



# REPORT TO EMPLOYMENT PANEL

## PORTFOLIO AREA: GOVERNANCE AND RESOURCES

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**Date of Meeting:** 14 January 2013

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Public

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### Inside Policy Framework

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**Title:** Living Wage  
**Report of:** Director of Resources  
**Report reference:** RD. 63/12

#### **Summary:**

The Executive asked the Council to amend the Council's pay structure so that the lowest pay point is that of the Living Wage, currently £7.45 per hour. At its meeting on 3 December 2013, the Panel approved, for consultation, proposals for an amended pay structure that implemented the Living Wage for all staff except Casuals, Apprentices and those on a Permitted Work Scheme. Members also asked Officers to look at the implications for also applying the Living Wage to casuals and Apprentices.

#### **Recommendations:**

Approve the revised pay structure for contracted staff from 1 April 2013  
Continue the current arrangements for Casuals and Apprentices remuneration due to the reasons set out in paragraphs 3.4, 4.7 and 4.8 of the report.

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## **1. INTRODUCTION**

- 1.1 At its meeting on 3<sup>rd</sup> December the Employment Panel approved for consultation, an amendment to the Council's pay structure which would provide for the Living Wage to be paid to all staff except Casuals, Apprentices and those on permitted work schemes. The Panel also asked Officers to consider the impact of applying the Living Wage to Casuals and Apprentices. This report makes provides Members with details of feedback received to the consultation exercise and discusses the impact of extending payment of the Living Wage to Apprentices and Casuals. Permitted Work Schemes have been excluded from this paper because the rates are set by government and any increase would have a negative impact on people's ability to participate.
- 1.2 Staff and Trades Unions were offered the opportunity to comment on the proposed changes. Limited feedback was received and all of that was in favour of the proposals. These came mainly from higher paid staff expressing support for what they see as treating lower paid staff with dignity and respect. The only cautionary note was that, paying a higher rate may impact on any benefits and tax credits received. One Casual asked why it would not apply to Casuals.

## **2 CONTRACTED STAFF EXCLUDING APPRENTICES**

- 2.1 The amended pay structure is shown as appendix 1. The changes are to the bottom of the pay grades (grades A and B).
- 2.2 The cost to implement this for all contracted staff (excluding apprentices) would be £28,225 including on costs, from 1 April 2013.

## **3 APPRENTICES**

- 3.1 At present Apprentices are paid in line with the Apprenticeship Framework Agreement which is £110 (i.e. 2.97 per hour) per week for their first year (or until they achieve their qualification if earlier than 1 year), and the national minimum wage for the rest of their two year fixed term contract. They undergo on and off the job training including undertaking a nationally recognised qualification. The Council has three Apprentices at present. Two are in their second year working in the Chief Executive's team and are part of the current establishment. One is in Housing in her first year and is funded as a one-off event.

3.1 The national minimum wage is age related and the current rates are:

Age 21 or over	Age 18-20 years	Age under 18 years	Apprentices under 19 years or (if older) during their first year
£6.19 per hour	£4.98 per hour	£3.68 per hour	£2.65 per hour

3.2 Members asked Officers to consider a proportional payment. It is not possible to pay any percentage based on age (other than prescribed apprenticeship or minimum wage rate) because of age discrimination legislation. Paying a percentage of the Living Wage also poses risks of age related discrimination. The only risk free way to pay above our current apprentice rates would be to job evaluate each as a separate job, but that would prove difficult because of the varying rates of development of individuals. Adopting this route would require either a change to the apprentice pay rates of inclusion or lower pay points on the new structure.

3.3 Options to relate payment to the Living Wage include:

3.3.1 Continue with the current pay arrangements for apprentices.

3.3.2 Pay the Living Wage of £7.45 per hour for the whole period of their apprenticeship. Total cost would be £16,720 per apprentice per year. The additional costs that would be incurred would average at £5,804 per year, per apprenticeship and therefore, for the existing three apprentices, £17,412 in total per year.

3.3.3 Pay the apprentice rate for their first year of training and the Living Wage for the second year. Costs of this option would be an average of £11,564 per apprentice, per year.

3.3.4 Job evaluate the apprentices jobs and pay that rate. It is impossible to cost this without going through the evaluation process.

3.4 Considerations to take into account include:

3.4.1 The Council pay is in line with many other apprenticeship schemes

3.4.2 Considerable effort is invested in their training

3.4.3 Apprentices are paid from departmental budgets and to increase rates may affect their affordability in future

3.4.4 The current arrangements meet anti age discrimination legislation

3.4.5 To embark on a process of job evaluating the individual jobs would involve considerable work as the individuals develop at different rates, over relatively short time periods and would require further work on the Apprenticeships pay scheme

**Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers: Report RD 56-12**

- 3.4.6 The additional costs would need to be built into the budget proposals going to Council in February
- 3.4.7 The costs shown above include additional costs that would be incurred for the rest of the existing three apprentices' contracts. However, two of these positions are part of the establishment and would need to be replaced by other staff if new apprentices were not employed at the end of the contracts of those currently employed.

## 4 CASUALS

- 4.1 Casual employees are used in a variety of areas and the reasons for their employment include to deal with "gluts" of work, provide cover during absence when it is operationally essential, to carry out one off pieces of work where contracted staff do not have the time to do it, to assist at various events (e.g. the Fire Show) and to serve in Talkin Tarn cafe and restaurant including waitressing, and cooking snacks and (when required) Christmas lunches.
- 4.2 By law casuals (as with all employees) must be paid the minimum wage for their age. In addition, they must be given paid holidays in line with the Working Time Directive and the City Council does this by increasing their hourly rate by 10.73% which would mean that to pay casuals the Living Wage they would be paid £8.25 per hour. Additionally, from April 2013, casuals will be eligible to join the local government pension scheme and this has the potential to increase the employers' on costs from 13.8% to 22.2%.
- 4.3 Casual employment for those earning less than the Living Wage has been analysed for the period April to December 2012 and extrapolated to obtain full year costs. Fifty five casuals fell into this category. Appendix 2 gives details of where they worked and cost implications.
- 4.4 The additional costs of paying all casuals the Living Wage would be £22,656 per year based on current employment patterns.
- 4.5 Nine of the 55 casuals who are paid below the Living Wage are under age 18 years (6 of these are at Talkin Tarn).
- 4.6 Options in relation to paying casuals the Living Wage include:
- 4.6.1 Pay all casuals the Living Wage. The additional costs of this would be around £22,656 per year if level of casual employment remained the same
- 4.6.2 Job Evaluate the work carried out by casuals and pay the appropriate rate on the pay scale (uplifted for holiday pay). The costs could only be determined after jobs were evaluated but is likely to be higher than in 6.1.1.above.

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4.6.3 Continue to pay the rates as now.

4.7 Considerations to take account of include:

4.7.1 The additional costs involved will increase the costs in some areas may affect the viability of some operations e.g. Talkin Tarn tearoom, City events

4.7.2 The additional costs would need to be built into the budget proposals going to Council in February

4.7.3 Some of the jobs that Casuals are employed on are very straightforward and many would consider the Living Wage high for the work involved

4.7.4 The Casual work at Talkin Tarn employs many from the local area, including some still in education, and the rate paid is competitive locally.

4.8 In the circumstances, the possible extension of paying the Living Wage to apprentices and/or Casuals should be reviewed at a later date after its application to contracted staff has bedded in to the normal pay structure and a way forward has been determined to address the issues referred to in paragraphs 3.4 and 4.7 above.

## **5 RECOMMENDATIONS**

5.1 Members are recommended to:

5.1.1 Approve the revised pay structure for contracted staff from 1 April 2013

5.1.2 Continue the current arrangements for Casuals and Apprentices remuneration due to the reasons set out in paragraphs 3.4, 4.7 and 4.8 above.

## **6 REASONS FOR RECOMMENDATIONS**

6.1 Research has found that the Living Wage proposed is required to live reasonably (outside of London) and by adopting it, Carlisle City Council sets a good example to local employers.

6.2 Applying the Living Wage to Apprentices and Casuals have significant implications, particularly in relation to costs, and further work is needed to address these.

## **7 IMPLICATIONS**

- Staffing/Resources – There would be a direct impact on 20 contracted staff who would receive a pay increase in April.
- Legal - The grading of the Pay Structure is a term and condition on which staff hold office and the Employment Panel has the delegated authority to deal with these matters. However, as the proposal has a financial implication any decision will be a recommendation to Council subject to budgetary approval.

- Financial – The proposals to move employees currently paid below the ‘living’ wage level would require changes to the salary pay points used by the Council. However, the cost to the base budget differs to the costs provided in the body of this report as some of the affected positions are either not base budgeted or there is already a greater or lesser budget provision than current pay levels. Provision for the additional cost for contracted staff has been included in the draft budget proposals for 2013/14, but none for Apprentices and Casuals. Council will take the final decision as to whether to include this as part of its budget at its meeting of 5 February 2013.
- Corporate Equality Issues – none.
- Environmental – none.
- Crime and Disorder – none.
- Impact on Customers – none.

## 8 IMPACT ASSESSMENTS

Equality Impact Screening	Impact Yes/No?	Is the impact positive or negative?
Does the policy/service impact on the following?		
Age	No	
Disability	No	
Race	No	
Gender/ Transgender	No	
Sexual Orientation	No	
Religion or belief	No	
Human Rights	No	
Social exclusion	No	
Health inequalities	No	
Rurality	No	

**Appendix 1: Proposed new pay structure 2013 - 4** (Changes shown in bold type)

GRADE	JOB EVALUATION POINTS	'OLD' SPINAL COLUMN POINT	NEW PAY POINT	£ p.a.
A	<250 (NJC)		<b>P1</b>	<b>14,374</b>
B	251 – 330 (NJC)	<b>11</b>	<b>P4</b>	<b>14,733</b>
		12	P5	15,039
C	331 – 378 (NJC)	14	P6	15,725
		15	P7	16,054
		16	P8	16,440
D	379 – 407 (NJC)	18	P9	17,161
		19	P10	17,802
		20	P11	18,453
E	408 – 445 (NJC)	22	P12	19,621
		23	P13	20,198
		24	P14	20,858
F	446 – 474 (NJC)	26	P15	22,221
		27	P16	22,958
		28	P17	23,708
G	475 – 499 (NJC)	29	P18	24,646
		30	P19	25,472
		31	P20	26,276
H	500 - 530 (NJC)	32	P21	27,052
		33	P22	27,849
		34	P23	28,636
I	175 - 350 (Hay)	35	P24	29,236
		36	P25	30,011
		37	P26	30,851
J	351 – 450 (Hay)	38	P27	31,754
		39	P28	32,800
		40	P29	33,661
K	451 – 550 (Hay)	41	P30	34,549
		43	P31	36,313
		44	P32	37,206
L	551 – 650 (Hay)	45	P33	38,042
		47	P34	39,855
		49	P35	41,616
M	651 and above (Hay)	54	P36	46,259
		58	P37	50,607
N				52,500 – 58,000
Q	Town Clerk and Chief Executive, Deputy and Directors			74,545 – 82,000
R				96,627 – 104,462

**Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers: Report RD 56-12**

## Appendix 2: Casuals earning below the Living Wage and cost implications

Service Area	Number	No. of hours worked	Cost £	Cost per year if paid Living Wage £	Additional cost per year £ (excluding on costs)
Bereavement	2	1,013	7,668	8,357	689
Cleaning	12	1,799	13,382	14,839	£1,457
Community Support	15	609	4,385	5,027	642
Customer Services	2	444	3,100	3,660	560
Executive Management	1	119	781	983	202
Revenues and Benefits	4	687	4,006	5,668	1,622
Service Support Team	2	138	1,042	1,136	94
Talking Tarn	16	5,432	32,755	44,817	12,062
Tourism & Ec. Dev.	1	1,818	12,458	14,999	2,541
<b>TOTAL</b>	<b>55</b>	<b>12,059</b>	<b>79,577</b>	<b>99,486</b>	<b>19,909</b>
Total additional cost including on costs					22,656

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