

22 June 2017

Action on Low Pay

Purpose

For discussion.

Summary

The Board will receive a presentation from the West Yorkshire Combined Authority on its Low Pay Charter. Cllr James Lewis, Deputy Leader of Leeds Council, will attend the Board meeting to present the West Yorkshire Low Pay Charter proposals, including addressing the points made in the motion to the LGA.

It was agreed by the LGA Executive in June 2016 that the motion be discussed at a future meeting of the Resources Board.

Recommendation

That the Board considers the presentation from representatives and decides further action.

Action

Officers to progress in line with members' directions.

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Background

1. The full Low Pay Charter produced by the West Yorkshire Combined Authority can be found [here](#). For ease the main points of its motion to the LGA are summarised here:

“Local authorities should lead by example when it comes to tackling the problems of low pay in their areas. For this reason, the councils of the West Yorkshire and York Combined Authority developed the “West Yorkshire Low Pay Charter – No Silver Bullet”. The LGA is asked to support the West Yorkshire Authorities and York in their efforts to tackle low pay in their organisations and give consideration to adopting the charter in their Authorities.” The recommendations of the Charter are:

- 1.1 *Review existing pension information to make the case for membership from a low pay perspective and proactively target communication at lower paid workers to drive up-take.*
 - 1.2 *Commit to proactively communicating the positive relationship between skills and opportunity; and to ensuring that lower paid staff are supported to reach their potential through implementation of a strategy for inclusive personal and professional development.*
 - 1.3 *Proof all HR policies for their impact on lower paid workers, with particular focus on progression and reducing institutional barriers such as constrained career structures.*
 - 1.4 *Deliver excellent management and leadership practices as standard across the organisation, with specific focus on equipping those who manage lower paid workers with the skills and systems they need.*
 - 1.5 *Agree to the principle of investing in and promoting a responsive employee benefits package that is accessible and communicated to target groups consistently, frequently and through the right channels, and that complements the approach in individual Districts to directly support lower paid workers to stretch their take-home pay.*
 - 1.6 *Collaborate across the area to streamline health and wellbeing activities, learn from good practice and target lower paid workers to increase participation.*
 - 1.7 *Apply Social Value policy, prioritising in the first instance those commissioned services where low pay prevails; and work collaboratively to influence others to do the same.*
 - 1.8 *Guard against inappropriate use of zero hours contracts and protect casual workers from effects of low pay, concentrating on our own workforces and commissioned services.*
 - 1.9 *Use local authority influence and local leadership to tackle low pay across the WYCA area in pursuit of a ‘good growth’ agenda.*
2. The motion covers a range of issues and this report does not attempt to address them all, as there is an expectation that representatives from WYCA will provide the context. However it is worth highlighting a few issues to inform the discussion.

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3. The introduction of the National Living Wage (NLW) was announced by George Osborne in his July 2015 Budget. He indicated that its target level was to reach 60% of median hourly earnings by 2020. At the time of the announcement the forecast for 2020 was £9.35 per hour and in his speech he referred to it being “at least £9”. It applies to workers aged 25 and over, with the relevant National Minimum Wage (NMW) rate continuing to apply for those aged below 25.
4. It should be noted that when the NLW was introduced in April 2016 many employers chose to not make this age-related distinction in their pay arrangements and early consultation with councils through regional pay briefings in 2015 indicated near unanimous support for not applying any such distinction in the National Joint Council (NJC) pay spine.
5. The use of the term ‘living wage’ in itself caused considerable confusion when Mr. Osborne made his commitment in the 2015 Budget. The concept of a ‘living wage’ has been around for many years, but first started to gain traction, largely in London, in the early 2000s. In simple terms it was based on the recognition/principle that the NMW was set at an insufficient level to ‘live’ rather than ‘exist’, particularly in a London context. The London Living Wage as a voluntary measure was championed by successive London Mayors and through the Living Wage Foundation expanded to involve the creation of a separate national rate. Those rates are currently £9.75 (London) and £8.45 (national).
6. The LGA’s Workforce team has tracked the take-up of the voluntary living wage in councils (England, Wales and Northern Ireland) over the last 5 years. Initially, this period saw a steady increase in take-up from 35 (including 25 in London) in 2012 to 175 in 2015. It was noticeable that between 2015 and 2016 the number of councils applying it fell back to 155. Most of the reduction was based on councils choosing to not apply the annual increase announced in November 2015. For some, this could have been simply down to affordability, but there was anecdotal evidence that many councils were pausing to see the direction/level of the new statutory rate.
7. The Living Wage Foundation also accredits organisations that use its Living Wage. The key requirement for accreditation is to spread the living wage beyond the workforce and into procurement and the supply chain. It does not require all contractual arrangements to include the Living Wage, but does require a commitment to do this as contracts come up for renewal. For many councils this is where the big costs of implementation do (or would) occur.
8. In terms of the directly employed workforce about 83,000 (Full Time Equivalent) employees covered by the National Joint Council (NJC) would still be paid below the NLW in 2020 should it be at £9 an hour and 1% pay awards continue to be the norm. This is about 16% of the FTE workforce and will be a far bigger proportion of headcount. It should be noted that these figures exclude school based employees, where less complete data is available. However our expectation is that the proportion of the school support staff on whom the NLW will have a direct impact will be even greater.

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9. The 2016-18 pay deal included a commitment for the NJC to review its pay spine. There was overwhelming support among councils for restructuring the national pay spine in order to meet the '2020 challenge'. That review is underway and more detail on it is provided in the Workforce Update report (see item 5) on the agenda.

Pensions

10. We are not aware of any evidence that would indicate that there is a significant lower take up of the Local Government Pension Scheme (LGPS) by lower paid workers. The average take up of the LGPS will vary from region to region but on average is in excess of 80%. With the advent of automatic enrolment this is expected to increase as local authority workers earning more than £10,000 will be re-enrolled into the LGPS every 3 years if they opt out of the scheme. All local authority staff are contractually enrolled into the LGPS when they start employment if they have a contract for three months or more.
11. In addition to the above, the 50/50 section of the scheme was introduced from April 2014 to help lower paid members who were struggling financially to stay in the scheme and to continue to build up valuable benefits. It allows members to pay half the normal contribution rate and build up half the normal pension whilst retaining full life and ill-health cover. The take up of the 50/50 section has not been as high as we would have expected, so the Scheme Advisory Board (SAB) for England and Wales is currently surveying employees to try to establish the reason for this. Early results from the survey indicate that around 60% of employees are unaware that the 50/50 provisions exists so it would appear that there is some communication work to be done in this area.

Procurement

12. **Social Value** – councils are required to consider whether there is scope for any additional social value for all services contracts over £160,000 by the Public Services (Social Value) Act 2012. Social Value policies are in place in most councils and anecdotal evidence is that councils are implementing the Act really well. The LGA would look to Birmingham, the Association of Greater Manchester Authorities, Halton, Durham, Liverpool and Bristol as examples of best practice.
13. The Act requires public authorities to have regard to economic, social and environmental well-being in connection with public services contracts. So issues of low pay and zero hours contracts are definitely in scope and would align with individual council's approach to accreditation as Living Wage Foundation organisations. Birmingham has a business charter for social responsibility which includes issues of low pay and zero hours. Suppliers have to sign up to the charter to be considered for work through procurement [See link here](#)

Good HR practice

14. The motion outlines commitments that councils as employers should make to review policy and practice in training and development and quality of management. The motion also recommends a thorough review of HR policies. All of these reviews should focus on the needs and interests of the lowest paid.

15. It is worth noting that whilst not perhaps specifically focused on the low paid, many councils have conducted or are conducting reviews of policy in the areas mentioned and will be addressing issues of fairness, as well as equality, engagement and productivity as part of the planning and evaluation of reviews. The LGA continues to provide advice and support to councils collectively and individually on broad based strategic workforce development, as well as specific tools to help address issues that may make people reluctant to join or stay in the workforce
16. One example is the Timewise Council Programme, assisting councils who are keen to find ways of increasing the efficiency of their workforce, and help attract and retain talent. One of the key tools to help employers with these challenges is flexible working. Increasing the opportunities for flexible working in the existing workforce, and offering it to new recruits, can help address some of today's key public sector challenges such as:
 - 16.1 attracting the best talent, particularly in difficult to attract professional roles
 - 16.2 improving productivity and motivation of your current employees
 - 16.3 addressing your diversity and inclusion needs
 - 16.4 making best use of modern technology to give people more control over how, when and where they work; and
 - 16.5 creating a more agile and adaptable workforce.
17. Timewise also works with public sector organisations who are interested in developing and growing jobs in their community. Stimulating the local market to create more flexible and part time roles can help:
 - 17.1 unblock career progression for low paid workers
 - 17.2 tackle local labour market inequalities
 - 17.3 deliver on economic regeneration priorities, such as inclusive growth.
18. The programme is designed to help put in place an improvement plan, based on local workforce challenges, and to equip HR teams with the specialist expertise to deliver it. As an example, Timewise demonstrates the importance of having an approach to workforce engagement that tackle a range of challenges including low pay.

Implications for Wales

19. There are no specific implications for Wales; support to Welsh authorities is provided by the workforce team at the LGA as necessary, working with WLGA.

Financial Implications

20. There are no financial implications for the LGA implied in the content above.