

TYNE AND WEAR FIRE AND RESCUE AUTHORITY

Item No: 6

HUMAN RESOURCES COMMITTEE: 12 OCTOBER 2015

SUBJECT: THE INTRODUCTION OF THE NATIONAL LIVING WAGE

JOINT REPORT OF THE CHIEF FIRE OFFICER AND THE PERSONNEL ADVISOR

1. PURPOSE OF REPORT

1.1 The purpose of this report is to inform Members of the National Living Wage which is planned to be introduced on 1 April 2016.

2. BACKGROUND

2.1 The Low Pay Commissioner has made recommendations to the Government to move from a low wage, high tax, and high welfare society to a higher wage, lower tax, and lower welfare society.

2.2 Government have reported employment at its highest since 2010, and they now believe that is the right time to take action to ensure low wage workers can take a greater share of the gains from economic growth. The planned National Living Wage, it is argued, is an essential part of this and is an attempt to ensure that work pays thus reducing the reliance on the state to top up income.

3. THE NATIONAL LIVING WAGE

3.1 The Chancellor has announced that a new National Living Wage for employees aged 25 and above will be introduced on 1 April 2016 with the aim of reaching 60% of median UK earnings by 2020. The wage will begin at £7.20 per hour in 2016 and is projected to rise to at least £9 per hour by 2020.

3.2 The NLW is effectively a rebranding of the existing National Minimum Wage insofar that it will remain the responsibility of the Low Pay Commission to submit a report to the Government each year with a recommendation of what the annual increase should be. The introduction of the National Living Wage will have a financial impact on the Authority as over a period of time the existing pay structure will be significantly compressed at the lower scale points and reduce the clear separation between pay grades currently in place.

3.3 According to the LGA's Earnings Survey 2013/14 there are 92,820 (30,030 FTE) employees on pay levels below the new NLW of £7.20 per hour (see Table below). This means that regardless of the outcome of the forthcoming pay negotiations, all employees on SCPs 6, 7 and 8 on the national pay spine will require uplift in pay just to meet the new statutory NLW rate of £7.20 per hour (£13,891 per annum) on 1 April 2016.

LGS Pay 2014-16

SCP	per annum	per hour	Headcount	FTE	NMW 1 Oct 2015 per hour	NLW 1 Apr 2016 per hour
5*	£13,500	£7.00	30,250	9,760	-	-
6	£13,614	£7.06	21,740	6,600	£6.70	-
7	£13,715	£7.11	17,270	5,970	-	-
8	£13,871	£7.19	23,560	7,700	-	£7.20
9	£14,075	£7.30	21,100	7,230	-	-
10	£14,338	£7.43	19,230	6,620	-	-

- 3.4 From 1 October 2015, the National Minimum Wage will still remain and the introduction of the National Living Wage will bring an additional category, namely;

aged 25 and above	£7.20	(from 1 April 2016)
aged 21 and above	£6.70	(aged 21 to 24 from 1 April 2016)
aged 18 to 20	£5.30	
aged under 18	£3.87	

4. IMPACT ON THE SERVICE

- 4.1 The Authority currently has a number of workers who would see their salaries adjusted as part of the introduction and work with SCC Payroll is in progress to fully understand the impact of the National Living Wage introduction. It will also have an impact on the pay grading structure which is currently being worked through.
- 4.2 The introduction is initially expected to affect approximately seventeen employees however, the future impact will be greater once the future increases are applied and compression of the pay structure occurs.
- 4.3 Members may also wish to give further consideration to the government's manifesto pledge to increase the National Living Wage to £9 per hour by April 2020 which would magnify the effects set out above and significantly impact on the Authority's pay structures and longer term financial planning.

5. FINANCIAL IMPLICATIONS

- 5.1 The financial implications in respect of this report are currently being assessed and will be subject to further reports.

6. EQUALITY IMPLICATIONS

- 6.1 Equality impact assessments are being completed alongside the financial assessment set out in section 5.1 of this report.

7. HEALTH AND SAFETY IMPLICATIONS

- 7.1 There are no health and safety implications of this report.

8. RECOMMENDATIONS

8.1 The Authority is recommended to:

- a) Note the content of this report;
- b) Receive further reports as appropriate.

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