

EAST RENFREWSHIRE COUNCILCABINET12 September 2019Report by Deputy Chief ExecutiveCONSOLIDATION OF THE LIVING WAGE**PURPOSE OF REPORT**

1. This report aims to update Cabinet on the national position on consolidation of the Living Wage and present options for consolidation in East Renfrewshire Council.

RECOMMENDATIONS

2. It is recommended that the Cabinet:

- (a) Acknowledge the current position with regards to the Living Wage and the pay award agreement to consolidate by March 2021;
- (b) Agrees to delegate to the Deputy Chief Executive and Head of HR and Corporate Services negotiations and engagement with the Trade Unions for implementation of the consolidated Living Wage; and
- (c) Acknowledge and support the principles of:
 - (i) maintaining incremental progression between grades where possible;
 - (ii) having no overlap between grades where changes are made;
 - (iii) introducing a model which will be robust until April 2024 based on current assumptions; and
 - (iv) introducing consolidation of Living Wage by March 2021 within known budget constraints.

BACKGROUND

3. In March 2019 the Scottish Joint Council (SJC) for Local Government Employees pay agreement covering the three year period 1 April 2018 to 31 March 2021 was agreed. This included an agreement to uplift the Scottish Local Government Living Wage (SLGLW) by the appropriate percentage uplift in each of the three years resulting in a SLGLW of £8.81, £9.07 and £9.34 respectively. The SLGLW rate will be used as the minimum pay level for all pay, including additional hours, overtime, and other allowances.

4. The Council implemented SLGLW in October 2011 by applying supplements to Grades 1 & 2, and 4 points in Grade 3 to achieve the hourly rate for the SLGLW so although implemented it is not consolidated within the pay grades. This supplement is subject to tax and NI contributions and is consolidated for pension purposes.

5. In the latest pay agreement a commitment has been made that nationally a reference group with the SJC Trade Unions will be established to oversee the process of consolidation of the SLGLW, reporting on progress to the Scottish Joint Council. All councils should aim to achieve consolidation preferably by March 2021. However it is recognised that a small number of councils may require additional time for consolidation however any such extensions will carry a final implementation date of 2022.

REPORT

6. Consolidation of the Living Wage in practice means setting the lowest Spinal Column Point (SCP) used by Scottish Local Government pay scales at the same or at the nearest higher point to the living wage, and deleting all points below this. This will then have a knock on effect to the points above this. Any change we make will unavoidably come with a cost which will place further financial pressure on the Council.

7. Approximately half of councils have already consolidated. The method of consolidation is one which will be locally agreed and it is important that we consult appropriately with the Trade Unions and explain the local approach and the impact.

LIVING WAGE CONCERNS AND APPROACH

8. A number of implications are already being seen across councils as a result of the introduction of the Living Wage. These are mainly due to the annual Living Wage increases being higher than Local Government salary increases. These implications were collated from research by the COSLA working group and are all recognised as happening in this Council.

- There is narrowing of pay differentials where we now have cleaners paid the same grade as a cleaning supervisor. We currently address this by starting the supervisor on point 4 of a Grade 3. As the living wage increases, this will become an increasingly difficult situation with the difference between the higher rates for supervisory jobs, and those they are supervising, being eroded or removed completely. This results in a direct impact on morale, motivation, recruitment and retention in these roles.
- The grade structure of the council is being compromised as the living wage is now higher than some of the lower grades in our grading structures. In most councils, the first two or three grades in their pay structures have either been overtaken in full or part by the living wage. In this council Grade 1, 2 and two thirds of Grade 3 have been overtaken by the Living Wage.
- For those paid at the bottom end of pay structures where the living wage is not consolidated, they are now on the fixed point of the living wage with no scope for the incremental progression that happens in the higher grades.
- There are recruitment issues relating to the narrowing of pay differentials.

CONSOLIDATED LIVING WAGE

9. The approaches taken by councils who have already consolidated have been considered however it is recognised that each council needs to determine which approach would work best for their specific pay and grading structure and financial situation.

10. Currently this council only uses even SCPs, every second point on the scale. This was a historical decision and was implemented as this gave an equal 3% increment between points at that time.

11. From a technical perspective and from best practice advice the aim would be to maintain the principles of incremental progression within grades where possible, have no overlap between grades and implement an option which will remain robust until at least April 2024. All modelling has been based on actual pay and SLGLW awards up to April 2020, and then forecasted an annual 3% Living Wage increase and an annual 2% LGE pay award until April 2024. However it must be acknowledged that cost is a factor and that a compromise may need to be made due to this.

12. It is proposed that consolidation is implemented for March 2021 and that the model chosen, based on the modelling assumptions made, will be robust until April 2024. It is also proposed that the model chosen will affect only grades 1 – 6 with the top points for grade 6 remaining the same. A full review of the pay and grading scheme would be extremely costly and is not possible due to the financial constraints.

13. To ensure the pay model chosen is robust a full Equality Impact Assessment will be completed by an external consultant and further checks of the pay scales will be undertaken to ensure financial probity.

14. The proposal is to engage with the Trade Unions immediately with the aim to agree a model for implementation by the end of March 2021.

15. The new HR and Payroll system is planned for implementation during the period November 2019 to March 2020 with further development into 2020/21. It is proposed that the implementation of the Living Wage consolidation takes place in March 2021 to meet the pay agreement timeline, avoid issues with new HR and Payroll system implementation and also to allow time to plan for the additional staffing costs in the budget.

FINANCE AND EFFICIENCY

16. The Head of Accountancy has included assumptions for a number of pay related matters including consolidation of the living wage in the long term budget planning process. These long term assumptions will continue to be refined on an annual basis.

IMPLICATIONS OF THE PROPOSALS

17. A full equality impact assessment will need to be completed. An external consultant independent from HR and the design of the proposed options will be used.

18. Consultation will take place with Unison, GMB and Unite to agree implementation of consolidation of the Scottish Local Government Living Wage.

19. At this stage the level of resource required to make the changes and the best time to implement is unknown as we have not transitioned to the new HR and Payroll system. The exact requirements for the implementation will be finalised nearer the time once this is known.

CONCLUSIONS

20. There is a commitment in the 2018-2021 pay agreement for all councils to aim to achieve consolidation preferably by March 2021. There is not a national position on how this should be achieved however the pay agreement did also commit for a Living Wage reference group with the SJC Trade Unions will be established to oversee the process of consolidation.

21. From a technical perspective and from best practice advice the aim is to maintain incremental progression within grades where possible, have no overlap between grades and implement an option which will remain robust until at least April 2024.

RECOMMENDATIONS

22. It is recommended that the Cabinet:

- (a) Acknowledge the current position with regards to the Living Wage and the pay award agreement to consolidate by March 2021;

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 - (viii) introducing consolidation of Living Wage by March 2021 within known budget constraints.

Caroline Innes
Deputy Chief Executive

September 2019

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