

Cabinet Meeting	
Meeting Date	10 July 2019
Report Title	Real Living Wage
Cabinet Member	Cllr Roger Truelove, Leader and Cabinet Member for Finance
SMT Lead	Nick Vickers, Chief Financial Officer
Head of Service	Nick Vickers, Chief Financial Officer Bal Sandher, Head of Human Resources Martyn Cassell, Head of Commissioning, Environment and Leisure
Lead Officer	Nick Vickers, Chief Financial Officer
Key Decision	No
Classification	Open
Recommendations	<ol style="list-style-type: none"> 1. To apply the Real Living Wage to the Council employees immediately, 2. To investigate applying the Real Living Wage to staff working in the Council's major contracts

1 Purpose of Report and Executive Summary

- 1.1 The new administration believes that employees whether directly employed or working on Council business through outsourced contracts should have pay scales that reflect the Real Living Wage. This report sets out a path for moving towards this outcome.

2 Background

- 2.1 In April 2016 the Government introduced a higher minimum wage rate for all staff over 25 years of age inspired by the Living Wage campaign, calling it the 'national living wage'. However, the Government's 'national living wage' is not calculated according to what employees and their families need to live. Instead, it is based on a target to reach 60% of median earnings by 2020. Under current forecasts this means a rise to less than £9 per hour by 2020. For under 25's, the minimum wage rates also take into account affordability for employers.
- 2.2 The Real Living Wage rates are higher because they are independently-calculated by the Real Living wage Foundation and are based on what people need to get by. So as an employer we would be ensuring that our employees earn a wage that meets the costs of living, not just the government minimum.

2.3 The table below explains the wage rates:

	Minimum Wage	National Living Wage	Real Living Wage
What is it?	£7.70	£8.21	£9.00 ex London
Is it the law?	Statutory	Statutory	Voluntary
What age group is covered?	21 and older	25 and older	18 and older
How is it set?	Negotiated based on recommendation from business and trade unions.	A % of median earnings, currently at 55%, aims to reach 60% by 2020.	Calculation made according to the cost of living, based upon a basket of household goods and services.

2.4 There are a wide range of benefits from paying the Real Living wage:

Good for business

- Reduction in staff turnover and sickness rates,
- Less absenteeism,
- Improved staff morale and productivity,
- Better retention of staff,
- Recruitment of committed staff, and
- Reputation as a socially responsible employer.

Good for the worker

- Workers are able to provide properly for themselves and their family,
- They are less reliant on benefits,
- They don't have to work excessive hours, and
- They have more time for their family.

Good for the Council

- More money is spent locally, and
- Swale has a high-quality, better paid workforce.

2.5 The Real Living Wage is the only UK wage rate that is voluntarily paid by over 5,000 organisations including one third of FTSE100 companies. The rates are set annually on Monday in the first week of November.

2.6 The Real Living Wage impacts in two main ways:

Council Employees

As at 31 March 2019 the Council employed 290 staff. Based upon information from the Head of Human Resources 22 members of staff are paid below the Real Living Wage, primarily directly employed cleaners. The Head of HR has undertaken modelling based upon the existing pay scales and recommend that Scale 1 is deleted entirely and the first point of Scale 2 is increased by 12%, and the remainder of grade 2 by 5-8%. There will be an ongoing impact on the pay structure and over time there will need to be some amendment to the starting points of slightly higher grades so there is a differential with the top point of the previous grade. This is to ensure there are no overlaps between grades and to avoid creating equal pay issues.

The estimated cost impact is Pay £46,236, National Insurance £11,280 and Pension £11,172, giving a total cost of £68,688 or 1.2% of the total salary cost of the Council.

Contracted Services

The position is more complicated for contracted services and the Head of Commissioning, Environment and Leisure has undertaken some initial investigation.

For contracted staff the exact definition is those contracted staff who work 2 or more hours a week, for 8 or more consecutive weeks a year. The Real Living Wage does not apply to contractors that supply your organisation with products eg stationary suppliers.

The Council would need to approach major contractors and set out the Council's intention to become a Real Living Wage employer. The Council does not know the staff costs of its contractors.

Where contracted staff cannot be moved onto the Real Living Wage immediately, the Council could choose to roll out the Real Living Wage across third party contracts over time, as the contracts come up for renewal.

The Council currently has 147 contracts on its Contract register. Using the definition of those contracted staff who work 2 or more hours a week, for 8 or more consecutive weeks a year and the fact that the Real Living Wage does not apply to contractors that supply your organisation with products, it has been assessed that the Council has 15 contracts definitely apply, 18 require more research with the lead departments and 114 do not. The contracts where it definitely does apply are:

- Grounds maintenance
- Leisure centre operation
- Leisure centre maintenance
- Mid Kent Waste, Recycling and Street Cleansing
- Cash Collection services
- Reactive and Planned Maintenance Term Contract
- Civil Parking Enforcement
- Perry Wood Arboricultural Service
- Supply and maintenance of summer bedding containers
- Beach Lifeguard Services
- Public Conveniences Minor Maintenance and Cleansing
- Minor works – Contracts
- Stray Dog Kennel and rehoming
- Environmental enforcement contract
- CCTV monitoring and maintenance

3 Proposals

- 3.1 That the Council applies the Real Living Wage with effect from 1 April 2019 for employees.
- 3.2 The Head of Commissioning, Environment and Leisure be authorised to write to all contractors to find out how many already meet the Real Living Wage standard and bring forward proposals as part of the 2020/21 budget process for how a phased implementation could be managed and the costs.

4 Alternative Options

- 4.1 The Council does not have to implement the Real Living Wage. The administration is committed to promoting living standards for residents of the borough and addressing inequality. The proposal supports those objectives.

5 Consultation Undertaken or Proposed

- 5.1 If the principle of applying the Real Living Wage to Council staff is agreed then consultation on implementation will be undertaken with trade unions.

6 Implications

Issue	Implications
Corporate Plan	Proposals will support plan objectives.
Financial, Resource and Property	The additional cost of applying to staff in 2019/20 will be treated as an in year budget pressure.
Legal, Statutory and Procurement	Legal, statutory and procurement requirements will be met
Crime and Disorder	No direct implications.
Environment and Sustainability	No direct implications.
Health and Wellbeing	Improved income levels allowing for healthier life styles..
Risk Management and Health and Safety	No direct implications.
Equality and Diversity	Improved living standards and less reliance on benefits.
Privacy and Data Protection	No direct implications.

7 Appendices

None

8 Background Papers

None