

# WEST DUNBARTONSHIRE COUNCIL

## Report by the Chief Executive

Council: 24 November 2010

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**Subject: Introduction of Scottish Living Wage**

### **1. Purpose**

- 1.1** The purpose of this report is to outline the implications associated with West Dunbartonshire Council introducing the Scottish Living Wage of £7.15 per hour

### **2. Background**

- 2.1** The Scottish Living Wage Campaign (SLWC) seeks to tackle issues of low pay and is supported by a range of community, trade union and campaigning organisations including the Scottish Trade Union Congress (STUC), the Poverty Alliance, the Scottish Churches Social Inclusion Network and the Scottish Interfaith Council.
- 2.2** There are different thresholds for calculating low pay and hence how much a living wage is. The Joseph Rowntree Foundation's Minimum Income Standard (MIS) Project defines the minimum income needed by a family or individual to ensure an acceptable standard of living. Based on this and associated statistical information the Scottish living wage was uplifted in May 2010 from £7.00 to £7.15 in line with updated MIS calculations.
- 2.3** The Council has previously considered the introduction of a £7 minimum wage on 24<sup>th</sup> June 2009 and 28<sup>th</sup> October 2009 and at that time the Council agreed that no alterations be made in relation to the Council pay and grading structure.

### **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 current minimum hourly rate on the lowest grade (Grade 1) is £6.36 and the maximum hourly rate is £6.96. Employees on the lowest grade are entitled to receive incremental progression to the maximum point of the scale. There are currently approximately 400 employees paid on less than £7.15 per hour.
- 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. The most recent Trade Union pay claim contained a request that the Employers implement a 'living wage' of £7 hour for the local

government workforce, which built on the trade unions' assertion that there is an issue of low pay in the workforce. However the Employers side expressed concern that bottom loading of local government pay would be extremely contentious as it carried potential legal risks. The key risk being that bottom loading of pay structures based on job evaluation outcomes would seriously compromise the validity of these structures and leave councils open to equal pay claims. As a consequence the view was taken that any move towards a Living Wage would therefore distort the pay and grading models developed by councils based on the evaluation of job roles and consequently the link between job content and payment established through the application of statistical methodology. This approach carried the significant risk that the integrity of the overarching pay and grading structure would be compromised and leave Councils vulnerable to legal challenge under the requirements of the Equal Pay Act.

**3.3** It is evident that within West Dunbartonshire Council there is a clear political will to consider the introduction of the Scottish Living Wage however this proposal is constrained by concerns and risks relating to any adjustment to the current pay and grading structure. Therefore in order to move this forward, discussions with Trade Unions and Management will focus on the achievement of a collective agreement to support introduction without recourse to alteration of the pay and grading structure and thereby maintain the integrity of the pay model. The commitment to the introduction of the £7.15 Scottish Living Wage would sit alongside the pay model and anyone whose hourly rate of pay fell below this level would be uplifted to the "living wage" rate of pay. While this approach still carries a risk of legal challenge the material reason for the introduction of the Scottish Living wage is one that does not discriminate on the basis of sex. The Council would be in a stronger position to defend this claim while the £7.15 level sits below Grade 2 on the pay and grading structure, as it does currently, however this position would require to be fully reviewed in the light of any future change to the "Scottish Living Wage" rate.

**3.4** The introduction of the Scottish Living Wage with full agreement from the Trade Unions will be critical to its successful introduction.

#### **4. People Issues**

**4.1** The development and introduction of the new pay and grading structure as part of the Single Status exercise resulted in many employee relations issues. While the introduction of the Scottish Living Wage would be advantageous to approximately 400 staff it must be highlighted that this is set against the background of Public Sector Pay constraint and would not lead to any increase to pay grades within the existing pay model.

#### **5. Financial Implications**

**5.1** The estimated costs associated with implementing a £7.15 Scottish Living Wage for a full financial year based on current salary levels are £200,690.

Associated costs would be recurring from implementation date and have not been included in budget provision and any subsequent increase in the level set as the Scottish Living Wage from £7.15 would require to be included in future budget provision.

## **6. Risk Analysis**

- 6.1** The pay and grading structure introduced in March 2009 as part of the Single Status Agreement 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. This structure was developed in accordance with the national agreement on Single Status and was fully endorsed as being based on best practice principles and advice, and as being non discriminatory in design. As such there is a significant risk associated with moving away from this model. The proposed approach for the introduction of the “living wage” does not change the model but leaves this as a separate and discrete arrangement to address low pay and will require review on an annual basis.
- 6.2** In order to address any risk associated with this approach it is critical to ensure that there is a clear objective justification for the introduction of an hourly rate that is different to that outlined within the current pay model and that this provides the evidence to support a material factor defence not linked to sex in the event of any future claim in relation to pay inequality. This issue will be taken forward in seeking to reach a collective agreement with the Trade Unions.
- 6.3** West Dunbartonshire Council has a statutory duty to provide equal pay for its employees and to conduct regular equal pay audits. Failure to meet these statutory responsibilities may result in future costly litigation and possible enforcement action by the Equalities and Human Rights Commission.

## **7. Equalities Impact**

- 7.1** An equality impact assessment will be undertaken in relation to any agreement reached with the Trade Unions.

## **8. Conclusions and Recommendations**

- 8.1** There are potential risks and challenges associated with the introduction of a £7.15 minimum living wage which is not linked to job evaluation outcomes or the Council’s established pay model. However in order to address the Council’s commitment to address low pay through the introduction of the Scottish Living Wage and consequently address this risk it is strongly recommended that the Council enters into a collective agreement with the Trade Unions on the introduction of the Scottish Living Wage as separate to the existing pay model and subject to an equality impact assessment.

- 8.2** Council is therefore asked to endorse this approach as a way forward in considering the introduction of a living wage while continuing to meet its statutory obligations in respect of pay equality.
- 8.3** Council is further requested to authorise the Chief Executive to enter into a collective agreement with the Trade Unions on the introduction of the “living wage” within West Dunbartonshire Council. The effective date of implementation will be agreed through the collective bargaining process.

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**David McMillan**  
**Chief Executive**  
**Date: 12 November 2010**

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**Appendices:** None

**Background Papers:** Council Report £7 Minimum Living Wage 24 June 2009  
Council Report £7 Minimum Living Wage 28 October 2009

**.Wards Affected:** None