforce. It is not anticipated that it should have a negative impact on any groups.
15. Can this negative impact be justified on the grounds of promoting equality of opportunity for one group? Or any other reason		N	Please explain for each equality heading (question 8-13) on a separate piece of paper
16. Should the policy proceed to a partial impact assessment		N	<p>If Yes, is there enough evidence to proceed to a full EIA</p> <hr/> <p>Date on which Partial or Full impact assessment to be completed by:</p>

20

17. Are there implications for the Service Plans?			
18. Date the Service Plan will be updated			
19. Date copy sent to Equalities Officer in Policy, Performance and Communications			
20. Date reports to the Equalities Board			
21. Date to Scrutiny and CEB:			
22. Date published:			

27

Signed (completing Officer) _____

Signed (lead Officer) _____

Please list the team members and service areas that were involved in this process:

Simon Howick
Angela Bowman

