

# CHESHIRE EAST COUNCIL

## CABINET

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<b>Date of Meeting:</b>	2 April 2013
<b>Report of:</b>	Head of HR and Organisational Development
<b>Subject/Title:</b>	Notice of Motion on the Adoption of the Living Wage
<b>Portfolio Holder</b>	Councillor Barry Moran Portfolio Holder for Performance

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### 1.0 Report Summary

- 1.1 This report invites Cabinet to consider the following Motion, proposed by Councillors L Jeuda and G Boston which has been referred by Council to Cabinet for consideration. The Motion stated that “Cheshire East Council welcomes and supports the adoption of the Living Wage by the Mayor of London and thirty five councils across the country and will adopt the policy for its own employees. Cheshire East Council will also ensure that companies and organisations commissioned to carry out work on its behalf pay the Living Wage of £7.45 an hour to their employees”. The report recommends that given the major cost and other implications of such a change, a detailed paper on issues and options is prepared for Cabinet’s consideration.

### 2.0 Recommendations

- 2.1 That Cabinet refers the matter to the Head of Paid Service to further examine how the living wage might be introduced, as part of wider planned workforce changes over the next 2 to 3 years, in consultation with the Performance Portfolio-holder, and to report back to Cabinet in due course.

### 3.0 Reasons for Recommendations

- 3.1 To enable Cabinet to appropriately consider the Notice of Motion and the introduction of the Living Wage, in the context of wider changes affecting the Council’s workforce and the implications of these for our policies on staff remuneration and reward.

### 4.0 Wards Affected

- 4.1 None

### 5.0 Local Ward Members

- 5.1 None identified.

## 6.0 Policy Implications

6.1 None identified.

## 7.0 Financial Implications (Authorised by the Finance Manager)

7.1 The exact cost of introducing the living wage is difficult to determine, due to the number of employees working variable hours and variable work patterns. However, there are a number of people who are employed on a contracted hour basis and the impact on this area is easier to predict (see 7.3). Casual employees, employees on zero hours contracts and apprentices, for example, are engaged on different terms and conditions of employment and have variable hours and length of contracts, making it difficult to establish what the true costs of these staff would be over any given year. For the purposes of this report, however, the cost of introducing the living wage has been based on the data available for 2012 (full calendar year) and are, therefore, only an initial estimate.

7.2 Based on the data available for 2012, the estimated cost of introducing the living wage for all non-schools based staff, and excluding apprentices, who are not eligible for the full minimum wage until they are 21, is about £550,000.

7.3 This costs (inclusive of all on-costs) are as follows:

<b>Employee Groups currently being paid below the Living Wage rate</b>	<b>Number of employees affected at Dec 2012</b>	<b>Costs (£)</b>
Non-Schools - contracted hours	597	445998.07
Non-Schools - variable/0 hours contract	157	41304.62
Non-Schools Casual	389	60567.68
Apprentice - 21 and over (in 2nd year) only*	3 of 69	9991.02
Non-Schools Based Total - Casuals & Variable/Contracted Hours - <b>excludes apprentices</b>	1143	<b>547870.37</b>

*\*The Council may decide to introduce the Living Wage for apprentices age 21 and above in their second year. The impact of doing this (which will change from year to year) is estimated to be just under £10,000 per year.*

7.4 Schools based staff have been excluded from these costs, as any decision to adopt the Living Wage in schools would be a decision for each School's Governing Body.

7.5 Given the Council's current and future budgetary constraints, any additional payroll costs which are not currently accounted for will further increase pressure on our budgets, at a time when all current staff pay has been frozen for several years, as a result of such pressures. It is also

important to note that the cost of introducing the Living Wage has not been built in anywhere to the Council's three year budget plan and would therefore need to be funded from additional savings, if order to achieve a balanced budget.

7.6 Implementation of the living wage by the Council's suppliers could also result in additional costs being passed on to the Council, (e.g. in respect of agency workers).

7.7 For these reasons, care needs to be taken to understand the full implications of such a commitment by the Council, before a decision to proceed is taken. It might be possible, however, to move to this over time, as and when it becomes clear that the Council is able to achieve all its agreed savings targets.

## **8.0 Legal Implications (Authorised by the Borough Solicitor)**

8.1 There is no legal requirement for the Council to introduce the Living Wage.

## **9.0 Risk Management**

9.1 None identified.

## **10.0 Background and Options**

10.1 On 13 December 2012, Council considered a Notice of Motion submitted by Councillors L Jeuda and G Boston on a policy of applying the living wage (£7.45 per hour) to employees whose current hourly rate falls below this level, and to ensure that any suppliers that the Council uses also apply this policy. At this time the HR Team were also exploring the possibility of introducing the living wage.

10.2 The living wage is an hourly rate set independently and updated annually. It is calculated to reflect the basic cost of living and is based on the principle that work should pay enough to provide for the essentials of life. It is an entirely voluntary scheme for employers (unlike the national minimum wage set by legislation each year), but it could act to reduce the need for those in work to apply for state benefits.

10.3 The current rate for the living wage across the UK is £7.45 per hour (except for London where the rate is currently £8.55). This compares to the National Minimum Wage which is currently £6.19.

10.4 The concept of the living wage originates in a campaign for the London Living Wage which was launched in 2001 by parents in East London who were frustrated that working two minimum wage jobs left no time for family life. In 2005, following a number of successful campaigns led by the Living Wage Foundation and Citizens UK, the London Living Wage was established. In 2008, the Centre for Research in Social Policy funded by the Joseph Rowntree Foundation began calculating a UK wide Minimum

Income Standard (MIS) figure. The MIS is an average across the whole of the UK, but does not reflect the variation in the cost of living inside and outside London.

10.5 It is possible to become accredited as an official Living Wage Employer and to do so an organisation must:

- Pay all its own employees at least the Living Wage;
- Commit that, within 6 months of the annual uprating of the Living Wage, its pay rates will be uprated accordingly;
- Demonstrate progress and commitment to requiring its suppliers to do the same.

10.6 As of 20 December 2012, a small number of employers (134) in the UK were accredited as official Living Wage employers, including only 11 Councils, (please see Appendix 1), but this figure is likely to grow over time.

10.7 It is acknowledged that there are possible merits in introducing the Living Wage, as summarised below:

- It potentially lifts families out of poverty and recognises the dignity of work and the importance for individuals, families and society of people being able to earn a living rather than just to survive;
- For employees it potentially means no longer having to work multiple jobs and being able to spend time with their families, with wider social benefits;
- Some reports suggest that for employers it can result in higher employee morale, better quality work, improved rates of retention, lower rates of sickness absence and reputational gain;
- It may mean more money being spent by local employees in the local economy and;
- There may be business benefits associated with incorporating the Living Wage in contracts with suppliers. These assumptions on benefits need to be tested, if the extra costs involved are to be justified.

10.8 Implementation of the living wage by the Council (excluding schools), would increase the pay of approximately 1100 employees currently paid less than £7.45 per hour. These employees are engaged in a variety of job roles including Cleaners, Kitchen Assistants, Clerical Officers, School Crossing Patrol Assistants and Janitors. The majority are women who work part time. Implementation would increase the Council's payroll costs by approximately £550,000 a year, including on-costs (based on last year's data for hours worked), with costs potentially increasing annually, given the expectation to increase such payments in line with annual increases in the Living Wage. As detailed in section 7.3, this figure excludes schools based staff and apprentices. Given that, over the next few years, there are likely to be significant changes in the size and shape

of the Council's workforce, as new delivery vehicles are implemented in the Council's services, it would make sense to take stock of the effects of these, before making any decision.

- 10.9 Further work is required to fully understand the impact of introducing the living wage into standard contracts of suppliers/contractors. It is likely that many will already be paying over the living wage, however, there are likely to be some areas where this is not the case. The living wage could be introduced as a standard clause in any contracts and could be established as a pass/fail part of any tendering process. Given that this would increase employment costs for some suppliers, it would be likely that those suppliers would seek to pass the additional costs on to the Council via contract price inflation.
- 10.10 Should the Council decide not to pursue adoption of the living wage at this stage for its own employees, it would be unreasonable to seek to persuade suppliers and other organisations to adopt the living wage themselves or incorporate it into contracts.
- 10.11 Cabinet is asked to note the information contained in this report and give consideration to the introduction of the Living Wage, with a view to reviewing the proposal as part of future budget planning. It may also be referred to the Council's Staffing Committee, at the appropriate time, for comment.

## **11.0 Access to Information**

The background papers relating to this report can be inspected by contacting the report writer.

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## **Appendix 1: Accredited Living Wage Employers 20th December 2012**

1. 11KBW
2. Action Aid
3. Age Concern Kensington and Chelsea
4. Amnesty International (UK)
5. Barking & Dagenham Council for Voluntary Service
6. Barts and the Royal London
7. Bates Wells Braithwaite
8. Bethnal Green Academy
9. BioRegional Development Group
10. Birmingham City Council
11. Bromley-by-Bow Centre
12. CAFOD
13. Capacity Global
14. C Beaumont Limited
15. CCLA Investment Management
16. Central Finance Board of the Methodist Church
17. Central Scotland Police
18. Church Action on Poverty
19. Church Army
20. CIFAS
21. Citizens UK
22. Clifford Chance
23. Collinson Plc
24. CORGI HomePlan Limited
25. Coventry Refugee & Migrant Centre
26. CPAG
27. Cripplegate Foundation
28. Crisis UK
29. CRMC Trading Ltd
30. Cynnal Cymru - Sustain Wales
31. Deloitte
32. Devereux Chambers
33. Dyslexia Action
34. Fabian Society
35. Fair Pensions
36. Fellowes Associates
37. First Rung Ltd
38. Fiveways Playcentre
39. Hamilton Brown
40. Herbert Smith LLP
41. Hermes
42. Hope Worldwide
43. ICAEW
44. Insight Public Affairs

45. Institute for Public Policy Research
46. Intact Centre Preston
47. Involve Yorkshire & Humber
48. Isla Bikes
49. Jack Brown Ltd
50. Jigsaw Support Scheme
51. Joiner's Arms Shoreditch
52. Kayleigh Plant Hire
53. Kingsmith Care Ltd
54. KPMG
55. Labour Party
56. LASA
57. Lewis Silkin
58. Linklaters
59. Lloyd's of London
60. London Borough Lambeth
61. London Borough of Camden
62. London Borough of Ealing
63. London Borough of Hounslow
64. London Borough of Islington
65. London Borough of Lewisham
66. London Borough Southwark
67. London Business School
68. London Community Foundation
69. London Funders
70. LSE Student Union
71. Lush
72. LVSC
73. Mark Humphries Legal
74. Match Solicitors
75. Matrix Chambers
76. Merton Voluntary Service Council
77. Millstream Associates Ltd
78. Mishcon de Reya
79. National Assembly for Wales
80. National Housing Federation
81. National Literacy Trust
82. NAVCA
83. NCVO
84. New Economics Foundation
85. Norwich City Council
86. Nottingham CVS
87. O'Donovan Waste Disposal Ltd
88. Olswang
89. Oxford City Council

90. Pathway Intermediates
91. Penrose Care
92. People's Health Trust
93. Poplar Harca
94. Preston City Council
95. PwC
96. Queen Mary UoL
97. Rathbones
98. Resolution Foundation
99. Resolution Operations LLP
100. Salix Homes
101. Samuel Rhodes School
102. Sarasin
103. Save the Children
104. Schools Offices Services
105. SCOR
106. Scotswood Natural Community Garden
107. SilverTree Home Support - CiC
108. Slaughter and May
109. Somerset Gas
110. St Charles Sixth Form College
111. St Paul's Cathedral
112. Surrey Association for Visual Impairment
113. Syd Bishop & Sons (Demolition) Ltd
114. The Boxing Academy
115. The Manchester College
116. The North Highland College
117. The Paperchain Partnership
118. The Young Foundation
119. Total Care Security
120. Toynbee Hall
121. Trust For London
122. TUC
123. Twist London Ltd
124. UNICEF
125. Unity Trust Bank
126. University of Strathclyde Students Association
127. UnLtd
128. UPG
129. Urban Cottage Industries
130. Vestigo
131. Voluntary Action Islington
132. Wales & West Housing
133. White & Case LLP
134. Women Like Us