

<b>REPORT TO:</b>	<b>CABINET 14 July 2014</b>
<b>AGENDA ITEM:</b>	<b>7</b>
<b>SUBJECT:</b>	<b>Living Wage for Croydon</b>
<b>LEAD OFFICER:</b>	<b>Nathan Elvery, Chief Executive</b>
<b>CABINET MEMBER:</b>	<b>Cllr Tony Newman, Leader of the Council Cllr Simon Hall, Cabinet Member for Finance and Treasury</b>
<b>WARDS:</b>	<b>All</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b>	
<p>The Council is commitment to make Croydon a living wage borough.</p> <p>In an economic climate where public services face cuts, fairness and equality matters more than ever. The proposal to examine the feasibility of seeking accreditation for implementing the London Living Wage in Croydon.</p> <p>This supports the Council's ambition to reduce inequality and promote fairness for all of its communities by working with partners in the public, business and voluntary sectors order to secure better outcomes for all.</p>	

<b>FINANCIAL IMPACT</b>
There are no immediate direct financial implications from the recommendations.
<b>KEY DECISION REFERENCE NO: Not a key decision</b>

<p>The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below</p> <p><b>1. RECOMMENDATIONS</b></p> <p><b>The Cabinet is recommended to agree:-</b></p> <ol style="list-style-type: none"> <li>1) That the Council will seek to become an accredited London Living Wage employer;</li> <li>2) The implementation of the London Living Wage for the Council's directly employed workforce and through working in partnership with Croydon schools to achieve this aim by 1<sup>st</sup> April 2015;</li> <li>3) The Council seek for existing contractual arrangements to move towards the</li> </ol>
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- London Living Wage in an appropriate timescale; and
- 4) That the Council work to fully implement the London Living Wage requirement through its procurement and commissioning processes and wherever possible include a contractual requirement to that effect.

## **2 EXECUTIVE SUMMARY**

2.1 Croydon is a socio-economically diverse borough that is marked by some stark contrasts in wealth and poverty. Croydon is ranked in the 100 most deprived places in the country and 19th out of 32 London boroughs in terms of overall deprivation. It has some wards with low levels of disadvantage and others that are amongst the most deprived in England.

2.2 Croydon, like other places in London and elsewhere, is experiencing demographic change, which at a time of economic constraint has significant implications for social and economic policy, resource allocation, and service provision. Croydon shares similar demographic, economic and social characteristics with both inner and outer London boroughs, but also faces unique challenges such as:

- the highest overall population of all London boroughs;
- one of the largest populations of children and young people;
- one of the highest proportions of black and minority ethnic groups in South London, and one that is rapidly growing;
- increased deprivation with significant areas of inequality.

2.3 The current economic climate, coupled with the impact of wide reaching welfare reforms and reductions in public sector funding have contributed to an increase in inequality and poverty in the borough. The key inequality challenges that Croydon faces include:

- deprivation experienced by people living in the borough, in particular the northern wards of the borough as well as New Addington and Fieldway;
- violent crime, especially domestic abuse and serious youth violence;
- anti-social behaviour including hate crime and fear of crime;
- growing social pressures including child poverty, food and fuel poverty, social isolation, lack of affordable housing and a rising trend in homelessness;
- underlying causes that prevent communities from becoming cohesive, integrated, resilient and active;
- youth unemployment and targeting areas of the borough with high economic inactivity
- opportunities for people especially those aged between 16 – 24 to be in education, training or employment as well as those who are disabled and lone parents;
- resilience of individuals and families with complex needs such as poor mental and physical health and drug and alcohol problems;
- health inequalities across the borough including obesity in children and adults;
- growth and regeneration is sustainable and inclusive.

- 2.4 Income is one of the key determinants of building individual and community resilience during these unprecedented social and economic circumstances. Croydon is described as a 'low income' Borough and its' patterns of occupations have been in sectors where pay is lower than average. Areas in the north and east of the borough are characterised by social and economic deprivation including income poverty.
- 2.5 The Council proposes to sign-up to the London Living Wage so that by its actions it shows commitment and leadership to lift the incomes of both its residents and people who work for it. The Council is committed to raising living standards and, as a way of demonstrating this, to pay all directly employed staff the London Living Wage and wherever possible make it a requirement on the Council's contractors.
- 2.6 The implementation of the London Living Wage is a key factor in addressing wage inequalities in the borough. This will be a key area for the Independent Fairness Commission and thus, without prejudging their recommendations, will be further influenced by the Fairness Commission as part of the finding of the Commission's future engagement, research and recommendations.

### **3 THE LONDON LIVING WAGE**

- 3.1 The Living Wage is an hourly wage rate, set independently and annually updated. In London, the rate is calculated independently by the Living Wage Unit within the Greater London Authority (GLA) and outside London by the Centre for Research in Social Policy. The Living Wage is calculated according to cost of living and was created to "give the minimum pay rate required for a worker to provide their family with the essentials of life." Unlike the National Minimum Wage (NMW), the Living Wage has no legal status and is therefore reliant on the commitment of individual employers.
- 3.2 The current London Living Wage (LLW) rate is as detailed below:
- The current rate of £8.80 per hour which for a 36 hour week is an annual salary of £16,518
  - For comparison, the current NMW is £6.31 (for over 21s)
- 3.3 The formula for the LLW is based on a number of factors and the most recent Living Wage Foundation's (LWF) analysis (as referenced below) took the following into consideration:
- Household types and working patterns, including estimates of basic
  - Living costs
  - Price Indexation changes for tax credits and benefits
  - The effect of changes to taxes and benefits introduced from 2010
  - Budget Report
  - Income and wage distribution

3.4 The LWF analysis suggested that if means-tested benefits were not taken into account (that is, tax credits, housing benefits and council tax benefits) the Living Wage would be approximately £10.40 per hour. However, LWF explained that with a tax and benefit system that is redistributive, in-work benefits and tax credits need to be taken into account.

3.5 The full report: “A Fairer London: The 2011 Living Wage in London” is a public document which sets out the detailed methodology and calculations. The same approach was applied when setting a LLW rate for 2013, which meant that any welfare changes were taken into consideration.

### 3.6 ACCREDITATION

3.7 Formal accreditation is voluntary and awarded by the Living Wage Foundation. An accredited London Living Wage Employer is required to:

- pay all directly employed staff at least the Living Wage;
- apply any increase in the LLW within six months of its announcement;
- demonstrate progress towards requiring any contractors to pay the LLW;
- have a plan in place to work with any remaining contractors to get them to pay the LLW.

## 4 WHY PAY THE LONDON LIVING WAGE?

4.1 **It helps to make work pay:** With recent changes to the welfare system, more than ever the Council and its partners are supporting those who can, to find work, so that people can increase their income and have enough to live on. Croydon has been actively seeking ways to address the impact of welfare reforms and through its partnership initiative ‘Pathways to Employment’ has helped people find work. However, national research indicates growing poverty among those who work. Therefore, work needs to pay financially and *A Fairer London: the 2011 Living wage* report by the GLA shows that a wage earner who receives an hourly rate less than the Living Wage (in London) will be living in poverty even after benefits and tax credits are taken into account. Paying an hourly rate above the National Minimum wage of £6.31 rising to £6.50 by October 2014 is essential if the Council and its partners are to show that working means lifting people out of poverty.

4.2 **It’s business sense:** Well over 100 private and public sector employers now pay the Living Wage, and many of these have reported positive business effects attributed to the introduction of the Living Wage. The Citizens UK guide *Living Wage: A Guide for Employers* outlines some of the benefits reported to them including lower staff turnover, increased productivity and increased ability among staff to adopt new working practices. Exact benefits will differ by organisation but all should add up to a brighter outlook for the business.

4.3 In recent years the issue of low pay has become increasingly important, especially in the context of the impact of the economic recession, stagnation

in wages, inflation, and rising cost of living, in particular food and fuel costs. Nationally there is evidence to show an increase in-work poverty.

#### 4.4 **NEXT STEPS**

4.5 If Cabinet agrees the recommendations arising from this report, the Council will work with the Living Wage Foundation to assist with the implementation actions contained in the recommendations to this report.

4.6 A further update of the Council's progress in implementing the London Living Wage will be included as part of a future presentation to the Cabinet in a response to the initial findings of the Independent Fairness Commission. It is not for the Council to prejudge the recommendations of the Commission however the LLW is a priority for the borough and therefore action is being taken now to tackle wage inequalities in our borough.

#### 4.7 **DIRECTLY EMPLOYED STAFF**

4.8 If Cabinet agrees the recommendation in relation to staff directly employed by the Council then all new contracts will be set at the London Living Wage.

4.9 The Council's minimum full time salary for its directly employed non-schools staff (excluding apprentices and work placement students) is currently £16,452 which equates to £8.76 per hour based on a 36 hour working week.

4.10 Excluding apprentices and work placement students, there are 10 non-school employees identified as being paid below the current LLW, employed as cleaners, invigilators and artist models (data as at January 2014).

4.11 It is proposed that the Council applies a non-contractual discretionary supplement to make up the difference between the employee's contractual pay and the current LLW with immediate effect. The supplement is paid to impacted employees alongside the existing pay and grading structure. The Council will then work towards, based on the timescales set out in this report, to a permanent contractual position for directly employed staff at the London Living Wage.

#### 4.12 **SCHOOLS**

4.13 The following actions are proposed in order for the Council to work in partnership with the borough Schools to successfully implement the London Living Wage:-

- **September:** Host a special meeting with head teachers and chairs of governors of community schools to explain the aspiration and the request of schools.

- **Autumn:** Governors of community schools are formally asked to consider the request to implement London Living Wage during a formal governing body meeting, and respond to the local authority by December.
- **Spring term 2015:** community schools build the implications of London Living Wage into their planning process for the 2015-16 budget and implement from the 1<sup>st</sup> April 2015.

## **5. CONSULTATION**

- 5.1 It is proposed that the Fairness Commission examine inequality in the borough and will in the course of its work carry out a series of consultation and engagement activities with stakeholders such as residents, community / voluntary groups, groups that share a “protected characteristic” to understand the social and economic challenges faced by local people.
- 5.2 Any relevant consultation with a range of stakeholders including trade union, schools, contractors and staff employed directly or not will need to take place before implementation.
- 5.3 The recommendations of the Fairness Commission in relation to the LLW will help to further inform the Council’s approach in due course, however as a priority to Council recognises that progress on the LLW is essential for the borough now.

## **6 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS**

- 6.1 There are no immediate financial implications for the council’s budget arising directly from this report and its recommendations. Any increased costs for schools as a result of the recommendations will be funded directly by them. As the Council makes commissioning decisions in the future the financial implications will be clearly set out.

(Approved by: Richard Simpson, Director Finance and Section 151 officer)

## **7. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER**

- 7.1 The Council Solicitor comments that there are no direct legal implications arising from this report and advice on any commissioning or procurement implications will be provided as the proposals are developed.

(Approved by: Gabriel MacGregor, Head of Corporate Law on behalf of the Council Solicitor & Monitoring Officer)

## **8. HUMAN RESOURCES IMPACT**

- 8.1 The implementation of a programme that seeks accreditation for London Living Wage in the Council will have an impact on improving employee relations, productivity and reputation.

- 8.2 There in the region of 10 non-schools employees within the Council being paid below the current LLW; and in addition the Council estimates that there are in the region of a further 285 employees within community schools (schools where the Council is the employer) paid below the LLW. Exact numbers are not known because the Council only holds payroll data for those schools that purchase the Council's payroll service.
- 8.3 Support staff employed by community and voluntary controlled schools are covered by the same terms and conditions as 'green book' staff working for the Council. These are contractual terms and cannot be changed without consultation.
- 8.4 Should the Council adopt a measure to increase pay and it not be applied in schools, there is a risk of equal pay claims.
- 8.5 Should the Council agree arrangements to implement the LLW, it would be essential to engage with the schools to enable implementation as is recommended in this report.

(Approved by: Heather Daley, Director of Human Resources)

## **9. EQUALITIES IMPACT**

- 9.1 Implementing the London Living Wage will help the Council tackle income deprivation in some of the most deprived areas of the borough as well as help lift people out of poverty especially children, disabled and older people.
- 9.2 Earning the London Living Wage will help to promote good community relations, advance equality of opportunity, and tackle discrimination. It is envisaged that the work of the Fairness Commission will examine key inequalities and recommend to the Council and LSP mitigating action to address these.

## **10. ENVIRONMENTAL IMPACT**

- 10.1 There are no implications arising directly from this report

## **11. CRIME AND DISORDER REDUCTION IMPACT**

- 11.1 There are no implications arising directly from this report.

## **12. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION**

- 12.1 To support the Council demonstrate transparency and fairness in its operations as well as compliance with its public sector equality general duty and specific duties as defined by the Equality Act 2010.

## **13. OPTIONS CONSIDERED AND REJECTED**

- 13.1 None

**CONTACT OFFICER:**

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**BACKGROUND PAPERS - LOCAL GOVERNMENT ACT 1972**

Citizens UK, *Living Wage: A Guide for Employers, 2013*