

<b>MERSEYSIDE FIRE AND RESCUE AUTHORITY</b>			
<b>MEETING OF THE:</b>	<b>POLICY AND RESOURCES COMMITTEE</b>		
<b>DATE:</b>	<b>24<sup>TH</sup> MARCH 2016</b>	<b>REPORT NO:</b>	<b>CFO/018/16</b>
<b>PRESENTING OFFICER</b>	<b>DCFO GARRIGAN</b>		
<b>RESPONSIBLE OFFICER:</b>	<b>DCFO GARRIGAN</b>	<b>REPORT AUTHOR:</b>	<b>NICK MERNOCK (DIRECTOR OF POD)</b>
<b>OFFICERS CONSULTED:</b>	<b>IAN CUMMINS, TREASURER MIKE REA, ACCOUNTANT</b>		
<b>TITLE OF REPORT:</b>	<b>INTRODUCTION OF THE LIVING WAGE</b>		

<b>APPENDICES:</b>	
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### **Purpose of Report**

1. To request that Members note the implications of introducing the National Living Wage with effect from 1<sup>st</sup> April 2016.
2. Note the differences between the Rowntree Living wage which members have considered previously and the Government introduced Living Wage and the scale of payment in relation to the National Minimum Wage (NMW)
3. To advise members that due to the length of the working week within Merseyside Fire and Rescue Service there will not be a cost impact for the Authority in 2016

### **Recommendation**

4. That Members:
    - a. Note the requirements placed on the Authority in relation to the implementation of the National Living Wage;
    - b. That members approve the application of the payments to all employees within the effected spinal column points as opposed to paying on an age related basis
    - c. That members request Officers to provide a further report advising of the financial impact in 2017 detailing the application of payments to all employees.
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## **Introduction and Background**

5. The concept of the Living Wage originated in London with a group of parents who argued that working two jobs on the National Minimum Wage (NMW) in order to meet living costs, left no time for family life. They successfully campaigned to the accountancy firm KPMG who adopted the concept and advocated on their behalf. In 2005, The Greater London Authority (GLA) was persuaded that the London Living Wage as necessary and created a unit to set a London rate. Ken Livingstone and Boris Johnson have since promoted and remunerated in line with the Living wage
6. The concept has spread UK wide and is sponsored by the Joseph Rowntree Foundation who have seven Principle partners including AVIVA, Unison, Linklaters and Save the Children. The Archbishop of York has recently taken the Chair of the Living Wage Commission. Politicians on all sides have spoken favourably about the concept.
7. Organisations can become accredited to the Living Wage Foundation and receive a Living Wage Employer mark.
8. The Rowntree Living Wage is an informal benchmark, not a legally enforceable minimum level of pay like the National Minimum Wage (NMW). The NMW is set by the Chancellor of the Exchequer each year on the advice of the Low Pay Commission and is enforced by HM Revenue and Customs (HMRC).
9. Members will recall that this Authority has previously considered introducing the Rowntree Living Wage. However due to the severe financial restrictions imposed through the comprehensive spending review, and the real concerns raised in relation to the long term financial implications on the salary bill due to future increases to these salary points that were beyond inflation i rates and outside the control of the Authority , the decision taken was to revisit the living wage at a later date
10. Additionally the potential growth of the Rowntree version of the Living Wage represented a high risk of salary grade erosion that could have arisen regarding claims in relation to equal pay for work of equal value.
11. The current level of the Rowntree Living Wage is set at £8.55 an hour in London and £7.45 an hour in the rest of the UK.

### Introduction of the National Living Wage

12. The Chancellor has announced that a new National Living Wage (NLW) for employees aged 25 and above will be introduced on 1<sup>st</sup> April 2016 with the aim of reaching 60% of median UK earnings by 2020. The wage will begin at £7.20 per hour in 2016 and is projected to rise to at least £9 per hour by 2020. However the Office of Budget Responsibility (OBR) has estimated that projected median earnings growth may result in the rate reaching £9.35 per hour in 2020

13. Whilst the Government expectation is that this payment is applied to employees aged over 25, that in itself creates a potential age discriminatory pay structure, with no real logic to differentiate between ages 24 and 25 for example. It would have been more logical to introduce it from age 21 similar to Minimum wage
14. As a result it is proposed to introduce this payment by grade and not by age. This is consistent with other North West local Authorities, who at a recent Employers Association meeting indicated they would all pay by grade not age differentials
15. The table below sets out the current spinal column points currently in place. Spinal column point 5 (£13,500) was removed in October 2015 when it fell below the national minimum wage level.

SCP	Per Annum £	Per Hour £ 35 hours	Per Hour £ 37 hours	N.M.W. Oct 15	N.L.W April 16
6	13,614	7.46	7.06	£6.70	
7	13,715	7.52	7.11		
8	13,871	7.60	7.19		£7.20
9	14,075	7.71	7.30		
10	14,338	7.86	7.43		

#### Organisational Risks:

16. As the green book contracts for MFRA engage employees on 35 hours per week, the impact on this Authority of the introduction of the Living Wage is not immediate in the current budget round. MFRA salaries are divisible by 35 therefore the hourly rate is higher than it would otherwise be if divided by 37 hours.
17. Those organisations who employ staff on 37 hours a week will be impacted immediately as the table above demonstrates
18. Dependant on the percentage increase next year the Living Wage has the potential to increase the salary bill at a time when the Authority is seeking to deliver further savings in the Green / Red Book budgets
19. Whilst the initial uplift to the lower end of the pay scales is manageable financially, the longer term implications of introducing the NLW present a greater risk. The proposed increase to £9.00 an hour by 2020 , when predictions for global pay awards are low, will result in further spinal column point deletions, which may well culminate in 'grade creep' and the potential for an increase in re-gradings and pay claims based on unequitable pay
20. The current round of pay negotiations is still ongoing with the Representative bodies claim being

*Deletion of NJC and all local pay points which fall below the level of the UK Living Wage and a flat rate increase of £1 per hour on all other pay points*

21. If this is successful, then based on the table above the minimum pay point will be further reduced and the implications for the Authority will be a further increase in the pay bill, and a higher risk of potentially successful equal pay claims which will again add to the pay bill.
22. Living Wage employers are also required to introduce a procurement process to ensure all contracted and sub contracted staff are paid the Living Wage. This will further affect public sector organisations who have moved to outsourcing models to reduce costs, particularly those in Adult Social care.

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### **Equality and Diversity Implications**

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23. None. All employees regardless of the protected characteristics as determined by the Equalities Act 2010 would benefit from an increase in pay.

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### **Staff Implications**

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24. The introduction of the NLW will be implemented across all roles, and ensures Equality of application

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### **Legal Implications**

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25. The National Minimum Wage (Amendment) Regulations 2016 have introduced the living wage and levels of the same, which will be implemented on 1<sup>st</sup> April 2016. There are criminal sanctions for non-compliance.

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### **Financial Implications & Value for Money**

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26. There are no financial implications in this current year
27. A further report will be brought to members to update them following the settlement of the current pay round, and the announcement of the percentage increase to the NLW for next financial year

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### **Risk Management, Health & Safety, and Environmental Implications**

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28. None

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### **Contribution to Our Mission: *Safer Stronger Communities – Safe Effective Firefighters***

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29. Through ensuring that our lowest paid employees can concentrate on their employment with MFRA without recourse to additional jobs in order to provide wage considered to be “acceptable” by the Living Wage Foundations

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**BACKGROUND PAPERS**

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None

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**GLOSSARY OF TERMS**

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**NMW**            National Minimum Wage  
**NLW**            National Living Wage