

The Living Wage

Briefing and implementation plan for
academy, trust and free schools

I want to



live

not just
exist

Background

UNISON has produced this step-by-step guide to becoming an accredited Living Wage employer for academy and trust schools. The guide is based on the experiences of employers in both the public and private sector and sets out in a staged approach the steps need to be taken by schools implementing the Living Wage.

UNISON is particularly grateful to Islington council, the first accredited Living Wage council in the UK, and Southwark council for their assistance in putting this guide together.

The document has been primarily designed for use by those schools' where the governing body or a trust is the employer of the staff. Community schools, where the employer of the staff will be the local authority, should in the first instance speak to their authority about its plans for implementing the Living Wage.

What is the Living Wage?

The idea behind a Living Wage is that a person should be paid enough to live decently and to adequately provide for their family. At its heart is an ethical argument for preventing in-work poverty.

UNISON as the largest union representing school support staff has been actively campaigning alongside community groups such as Citizens UK for employers to pay the Living Wage.

Our work comes at a critical time. In-work poverty is a significant problem throughout England and Wales. For too many families wages do not go far enough to cover the basic essentials or to enable them to live with dignity within their communities. It is a striking fact that today 60% of children in poverty grow up in a working household.

The Living Wage rates

The Living Wage is an hourly rate set independently every year. It is calculated as the minimum hourly wage necessary for an individual to meet their own or their family's basic day-to-day needs.

There are two national figures that have become established:

- 1 — The rate for outside London is set by Loughborough University using Minimum Income Standard methodology developed by the Family Budget Unit and funded by the Joseph Rowntree Foundation.
- 2 — The London Living Wage (LLW) is set by Greater London Authority (GLA).

*New Living Wage rates are announced in early November every year and are available on the **Living Wage Foundation** website livingwage.org.uk.*

Who pays the Living Wage?

An ever increasing number of public and private sector organisations have to date gained accreditation as Living Wage employers. In addition, an even larger number have paid the Living Wage without applying for accreditation. Living Wage employers include schools, colleges, universities, banks, local authorities, insurance companies, charities and many other organisations.

Political support

The Living Wage enjoys cross-party support, with public backing from the Labour leader of the opposition, the Prime Minister and London Mayor, Boris Johnson. In addition many faith groups, business leaders and community organisations support the campaign.

Living Wage accreditation

The Living Wage Foundation livingwage.org.uk/home is the organisation that offers accreditation to employers that pay the Living Wage, or those committed to an agreed timetable of implementation, by awarding the Living Wage employer kite mark (see Appendix 1 for a copy of the kite mark).

The foundation sets the following milestones for employers wishing to gain LW accreditation:

Milestone 1

The school ensures that all directly employed people over the age of 18 are paid no less than the Living Wage.

Milestone 2

The school agrees to increase its minimum rate of pay in line with the Living Wage. The new Living Wage rates are announced in November every year – Living Wage week is the annual celebration of Living Wage employers. Employers are however, given six months from the November date to increase their rates.

Milestone 3

A plan must be in place to ensure that all staff employed by contractors providing a service(s) for the school on a regular basis, are paid the Living Wage by a target date.

This means that the school must ensure that all contractors and sub-contractors adopt the measures in milestones 1 and 2 above where contractors supply an employee who provides a service to or on behalf of the school involving two or more hours of work on any given day in a week, for eight or more consecutive weeks in a year.

There is a designated contact at the Living Wage Foundation for schools:

Contact details of Living Wage Foundation:

www.livingwage.org.uk

Email: info@livingwage.org.uk

Accreditation is a staged process

It is important to note that the accreditation process can be completed in stages, eg directly employed staff first, with contract staff moved on to the Living Wage at a later agreed date.

Accreditation can be gained at the point at which only directly employed school staff are being paid the Living Wage, as long as an end date is set for moving all eligible contract staff on to the Living Wage.

These steps and agreed milestones are then set out in an agreement between the Living Wage Foundation and the employer.

The accreditation process also involves the payment of a small annual fee to the foundation in exchange for full accreditation and the right to use the Living Wage kite mark. In addition, the

Foundation can provide sample model Living Wage clauses used by other organisations throughout the UK for schools to use in commercial contracts, subject always to the school obtaining legal advice on the applicability of such clauses for their particular circumstances.

For schools employing between 11 and 50 staff (total staff) the fee is £100 per year. For schools employing between 51 and 250 staff the fee is £200. Figures are exclusive of VAT.

Accredited Living Wage employers are also recognised at the annual Living Wage Awards, hosted by KPMG. Living Wage employers are also celebrated and promoted in the media during the annual Living Wage Week.

A work plan towards implementation

Below are the steps that would need to be undertaken by a school wishing to become an accredited Living Wage employer.

To make the process as simple and manageable as possible we have divided it in to two stages:

Stage 1

The steps to be taken to ensure that no directly employed members of staff are paid less than the Living Wage.

Stage 2

The steps to be taken to ensure all contractors providing services for or on behalf of the school are paying the Living Wage.

Stage 1 – Directly employed staff

Please note that the steps below are meant to be a generic guide to implementing the Living Wage. The situation in each school may need to be varied slightly depending on local circumstances.

It is important that alongside this guide schools also seek legal advice and support from their relevant HR officer/contact when considering the impact of implementing the Living Wage. This applies to both stages 1 (directly employed staff) and 2 (contractors).

1 — Assemble a small team of key people who are able to practically implement the Living Wage. The team should include representatives from UNISON and other support staff unions recognised by the school, the chaplain (if a faith school), HR, finance, the member of staff responsible for dealing with contractors. Even though stage 1 of the process is focused on ‘directly’ employed staff it will be important to involve the member of staff responsible for dealing with contractors. The reason for this is so they gain a full understanding of the process for implementing the Living Wage before approaching your contractors.

2 — Review rates of pay for directly employed staff. If anyone is earning below the Living Wage, calculate the financial implications of bringing their pay in line with the Living Wage.

3 — When increasing the minimum rate of pay schools will need to consider the impact on pay differentials at the bottom of the pay structure. The most obvious example might be the closing of the pay gap between catering assistants and catering supervisors or catering staff and some admin staff. Schools will need to decide, following negotiations with the unions, which approach to take to

deal with the issue of diminished pay differentials at the bottom of the scale. Your HR contact and local UNISON representatives will have experience of dealing with this issue in other organisations.

4 — Present an implementation plan to the governors, including the costings and a timetable for implementation.

5 — As part of the implementation plan there should be a specific commitment to ensuring that the Living Wage is embedded in commercial contracts. There should be an exact timetable to be agreed following negotiations with existing contractors (see Stage 2: Contractors, below).

6 — Agree that in future all new contracts will be issued on the basis that the Living Wage will be the minimum pay point for the lowest paid staff.

7 — If your school is part of a wider academy chain or trust then any agreement to implement the Living Wage must cover all schools in the chain or trust. Failure to do so may render the chain or trust liable for equal pay claims.

8 — Once the the implementation plan has been agreed the school or trust should then apply to the Living Wage Foundation for accreditation.

Contact: info@livingwage.org.uk .

9 — Consult the wider support staff workforce on the plan for implementing the Living Wage. Such consultation may include using existing staff forums/e-bulletins etc.

10 — Discuss the idea of press opportunities in the local media, in particular the opportunity to encourage other local organisations and businesses to pay the Living Wage.

Stage 2 – Contractors

11 — Approach all contractors providing services for the school (i.e. catering, cleaning etc) and inform them of the schools intention to become a Living Wage employer – see Appendix 2, Model letter to contractors.

12 — Work with contractors to review rates of pay for relevant contracted staff (see Milestone 3 on page 3). Identify where contractors are not meeting Living Wage requirements. Calculate the financial implications of bringing contracted staff up to the Living Wage. The school then has a choice over what steps to take next:

12.a The school can wait until contracts are up for renewal (i.e. contract break point) at which point the school makes payment of the Living Wage one of the conditions of the new contract. The Living Wage Foundation can provide sample model Living Wage clauses used by other public sector organisations and businesses throughout the UK (Email: info@livingwage.org.uk). While this may appear the simplest way to progress it could mean, depending on the length of the contract, that low-paid staff end up waiting years before they get the Living Wage;

Or

12.b The school can approach existing contractors and ask them to ‘agree’ to increase the minimum rate of pay for staff providing services for the school – i.e. a mutually agreed contract variation. Where a number of local schools are using the same contractor it will be worth working together to strengthen your position in negotiations and achieve economies of scale.

Some local authorities have been successful in getting contractors to agree to implement the Living Wage within the existing cost of the contracts. They have done this by demonstrating the proven medium to long-term savings that can be achieved by paying the Living Wage – i.e. increased productivity, reduced absenteeism and as a result a reduction in training and turnover costs. See Appendix 3, Business case for paying the Living Wage. This document sets out savings that arise from paying the Living Wage. Schools should use these facts in negotiations with existing contractors.

If the contractor will not agree to cover the ‘full’ initial cost of implementing the Living Wage the school could consider ‘splitting’ the cost with its contractors.

Other key issues

The following is a list of other key issues that schools will need to take account of when implementing the Living Wage.

A Living wage should not be funded by cuts to jobs, terms and conditions or services

Schools need to be careful that contractors in particular don’t on the one hand implement the Living Wage then cut jobs, services and terms and conditions to increase or maintain their profit margins.

Schools also need to be aware of contractors using casualisation, zero hours contracts etc in an attempt to get round the requirement to pay the Living Wage to the lowest paid employees.

Paying a Living Wage has proven business benefits (see Appendix 3) that will help offset the initial cost of increasing pay rates. So there will be no need for contractors to look to make cuts elsewhere.

Introduction of a Living Wage should be negotiated with trade unions

The implementation of a Living Wage will always require the agreement of certain details and principles relating to working practices. Schools should negotiate these changes with UNISON and any other recognised support staff union in your schools.

Interaction with benefits, tax credits and Universal Credit

Schools should be mindful of the interaction between low pay levels and state benefits. Employees will need to be made aware that there may be some offsetting of benefits as a result of a rise in wages. However, a Living Wage will almost always lead to a net benefit for low-paid workers and state benefits are not a substitute for reasonable wages. In addition if the employee is a member of the Local Government Pension Scheme payment of the Living Wage should result in them receiving a higher occupational pension at retirement.

In-sourcing

There are examples where, by bringing a previously outsourced service back in-house, a council has been able to increase staff pay to that of the Living Wage hourly rate at no extra cost to the taxpayer, by cutting out expensive management costs.

Schools role in the community

Schools play an important role in their communities. By becoming a Living Wage employer you will be setting an example for other organisations to follow. Therefore it is important that the school promotes its decision to introduce the Living Wage to the wider community, e.g through a local press release to papers.

Contact details

If you have any questions on the contents of this guide please email education@unison.co.uk. Please mark your email 'subject' Living Wage implementation guide.

You can contact the Living Wage Foundation online at: www.livingwage.org.uk/contact or by email at: info@livingwage.org.uk

Appendix 1

Living Wage Foundation Employer kite mark, awarded to accredited Living Wage Employers



Appendix 2

Model letter to contractors

Dear _____ [insert name of contractor at the school]
_____ [insert name of School] is committed to paying the Living Wage to our staff as agreed by our governors and the trade union UNISON. We see payment of the Living Wage as central to our fairness agenda.

The Living Wage rate is currently _____ [insert relevant rate]. This rate is calculated as the minimum wage necessary for an individual to meet their own or their family's basic day-to-day needs. New Living Wage rates are announced in November every year.

The idea behind the Living Wage is that a person should be paid enough to live decently in our community and to adequately provide for their family. At its heart is an ethical argument for preventing in-work poverty.

In addition there is a clear business case for implementing the Living Wage. Living Wage employers have made significant savings by reducing absenteeism and turnover and improving productivity. These savings have both helped offset the initial cost of increasing the wage bill and led to significant improvements in service levels.

As one of our providers for _____ [state whether catering/cleaning or caretaking services etc] we are asking you to sign up to the payment of the Living Wage. Signing up applies to all your (temporary and/or permanent) staff who are delivering a service or services to our _____ [name of school] for the duration of the contract. We would be happy to draw up a contract variation letter for you to sign confirming you will pay at least the Living Wage and agree to the increases.

If you have any questions please do not hesitate to contact the school.

Yours sincerely

Headteacher

Chair of governors

_____ [name of school]

Appendix 3

Business case for paying the Living Wage

Living Wage employers have made significant savings by reducing absenteeism and turnover and improving productivity. These savings have both helped offset the initial cost of increasing the wage bill and led to significant improvements in service levels.

For example a study by the Greater London Authority into the benefits of a Living Wage found that more than 80% of employers believe that the Living Wage had enhanced the quality of the work of their staff, while absenteeism had fallen by approximately 25%. Two-thirds of employers reported a significant impact on recruitment and retention within their organisation. 70% of employers felt that the Living Wage had increased consumer awareness of their organisation's commitment to be an ethical employer.

Wendy Cuthbert, head of UK corporate real estate services for Barclays Group, says that since adopting the London Living Wage in 2007 her company has seen catering staff retention rates increase to 77% compared to an industry norm of 54%, and cleaning staff retention rates climb to 92% compared to the industry norm of 35%.

"Now when we train our staff we know that the money isn't being wasted. They don't want to leave and they no longer have to do two jobs just to survive," she said.

As a result, Barclays has found that savings made on recruitment and training have offset the increase in the wage bill. "Overall it's been cost neutral for us", she says. "Productivity has remained the same because we had service-level agreements in place anyway and there's been a slight improvement in absenteeism. But most of all, our workforce is now stable and reliable."

Following the adoption of the Living Wage, Price Waterhouse Coopers found turnover of contractors fell from 4% to 1%.

As Guy Stallard, Director of Facilities for KPMG Europe says:

"Many people see paying Living Wages as only something to worry about only when the economic cycle is buoyant. Such a perspective is extremely short term. A really motivated workforce is in many ways even more important when businesses are facing really challenging times."

Queen Mary, University of London, where cleaners were brought back in house in early 2008, found that, "In reality, the introduction of the Living Wage has not been the big drain on resources predicted by its opponents: the in house cleaning service came in only slightly more expensive than that provided by sub contractors – including start up costs. When looked at over a two year period the expected budget for 2008/9 is almost identical to the expenditure spent on contract cleaners in 2006/7.

The campaigning organisation, Citizens UK, has also produced a handy Guide for Employers, which sets out a number of the benefits that can arise from implementing this policy. Visit: livingwage.org.uk/guide-employers

UNISON represents more education staff than any other trade union in the UK. Our 350,000 members in education give us a powerful voice to campaign against inequalities, challenge unfair pay practices and speak out on issues that affect our working lives and the quality of public services.

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Telephone 0800 0 857 857 – ask to speak to someone in UNISON’s
Education and Children’s Services Section at the UNISON Centre
unison.org.uk

