

AGENDA ITEM:

REPORT TO:	MERSEYSIDE FIRE & RESCUE AUTHORITY
DATE:	22ND OCTOBER 2013
REPORT NO.	CFO/111/13
REPORTING OFFICER:	DCFO GARRIGAN
CONTACT OFFICER:	NICK MERNOCK, DIRECTOR OF POD.
OFFICERS CONSULTED:	AMANDA CROSS, HR PROJECTS OFFICER
SUBJECT:	THE LIVING WAGE

THERE ARE NO APPENDICES TO THIS REPORT.

A GLOSSARY OF TERMS IS PROVIDED AT THE END OF THIS REPORT FOR YOUR INFORMATION

Purpose of Report

1. To request that Members note the contents of this report into the Living Wage. (The report has been produced in response to the Authority meeting 7th May 2013 during which Members considered Report CFO/053/13 and requested that a report regarding the Living Wage should be produced).
2. To provide an outline of the Living Wage and its comparator, the National Minimum Wage (NMW)
3. To identify the number of the Authority's employees who are currently employed below the Living wage and to provide a costing of how much it would be to raise these employees to this level of payment.

Recommendation

4. That Members note the content of the report and consider;
 - a) The adoption of the Living Wage at the time of the 2014/15 Budget Setting process at which point the Living Wage increase in November could be factored into the overall budget, as changes could see an increase in wage costs to the Authority and potentially the number of employees who would be eligible for the enhanced payment.
 - b) Payment to all eligible employees would then be implemented from 1st April 2014

Introduction & 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 was 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 and has 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 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 advice of the Low Pay Commission and is enforced by HM Revenue and Customs (HMRC).
9. The Living Wage is currently calculated by the Centre for Research Policy at Loughborough University using a Minimum Income Standard which determines how much income households need to afford an “acceptable” standard of living. The annual update takes into account changes in inflation, tax and benefits levels and rebases the figures every four years to consider whether the “basket of items” used is appropriate. The figure rises in November and the last annual increase resulted in an increase of 25 pence per hour.
10. The Living Wage is now set at £8.55 an hour in London and £7.45 an hour in the rest of the UK. By comparison the NMW is currently set at £6.19 for all regions for those over 21 years old (£4.98 for 18 to 20 year olds)

Arguments for a Living Wage

11. Employers who have initiated it (currently 140) report increased retention and productivity, reduced absenteeism and an enhanced ability to recruit and a better quality of life for their workforce.
12. There is an argument that those employers who pay their staff too little, rely on the Government and therefore the taxpayers to subsidise the low wages of their staff through the payment of top up state benefits, such as tax credits. As a result the argument follows that if basic pay levels were higher on average then the state would save in benefit payments.
13. Additionally employees have more disposable income and therefore the economy theoretically benefits through an increase in demand. Following this economic

argument, this stimulates a reduction in unemployment levels to meet demand and thus state benefits payments are again reduced accordingly.

Arguments against a Living Wage

14. The Low Pay Commission sets the NMW and has legally enforceable rights. The Living Wage has no legal authority or audit mechanism.
15. The Living Wage increases wage bills at a time when employers are seeking to reduce costs, as a result fewer people may be employed and younger, unskilled workers may find it harder to gain work and experience.
16. The larger public sector organisations supporting the Living Wage are amongst those hardest hit by spending cuts and whilst in principle many support the concept they cannot increase their employees' wages.
17. Although not a requirement of accreditation, employers should also encourage suppliers to make a commitment to encourage increase their salaries in line with Living Wage changes. As such there is a risk that suppliers will pass the costs onto the primary employer.
18. Similarly, Living Wage employers are expected to timetable a process for all contracted and sub contracted staff to move to the Living Wage within 2 to 3 years in order to be accredited. This also hits public sector organisations who have moved to outsourcing models to reduce costs.
19. The Authority has concluded the implementation of the National Job Evaluation Scheme, with all organisational post being evaluated and graded according to 13 role specific factors. The introduction of the Living Wage and consequent removal of 3 grade points could lead to an erosion of grade differentials and subsequent regarding claims.
20. The National Joint Council in determining the Green Book pay review and subsequent 1% pay award also considered low pay in conjunction with the Representative bodies, and decided to remove only one spinal column grade point.

Equality & Diversity Implications

21. There are a number of positive Equality and Diversity implications in relation to the proposals contained within this report.
22. All grade 1 employees regardless of the protected characteristics as determined by the Equalities Act 2010 would benefit from an increase in pay, and could reduce subsequent grade differentials and reduce pay claims.

Staff Implications

23. Currently seventeen paid employees would receive a pay rise to enable them to meet the Living Wage. If the concept is adopted by the Authority savings would need to be made to pay for this as part of the 2014/15 budget setting process.

Legal Implications

24. None contained within this report.

Financial Implications & Value for Money

25. Assuming the Living Wage remains at £7.45 p/hr, only those on Grade 1 do not achieve this salary point(currently 17 employees). Those on grade 2 achieve this after 3 incremental rises. However, from a purely budget perspective as MFRA budgets at the top of the grade the only financial budget impact would be to increase Grade 1 posts from £6.81 to £7.45 point. As a result the first three incremental points of Grade 2 would need to be deleted.
26. The affected grade 1 employees are cleaners and some couriers. The current establishment is being reduced to reflect the Estates phase 1 savings. Therefore an assumption is made that all current vacant cleaners posts are in the process of being deleted and this is reflected in the projected costing. The table below details the additional costs of moving to a Living Wage.

	Hourly Rate	On-cost	Total
Top of current grade 1	6.81	0.99	
living wage rate	7.45	1.12	
Increase in Budget	0.64	0.13	0.77
Yearly cost	1,168.00	251.00	1,419.00
Budget cost	16,251.89	3,492.49	19,744.37

Risk Management, Health & Safety, and Environmental Implications

29. The proposal is to progress staff through the current grades to the minimum point of advantage which will be the Living wage rate of pay. Whilst it is unlikely this will initially impact of grade structures, it may impact on grade differentials in the future, resulting in role re-evaluation requests and possible regradings

Contribution to Our Mission – To Achieve; Safer Stronger Communities – Safe Effective Firefighters”

30. By 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

BACKGROUND PAPERS

None

***Glossary of Terms**

NMW- National Minimum Wage
GLA- Greater London Authority