

Agenda Item	15
Report No	RES/12/18

HIGHLAND COUNCIL

Committee: Corporate Resources

Date: 28 February 2018

Report Title: Living Wage – Accredited Employer Status

Report By: Director Corporate Resources/ Depute Chief Executive

1. Purpose/Executive Summary

- 1.1 The Council can sign up to become an Accredited Living Wage employer. This involves making a commitment to pay all directly employed staff the real living wage rate.
- 1.2 The Council already pays employees the Scottish Local Government Living Wage, Accreditation would require the Council to ensure that all contracted staff who work regularly on the Council premises are paid the living wage and undertake to encourage contractors to pay the real Living Wage through our procurement processes.
- 1.3 The Highland Community Planning Partnership has identified Poverty Reduction as one of the five core outcomes for the Highland Outcome Improvement Plan. A 10 year plan, this will focus on address inequalities across Highland communities. One priority to deliver against this outcome is focused on the living wage and seasonal employment, recognising the particular challenges of living in remote and rural communities, combined with in-work poverty.

2.1 Recommendations

- 2.2 Members are asked to support an application to become an Accredited Living Wage employer to reduce poverty and improve pay for employees in the Highlands

3. Background

- 3.1 The Scottish Living Wage Accreditation Initiative was established in April 2014. Hosted by The Poverty Alliance in partnership with the Living Wage Foundation, it aims to increase the number of employers in Scotland which are recognised for paying their staff the Living Wage. To date there are over 1000 Living Wage employers in Scotland representing a range of private, public, third sector and charity organisations, including 14 local authorities.
- 3.2 The real Living Wage is an hourly rate which is set independently by the Living Wage Foundation, on an annual basis and calculated according to the basic cost of living in the UK. The rate applies to all workers over age 18, in recognition that young people face the same living costs as everyone else. The Living Wage Foundation and Poverty Alliance promote the real Living Wage as good for business, good for the employees and good for society.
- 3.3 Living Wage Scotland report there are 467,000 people in Scotland who earn below £8.75 per hour and 182,000 children in Scotland living in poverty despite having one person in their household in work. Therefore in-work poverty remains a problem.
- 3.4 Highland Council pays employees, including apprentices, the Local Government Scottish Living Wage rate which has been negotiated nationally by COSLA.

4. Benefits of Becoming a Living Wage Employer

- 4.1 Accredited employers are entitled to use the Living Wage Accreditation employer mark in promotional material and appear on the Living Wage Employer map. They also become part of a strategic network of employers that support and promote the living wage.
- 4.2 The Poverty Alliance makes the case for paying the real Living Wage on the following grounds:
- Social – increasing the wages of the lowest paid employees and reducing the level of in-work poverty. Improving access to goods and services for the lowest paid staff.
 - Business – increases in productivity, cost savings as a result of improved retention and reduced sickness absence, improved morale, motivation and commitment.
 - Public Policy – increase tax revenues for the UK Treasury, potential economic improvements as a result of money multiplier effect, potential to narrow or plug the gap in productivity between the UK and other G7 countries
- 4.3 In Highland, wages in remote and rural areas in particular are below the equivalent of the national living wage. This combines in some areas with an over-reliance on seasonal employment and contributes to 'in-work poverty'. Affordable housing, childcare and transport are significant factors in the cost of living in Highland, and there have been recent increases in fuel poverty in the region. Studies have found that the cost of living in remote and rural

communities has been found to be between 10-33% higher than elsewhere in the UK. (footnote <http://www.hie.co.uk/regional-information/economic-reports-and-research/archive/a-minimum-income-standard-for-remote-rural-scotland---a-policy-update.html>).

- 4.4 The Council's programme also commits to addressing poverty within Highland. *"All people should live a life free from poverty and discrimination and benefit from good mental health and wellbeing."* In addition, early work by the Poverty and Inequality Working Group has identified income as a core area of work to focus on in addressing poverty and inequality.
- 4.5. Employers can influence their contractors which are not currently paying the living wage and improve pay rates payable across the Highlands.
- 4.6 The Foundation will provide employers with updates through regular newsletters and the latest developments on the Living Wage campaign.

5 Accreditation

- 5.1 Since April 2015 the Council has applied the Local Government Scottish Living Wage rate to all Highland Council employees including apprentices. The increase to the real Living Wage rate is announced in November each year and the employer must undertake to apply the increase within 6 months which the Council has complied with in previous years; this has also been applied to agency worker rates.
- 5.2 There are also a number of stipulations in regard to contractors. Under EU procurement rules it is not possible to make the Living Wage a mandatory stipulation in the contract agreements. However employers should encourage and promote contractors to adopt the real Living Wage through procurement process in compliance with the law.
- 5.3 Where an employer has made a firm commitment to pay the living wage and is mid-contract with organisations which do not pay the living wage, a phased accreditation is offered. This means the living wage can be introduced on a rolling basis as contracts are renewed. Milestones will be agreed with the contractors and monitored quarterly to report on the percentage of contracts which are living wage compliant. The Living Wage Foundation recognises organisations may have long term contracts in place. For these types of contracts there is an expectation that opportunities for early change can be identified or negotiation of contracts mid cycle can be considered.
- 5.4 Arm's Length Organisations are not required to apply for accreditation in order for the Council to meet their licence requirements.
- 5.5 Based on guidance provided by procurement colleagues on Aberdeen City's experience in achieving accreditation, the Highland Council should be able to meet and comply with many of the licence conditions. However, there is work which will be required to be undertaken to check contractor and subcontract staff pay rates to satisfy the accreditation.

6 Implications

- 6.1 The cost of accreditation depends on the size of the organisation and will be £480 plus VAT per annum for the Highland Council.
- 6.2 There will also be a resource implication for HR and Procurement in identifying pay rates of employees of current contractors and monitoring progress towards full living wage compliance of contractors. A resource has been identified in HR to support work on the accreditation and within the joint procurement team to provide contract data for verification.
- 6.3 There could be costs associated with contractors potentially passing on any additional costs relating to increases in their staff's hourly rates unless this is negotiated as part of contract changes. The full cost of this will not be known until work to identify hourly rates currently paid by contractors is carried out as indicated in 6.2 above.
- 6.4 There are no other legal; equalities; climate change/carbon clever; risk, Gaelic and rural implications.

Designation: Depute Chief Executive/Director of Corporate Resources

Date: 8 February 2018

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