

# Crawley Borough Council

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## Report to Cabinet

10 July 2013

## Living Wage

### 1. Key Points

- 1.1 The Living Wage is an hourly wage rate set independently and updated annually. Outside of London the Living Wage is calculated by the Centre for Research in Social Policy. The Living Wage outside of London is £7.45 per hour for people over 18 other than apprentices or interns.
- 1.2 An organisation can seek formal accreditation as a Living Wage employer through the Living Wage Foundation which is part of the Citizens UK charity. Accreditation is not essential and an organisation can decide it wishes to adhere to the principles and the pay rates of the Living Wage.
- 1.3 Crawley Borough Council pays above the Living Wage rate to all its employees, other than apprentices which are exempt. This report recommends formally committing the Council to continue to pay at least the Living Wage through its Pay Policy Statement agreed annually by Council.
- 1.4 As well as directly employed staff, the requirements of the Living Wage encompass certain categories of services provided by contractors and in turn sub-contractors. Contractors employed by the Council are not required to pay the Living Wage. Whilst the vast majority of contracted staff are paid more than the Living Wage level, some are not.
- 1.5 There are legal and financial considerations and the Living Wage Foundation recommends that the best way to approach this is for an organisation to work with the Foundation over a period of months to assess each contract on a case by case basis. Cabinet would then decide whether to make formal commitments regarding the Living Wage requirements in future procurement exercises and, if it does, determine a series of milestones.

## **2. Recommendations**

### **2.1 The Cabinet is asked to:**

- a) support the principle of the Living Wage**
- b) commit the Council to work with the Living Wage Foundation to determine the legal and financial implications of incorporating Living Wage requirements into future contracts for Council services**
- c) request the Director of Development & Resources to report the outcome of that work to Cabinet later in 2013.**
- d) recommend to Full Council that the Council's Pay Policy Statement is amended to include a commitment to pay employees a minimum of the Living Wage**

DAVID COVILL  
**Director of Development & Resources**

### **3. Background**

- 3.1 The Living Wage campaign was launched by the charity London Citizens UK in 2001. The Living Wage Foundation is part of Citizens UK. Citizens UK describes itself as an alliance of community organising groups. The Living Wage Foundation has six principal partners; The Trust of London, KPMG, Linklaters, Queen Mary University of London, Resolution Foundation, Save the Children and Aviva.
- 3.2 Initially focused on London, there are now accredited organisations across the United Kingdom from the private, public and voluntary sectors. Other organisations have indicated their support for the principles of the Living Wage and are working with the Living Wage Foundation towards accreditation.
- 3.3 Advantages identified for the Living Wage include:
- affording people the opportunity to provide for themselves and their families
  - enabling people to spend more time with their families by reducing the requirement for additional employment
  - improved recruitment and retention
  - employees becoming more likely to accept and implement changes in working practices
  - reduced absenteeism
  - recognition for an organisation as a good employer
- 3.4 Supporters of the Living Wage also make a case for wider social and economic benefits achieved through reductions in poverty, increased spending power and a reduced reliance on benefits.
- 3.5 The Living Wage is an hourly wage rate set independently and updated annually. Outside of London the Living Wage is calculated by the Centre for Research in Social Policy. The Living Wage outside of London is currently £7.45 per hour for employees over 18, other than apprentices or interns. The National Minimum Wage, set by the Government, is £6.19 per hour for employees over 21 (£6.31 from October 2013) and £4.98 for employees aged 18 to 20 (£5.03 from October 2013). There are lower National Minimum Wage rates for employees aged under 18 and for apprentices although these are not covered by the Living Wage requirements.
- 3.6 Procurement criteria within the Living Wage require that to the extent permitted by law, contractors (and their subcontractors) providing a service on an organisation's behalf, should pay their employees the living wage. The living wage only applies to contractors' employees who work for 2 or more hours on any day of the week, for 8 or more consecutive weeks in a year. It is also limited to services undertaken on the accredited organisation's premises and land.

#### **4. The Crawley Borough Council context**

##### 4.1 Council on 3 April 2013 considered the following Notice of Motion:

This Council recognises the trend for companies to employ workers on low pay, causing many to have the need to claim from the Housing and benefit systems.

Crawley Borough Council resolves to sign up to the Living Wage campaign and its principles, by instructing council officers to take the steps necessary to be accredited with the Living Wage Foundation as a Living Wage Employer.

Crawley Borough Council therefore also resolves to ensure that all contractors entering into future agreements with this Council agree to pay at least the level set by the Living Wage Foundation as the Living Wage.

In this we recognise the Council's current contracts will need to be investigated, with the intention to ensure that living wage levels are consistently achieved when those contracts are due to be renewed. All future contracts made by the council will be subject to this policy.”

##### 4.2 Council agreed to refer the motion to Cabinet and the Environment & Prosperity Policy Development Forum. The Director of the Living Wage Foundation has agreed to attend the meeting of the Policy Development Forum to put the case for the Living Wage and provide Members with advice, based on their experience in other public sector organisations, on matters such as public procurement legislation.

##### 4.3 It has not proved possible to arrange the meeting of the Policy Development Forum before consideration of this report by Cabinet. The Policy & Development Forum will therefore meet on 23 July.

##### 4.4 Officers have considered information for previous tender exercises and had informal discussions with its contractors regarding the Living Wage. Whilst the vast majority of contract staff are paid more than the Living Wage, including those in categories of contract work not covered by the Living Wage, there are areas where some contracted and sub-contracted staff are known to earn between the national minimum wage and the Living Wage.

#### **5. Ward Members' Views**

##### 5.1. Not applicable.

#### **6 Staffing, Equalities, Financial and Legal Implications/Powers**

##### 6.1 All Crawley Borough Council staff other than apprentices are paid in accordance with national terms and conditions and thereby earn more than the recommended Living Wage. The Living Wage Foundation does not require apprentices to be paid the Living Wage. To do so would reduce the differential between apprentices and experienced staff and might act as a disincentive to employ apprentices.

- 6.2 The full evaluation of the Living Wage would involve consideration of equalities implications.
- 6.3 The financial implications of building Living Wage requirements into future contracts would form part of the investigation and would be a consideration for Members in making a decision. Subject to clarification of the Council's legal powers to require contractors to pay the Living Wage the full cost to the Council is estimated to be in the region of £200,000 per annum. Additional costs would be incurred on a phased basis when contracts are due for renewal. There are no contracts due to be let in the remainder of 2013/14 which are expected to involve staff being paid less than the Living Wage.
- 6.4 The Living Wage Foundation acknowledges the legal aspects through the clause 'to the extent permitted by law'. There is however no single interpretation of this and it may depend on the nature of the contract. Some local authorities have decided to include Living Wage requirements in future contracts. Another local authority concluded that it was unlawful to make it a mandatory requirement but obtained accreditation on the basis that it would commit to promote the benefits of a Living Wage and to trial inviting Living Wage and non-Living Wage tenders in future procurement exercises.
- 6.5 The more recent implementation of the Public Services (Social Value Act) 2012 may provide local authorities more flexibility to incorporate requirements designed to achieve wider social policy objectives.
- 6.6 Cabinet is advised to follow the route recommended by the Living Wage Foundation which is a full, although relatively quick, analysis of contracted services on a case by case basis including the identification of a set of milestones should Cabinet then be minded to commit to the Living Wage.

## **7 Risk Implications**

- 7.1 The consideration of legal risks is referred to above.

## **8 Environmental Impacts**

- 8.1 No direct implications

## **9 Other Implications**

- 9.1 None

## **10 Reasons for the Recommendation**

- 10.1 To state the Council's commitment to pay the Living Wage to its employees.
- 10.2 To commit to work with the Living Wage Foundation to assess the legal, financial and other implications of incorporating Living Wage requirements into future contracts for Council services.

## **11 Background Papers**

### 11.1 Living Wage Foundation: A guide for Employers, and Supporting Information

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