

# WEST DUNBARTONSHIRE COUNCIL

## Report by the Chief Executive

Council - 24 June 2009

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**Subject: £7 Minimum Living Wage**

### **1. Purpose**

**1.1** The purpose of this report is to consider the implications of West Dunbartonshire Council adopting a seven pounds an hour minimum living wage.

### **2. Background**

**2.1** Following the Council Meeting of 29 April 2009, Officers were instructed to prepare a report which would explore the possibility of the Council adopting a £7 an hour minimum wage.

**2.2** In March 2009 Glasgow City Council announced that it would be introducing a £7 an hour minimum wage to 681 employees of the Council. The payment would not apply to contracted out services relating to Cleaning, Janitorial or Care Services.

**2.3** The current national minimum wage rates are:

- adults (which means people aged 22 and over) receive the full rate of £5.73 an hour (increase to £5.80 with effect from 1<sup>st</sup> October 2009)
- workers aged 18 to 21 inclusive, receive a rate of £4.77 an hour (increase to £4.83 with effect from 1<sup>st</sup> October 2009). This rate is often known as the developmental rate.
- young people receive £3.53 an hour (increase to £3.57 with effect from 1<sup>st</sup> October 2009). This rate is often known as the youth rate.

### **3. Main Issues**

**3.1** On 1 March 2009 West Dunbartonshire Council introduced a new pay and grading structure as part of the local implementation of the National Single Status Agreement. The new pay and grading structure consists of 12 grades each with 4 incremental steps with a minimum hourly rate of £6.32 and a maximum hourly rate of £6.92 on the lowest grade (Grade 1). Employees on the lowest grade are entitled to receive incremental progression to the maximum point of the scale. There are currently 400 employees, mainly in Facilities Management, paid at the lowest grade on less than £7.00 per hour. The corresponding services in Glasgow City Council are contracted out and are not included under the arrangements to introduce a £7.00 living wage.

## Scottish Joint Council

- 3.2** While all Scottish local authorities have the flexibility to determine their own pay grades, all hourly rates are determined nationally through agreements reached at the Scottish Joint Council, which negotiates on behalf of Local Government Employees and is comprised of both employers and Trade Unions. In developing the new pay and grading structure West Dunbartonshire Council has utilised hourly rates determined by the Scottish Joint Council. There is currently no hourly rate corresponding to £7.00 and the lowest hourly rate set nationally is £6.13 per hour.
- 3.3** With the exception of Glasgow City Council no other Scottish local authority has indicated that it proposes to adopt hourly rates outwith the National Framework.
- 3.4** It was agreed as part of last year's SJC pay agreement that an SJC Working Group would be established to consider Trade Union assertions of low pay in Scottish local government and discussions are underway at a national level in this regard. To support the Employers Function at COSLA in these discussions all Councils have been requested to provide details on their current pay and grading structures as well as the number of staff on pay points below £7 per hour.

## Development of Pay & Grading Model

- 3.5** In developing the WDC pay and grading structure recognised statistical techniques, national guidance on the development of pay and grading and guidance from the former Equal Opportunities Commission were utilised to ensure that the pay structure fully met our duties under the Equal Pay Act.
- 3.6** The pay structure was, in line with best practice, developed from the mapping of job evaluation outcomes to the nationally determined set of hourly rates and was fully examined as part of the Equality Impact Assessment process. To move away from such a robust process and utilise hourly rates on an arbitrary basis could leave the authority exposed to potential legal challenge especially if one particular job group or groups were seen to be advantaged without a solid foundation in relation to job evaluation outcomes.
- 3.7** Alternatively if the approach was to revise current pay levels associated with the grading structure and establish a £7 minimum hourly wage on the lowest scale this would require the development of a totally new grading structure and have a knock on impact of increasing other grades as well as the lowest grade. Implementation of the Single Status Agreement meant that approximately 57% of WDC Local Government employees were "green circled" and experienced an increase in basic salary rates. It would be difficult to account for a further uplift to basic pay rates and a new equality impact assessment would be required.

## Competitiveness and Best Value

- 3.8** In exploring any alteration to the pay and grading structure consideration must be given to the impact on competitiveness of resulting salary increases and to the impact this may have on the ability to retain services in house. In addition increases to salaries would require to be justifiable in line with current auditing arrangements and expectations under Best Value to demonstrate competitiveness.

### **4. Personnel Issues**

- 4.1** The development and introduction of the new pay and grading structure as part of the Single Status exercise was hugely contentious resulting in many employee relations issues. Further changes to the pay and grading structures would require significant additional resource input in terms of time and could destabilise the employee relations environment at a time when the organisation is moving forward on a more positive footing. Changes would also require to go through a process of consultation with a view to reaching a collective agreement with the Trade Unions.

### **5. Financial Implications**

- 5.1** To increase the current minimum point of Grade 1 (£6.32) to £7.00 would represent an uplift of 10.7% and would result in a fixed hourly rate for all employees on Grade 1. In order to maintain the integrity of the current pay model and provide a consistency of application across the pay structure and ensure equality for all employees, all other grades would require to be uplifted by the same % level. Additional costs associated with this exercise are estimated to be in the region of £3.6M p.a. based on existing salary placings. There is currently no budget provision identified.
- 5.2** To increase the current minimum point of Grade 1 (£6.32) to £7.00 would represent an uplift of 10.7% and would result in a fixed hourly rate for all employees on Grade 1. Were fixed hourly rates to be applied to other grades in the pay and grading structure then this would have significant implications in relation to ongoing pay bill costs.

### **6. Risk Analysis**

- 6.1** Significant risks relating to the introduction of a £7 minimum wage exist in relation to the integrity of the pay structure and its continued ability to meet equality duties. In addition there also are potential risks in relation to affordability and the ability to demonstrate Best Value and competitiveness.

### **7. Conclusions and Recommendations**

- 7.1** The pay and grading structure introduced in March 2009 as part of the Single Status Agreements has made significant inroads into addressing low pay within the Council and has provided for the first time a pay and grading structure that complies with equal pay legislation.

- 7.2 The development of a pay and grading structure is an extremely complex exercise and any alteration to specific hourly rates, particularly outwith the national framework of hourly rates, would have a significant impact in relation to costs and the ability to demonstrate equality.
- 7.3 In light of the risks associated with the adoption of a £7 minimum wage, the potential financial impact and the lack of budgetary provision it is therefore recommended that no alterations are made in relation to the current pay and grading structure and that Grade 1 remains at £6.32 - £6.92.
- 7.4 It is further recommended that the Council continues to support the SJC working group in relation to discussions relating to low pay within Scottish Local Government.

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**David McMillan**  
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**Date: 8 June 2009**

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**Appendices:** N/A

**Background Papers:** N/A

**Wards Affected:** N/A