

**'NO SILVER BULLET':
DOING MORE TO SUPPORT OUR LOWER PAID WORKERS**

Final Report of the Lower Paid Workers' Group

March 2015

CONTENTS

Foreword

West Yorkshire Combined Authority Area Low Pay Charter

1. Introduction: background to, and purpose of, the Lower Paid Workers' Group
2. Understanding low pay and why it matters
3. Low pay in the context of the West Yorkshire Combined Authority area
4. Findings and recommendations
 - A. *The pay dimension*
 - B. *The non pay dimension*
 - C. *Councils in society*
5. Next step actions

Annex

FOREWORD

As the return to economic growth across West Yorkshire and York becomes more embedded, we must ensure that it translates into jobs and opportunities for all our people. But not just any jobs. It is good jobs that matter - where people feel a sense of stability, have a say in the workplace, know that their effort is recognised and rewarded, have the skills to do the job but also to develop their own potential, and trust that they will be treated fairly. And most critically, that they are paid a decent wage for the work that they do.

It is this concern for low pay, shared across the authorities of West Yorkshire and York, that lies behind this report. As major local institutions, we have a critical role to play in bringing leadership to this agenda and in making the case for good jobs that deliver good outcomes for the lives of so many people across all of our communities.

We also have a responsibility to do all we can to make sure that our own houses are in order. As local authorities we are all on the living wage journey – some of us have got there, others are making progressive steps towards. But by the nature of the work that we do, there will always be low paid jobs in our workforces; and we know that simply paying the living wage will not be the sole silver bullet that will rid people of the ill effects of low pay. The challenge – as set to this Group – is to look at low pay from a broad perspective and to go further and faster in making sure that jobs are good jobs that help people achieve good outcomes for themselves and their families and that can act as stepping stones to higher paid work. As one participant in our work told us, “no one in low paid work should rely on food banks”.

We must make low pay a corporate priority. We don't need to start from scratch on this. We are already ethical employers. However, we must look at how we work and our behaviours and systems through a new lens to make sure that at all points we are conscious of the needs of our lowest paid. This is critical if the people that fill these roles are to be supported to develop and progress in an environment where local authority form and function is changing rapidly. And what's more, it is critical to the success of the future of local government. As such, there is nothing in this report that cannot be actioned and will not, when actioned, have a positive effect on our lowest paid.

By combining this local leadership mandate with a fresh reflection on our own practices we have great potential to make a big difference to the lives of many. There has never been a more important time to collectively up our game on tackling low pay.

We must thank all of the people who have given their time to meet and share their experiences of low pay with us. Their contribution has been invaluable. We also thank each member of the Group for imparting their expertise. Finally we thank the Joseph Rowntree Foundation for its support in reflecting the depth of evidence available regarding the case against low pay and for sharing their own experiences of being an anti-poverty employer.



A handwritten signature in black ink, appearing to read 'Peter Box'.

Councillor Peter Box CBE
Chair of the West Yorkshire Combined Authority and
Leader of Wakefield Council



A handwritten signature in black ink, appearing to read 'Ruth V. Redfern'.

Ruth V. Redfern
Chair of the West Yorkshire Combined Authority Lower
Paid Workers' Group and Kirklees Council's Director of
Communities, Transformation and Change

WEST YORKSHIRE COMBINED AUTHORITY AREA LOW PAY CHARTER

In West Yorkshire and York, economic growth, social benefits and environmental responsibility go hand in hand. This Charter seeks to address a specific element of this; that of tackling low pay to stop the growing gap between the best and worst off in our society. It provides a set of guiding principles that the West Yorkshire Combined Authority and its constituent local authorities will adhere to, based on an ambition to be anti-poverty employers, proactively tackling low pay in our own workforces – either directly through pay, or through mechanisms that stretch income, improve quality of life, and provide tools for development and progression to better and higher paid work.

It then considers how we will maximise our role as local leaders, influencers, major employers and buyers of goods and services to address low pay. We will work in partnership with others and draw on best practice, to help us to extend this Charter's reach, specifically in sectors we know to be marked by low pay, but also encouraging the wider business, public and third sector community to consider how we can collectively progress further and faster in this regard. Our recommendations sit under three categories and are set out below in bold.

1. THE PAY DIMENSION: Recognising financial constraints, we will work to boost levels of take home pay now and through to retirement.

On pay we will:

- **In those authorities that do not already do so, we will apply a managed and staggered approach to reaching a living wage across the WYCA area by removing the bottom two pay scales for the years 2015/16 and 2016/17**
- Use our local leadership role to influence others to adopt living wage policy

On pensions we will:

- **Review existing pension information to make the case for membership from a low pay perspective and proactively target its communication at lower paid workers to drive up-take**
- Work with partners including the Credit Union to deliver excellent financial education to staff

2. THE NON PAY DIMENSION: We will help people to make their money go further, improve their quality of life, and have the tools that they need to develop and, in time, progress to better and higher paid work.

On skills and progression we will:

- **Commit to proactively communicating the positive relationship between skills and opportunity; and to ensuring that lower paid staff are supported to reach their potential through implementation of a strategy for inclusive personal and professional development**
- **Proof all HR policies for their impact on lower paid workers, with particular focus on progression and reduction of institutional barriers such as constrained career structures**
- Examine how we use skills and positive employment practices to assist progression, improve job quality and wellbeing and boost organisational performance

On management and leadership we will:

- **Deliver excellent management and leadership practices as standard across our organisations, with specific focus on equipping those who manage lower paid workers with the skills and systems they need**
- Recognise positive results and effort, with simple and fair systems for measuring and appraising performance, identifying personal and professional development needs and promoting progression
- Create an atmosphere in which everyone understands how they make a difference and contribute to success and has the opportunity to voice their opinion and shape their work
- Engender pride, trust, empowerment, teamwork, values and wellbeing

- Give people the right tools to enable them to do their jobs properly
- Engage consistently, frequently and appropriately to ensure our action remains relevant to peoples' circumstances and needs, in particular reviewing access to information

On employee benefits we will:

- **Agree to the principle of investing in and promoting a responsive employee benefits package that is accessible and communicated to target groups consistently, frequently and through the right channels, and that complements the approach in individual Districts to directly support lower paid workers to stretch their take-home pay. Wherever possible, we will use our collective leverage to broker deals with providers.**
- Collaborate to boost our purchasing power and use this to influence provision, negotiate innovative deals and secure big discounts
- Listen to our lower paid staff and continually evolve our offer accordingly
- Maximise the social multiplier and reach of our benefits package in helping not just employees, but also their families, with unlocked potential to connect to local businesses and boost local circulation of wealth

On health and wellbeing we will:

- **Collaborate across the WYCA area to streamline health and wellbeing activities, learn from good practice and target lower paid workers to increase participation**

3. COUNCILS IN SOCIETY: We will work with and through others to maximise our role, influence and leadership to deliver improvements in pay, resilience and good growth.

On procurement and social value we will:

- **Apply Social Value policy, prioritising in the first instance those commissioned services where low pay prevails; and work collaboratively to influence others to do the same**
- Frame all procurement discussions in a way that builds a long term shared concern for eradicating low pay, including ensuring all contractors/sub-contracts pay at least the minimum wage and offer guaranteed hours in zero hours contracts
- Commit to using commissioning in low pay sectors to agree minimum standards for travel time, Terms and Conditions, annual leave, skills and progression to drive up standards and jointly tackle the impacts of low pay

On zero hours contracts and casual staff we will:

- **Guard against inappropriate use of zero hours contracts and protect casual workers from affects of low pay, concentrating on our own workforces and commissioned services**
- Ban the use of exclusivity clauses and 'false agencies' that bypass Agency Workers Regulations

On driving a 'good growth' agenda we will:

- **Use local authority influence and leadership to tackle low pay across the West Yorkshire Combined Authority area in pursuit of a 'good growth' agenda**
- Commit to working in partnership including with the Joseph Rowntree Foundation, the Living Wage Foundation and Skills for Care to draw on good practice and go identify solutions and approaches to tackling low pay
- Break down internal silos, and work with others to effectively and systematically connect policy and action on growth, jobs and poverty
- Establish a new deal with the private sector based on shared commitment to tackling low pay, and improving economic, social and environmental well-being as a result of our activities
- Leverage new investment and infrastructure schemes for the benefit of local people and good jobs

1. INTRODUCTION: THE BACKGROUND TO, AND PURPOSE OF, THE LOWER PAID WORKERS' GROUP

As the economy begins to see a return to growth, the Leaders of the West Yorkshire Combined Authority (WYCA) area¹ have become increasingly concerned with the quality of growth, the growing gap between the best and worst off in society, and the rising prevalence of insecure employment practices such as zero hours contracts. They have held substantive discussions in this regard, including consideration of the role of councils themselves in tackling such issues given their position as major local employers and procurers of goods and services.

This debate has included an examination of living wage policy across the Combined Authority area. Where some authorities have moved forward with implementation, others have concluded that, despite high levels of political will, the introduction of a living wage is, at present, financially unviable given unprecedented pressure on local budgets. Notwithstanding this, Leaders and Chief Executives are strongly of the view that there is scope for councils to go further than they already do in supporting and providing 'good' jobs for their lowest paid workers; recognising that the living wage a very important, but not the sole response, we have at our disposal to tackling low pay.

Accordingly, at the Leaders' request, the Lower Paid Workers' Group (LPWG) was established in the spring of 2014 with the remit of exploring collective approaches - beyond payment of a living wage - to answer the question ***what more can be done to support our lowest paid workers?*** From its inception, the Group has based its methodology and recommendations on four key lines of enquiry:

- What more can we learn from the economic, policy and research context regarding why low pay matters?
- What more can be done on the pay dimension?
- What more can be done on the non-pay dimension?
- What more can councils do to maximise their impact in society?

The Group comprises senior officers from each local authority in the WYCA area and the West Yorkshire Combined Authority² itself across finance, human resources and organisational development, legal services, public health and economic development. There has been from the outset, acknowledgement that each constituent member is already an ethical employer, seeking to do its best for lower paid staff. The approach taken therefore balances the need for new solutions, with the re-shaping of existing practice to better serve and reach lower paid employees.

We have focused on making practical recommendations that can be actioned with a good degree of pace, either by individual authorities or as a collective. That is not to say all actions will be easy, but with strong leadership, excellent communication and shared intent around a common concern for low pay, they can be driven forward. Most recommendations are cost neutral; however, some will impact on budgets – notably that concerning pay scales. We make all our recommendations with one eye on the future. Local government's form and function is changing. We must transform now to respond to the pressures we face and find innovative ways to make sure that we continue to provide value to local people and communities. We have a local leadership mandate that we must use to extend the concern for low pay and collectively tackle its impacts.

We have based our recommendations on detailed examination of each line of enquiry through a mix of analysis of individual authority circumstances, needs and approaches; examination of the wider academic research base for good practice from elsewhere; and most importantly, speaking to groups of our lowest paid workers. In this way, we

¹ Bradford, Calderdale, Kirklees, Leeds, Wakefield and York

² The West Yorkshire Combined Authority is the body established by statutory instrument on 1 April 2014 to bring together the Bradford, Calderdale, Kirklees, Leeds and Wakefield districts and the City of York Council area to tackle shared economic challenges - including improving transport - by boosting jobs and growth

have engaged with people who will be directly impacted by the recommendations we are making, to make sure that we have not made assumptions about what we think people need. The Group would like to thank all of the people who gave their time to meet and share their experiences of low pay with us - the profiles below are based on how people have spoken to us, using fictitious names to give a flavour of working lives. This contribution has been invaluable and critical to our thinking. We have a duty to listen and respond, and so an overarching recommendation of our work is that this dialogue is consistent, frequent and embedded in internal communications processes so that our action remains relevant to peoples' circumstances. We must turn around the view of one participant that *"it's hard to feel part of the council when we always seem to get missed out"*.

Susan

Susan wakes up at 5am. There is no chance of pressing snooze on her alarm as she needs to be at school by 6.30am to get it cleaned before the children arrive. She hopes there will not be any problems with the bus today. Driving would make things simpler, but a car is not affordable unless she can find a way to up her credit union payments.

After her cleaning job there is just time to take off her overall before Susan starts work in the classroom. She started volunteering as a classroom assistant. It does not help pay the bills but it is giving her some new skills and experience that she hopes will help her into a better job soon. Because she is in the school over lunchtime, she gets a hot lunch Monday to Friday which helps keep the weekly Farmfoods shop affordable. Working with the kids is demanding but very enjoyable, more so than the second cleaning shift of the day that follows it. Recently Susan has started locking up the building some evenings, and being on call too. More responsibility but no more money!

On the bus home she reads about budget cuts in a discarded copy of the local newspaper. She does not see much of her manager and because she is out and about, the paper is her main source of information about the council.

Amjad

Amjad likes the people he works with; he has known some of them for years, having worked for the council since 1995. His job is hard, physically and emotionally. Amjad knows he does a good job, but it helps to hear it from the residents he assists. He does not get much feedback from his boss but he gets on with it.

He needs to leave on time today to make sure he is there to pick up the grandchildren. He buys budget versions of some of the essentials so that he can afford to get them a small treat on payday. It is often difficult getting away from work – people do not stop needing him just because his shift ends, so he stays a bit later after clocking off sometimes. Before the last restructure, managers would step onto the floor and help when needed, but there are fewer people now and that no longer happens. He thinks about retirement but knows he needs to carry on earning a few more years yet; but he is not be interested in progressing to a more senior position at this time of life.

Bernie

Bernie checks her email before work. She also takes a quick look at the council's website to see if there is any news about the cuts. She would like to be able to access the staff intranet but does not think it is possible. She loves working in the museums, even though it does not pay well. Customers are actually pleased to see her and smile when they ask for help. Bernie's staff Metrocard has been a godsend, making it more affordable to travel between museums and get out at the weekend. She only found out about the offer by accident; overhearing one of the managers mentioning it to another. She is happy that there are staff offers like that – she does a lot for the council, more than she is paid for. It is the least the council can do in return. The savings she has made have meant she will be able to afford some new work boots for the winter. The mud in the grounds can make walking difficult, but work has not offered to provide any boots.

2. UNDERSTANDING LOW PAY AND WHY IT MATTERS

It has long been considered that employment offers people the best route out of poverty. Whilst for many this holds true, it is now the case that the largest group experiencing poverty in the UK is those families where at least one adult is in work.³ This shifting trend between out of work poverty and in work poverty has sparked widespread debate, and placed the issues of low pay and the response of a living wage⁴ in the spotlight. The scale of low pay is an enduring feature of the UK labour market; yet critically, the proportion of people earning below the living wage has increased dramatically, from 3.4 million in 2009 to 4.9 million in 2013.⁵ Against a backdrop of stagnant wages, cuts in the real value of benefits and the rising cost of living, it has become harder and harder for those on low incomes to get by. This matters more knowing that at the same time, the top 10% of earners have seen their real earnings rise, further polarising the best and worst off in society.

For some people, a period of low paid work is an accepted stepping stone in the career ladder across the life course. For others however, it can persist over a much longer period, scarring future earning potential, resulting in serious long term consequences on life chances. Research, including that carried out on behalf of JRF, has extended this discussion to consider the wider realities of working in a low paid job including less favourable terms and conditions, job security, training and development and progression opportunities.⁶ These factors combine to act as barriers to people moving out of low-paid work to a better job, seeing them instead cycling between low pay and no pay and remaining in poverty.⁷ This propensity to become trapped is backed up by analysis by the Resolution Foundation⁸ showing that over the ten years between 2002 and 2012:

- over a quarter of those low paid in 2002 remained in persistent low pay to 2012;
- a significant number of these churned between low pay and unemployment;
- just less than half moved out of low pay only to move back into it; and
- only a fifth made a consistent and sustained move into a higher pay bracket.

We know that low pay is associated with particular groups of people, employment types and working patterns. Those most at risk include female workers, the young, those in lower skilled occupations or without qualifications, part-time and temporary workers and those employed in hospitality, retail and care; and with greater prevalence in the private than public sector. Location matters too. Where 11% of the workforce in London and 18% in the South East were low paid in 2012, this rose to close to 25% in northern regions of England, the Midlands and Wales.⁹ As the post-recession economy continues to polarise to high skilled/high paid and low skilled/low paid work, and increasingly 'hollow out' the middle range of skilled and semi-skilled jobs, this situation can only become further entrenched without specific action including that to raise wage floors, enable progression and facilitate higher wage business models.¹⁰

There is a growing body of work making the case for tackling low pay – noted by the Chair of the Living Wage Commission as a 'national scandal'¹¹ - to improve outcomes across the spectrum. The living wage campaign has

³ Schmuecker, K. (2014) *Future of the UK Labour Market*; Joseph Rowntree Foundation, York

⁴ Defined as the minimum income needed to achieve an acceptable standard of living as determined by members of the public

⁵ Hurrell, A. (2013) *Starting out or getting stuck? An analysis of who gets trapped in low-paid work and who escapes* London: Resolution Foundation

⁶ Goulden, C. (2010) *Cycles of Low Pay, Poverty and Unemployment*; and Philpott, J. (2014) *Rewarding Work for Low-Paid Workers*; both Joseph Rowntree Foundation, York

⁷ Sildrick, T. et al, (2012) *Are Cultures of Worklessness Passes Down The Generations?*; Joseph Rowntree Foundation, York

⁸ Hurrell, A. (2013) *Starting out or getting stuck? An analysis of who gets trapped in low-paid work and who escapes* London: Resolution Foundation

⁹ Ray, K., Foley, B. and Hughes, C. (2014) *Rising to the Challenge: A policy agenda to tackle low pay*; The Work Foundation

¹⁰ Ibid

¹¹ Work that pays: the final report of the Living Wage Commission (2014)

gained ground accordingly. It now enjoys cross-party political support, growing public awareness, and over 700 accredited employers bringing an estimated 45,658 staff up to the living wage.¹² For individuals, this means having the ability to earn more and make a sustainable move out of low pay and to achieve a healthier, more stable financial footing. This has positive knock-on impacts on family well-being, as well as local economies, as greater wealth starts to flow locally through increased disposable income. For the national economy, the benefits are seen in terms of rising tax receipts and national insurance contributions, as well as a reduction in the in-work benefits bill. Estimates of the gross saving to the exchequer brought about through universal implementation of the living wage range from £3.6 billion¹³ to £4.2 billion.¹⁴ There are also important impacts on productivity, an area of performance where the UK consistently lags against G7 and OECD comparators.¹⁵

The Centre for Local Economic Strategies (CLES) has looked specifically at the role of local government in the low pay and living wage agenda.¹⁶ They stress authorities' critical role in accelerating and cascading the living wage in five core areas:

- As democratic place leaders
- As accredited living wage employers
- As strategic purveyors
- As requires, encouragers and cajolers through procurement
- As re-investors of savings to the public purse

A partnership between JRF, Leeds City Region and Leeds City Council is helping to facilitate greater insight into these issues locally. The More Jobs Better Jobs Partnership, launched in February 2014 is focused on:

- better understanding the relationship between poverty and the economy at a city region level;
- identifying what can be done, and by whom, at city level to create more and better jobs that help lift people and places out of poverty;
- making a compelling, practical case for change on why and how cities should link growth and poverty; and
- addressing poverty as a more integral part of local growth strategies and city growth.

Our Group welcomes this commitment, and has aligned itself with the ethos that there must be a proactive agenda to accelerate growth and reduce poverty as being two sides of the same coin.

THE LIVING WAGE

In the UK there are two rates. The London Living Wage is £9.15, and has been set each year since 2005 by the Greater London Authority. The Living Wage for the rest of the UK is £7.85, set using the Centre for Research in Social Policy's Minimum Income Standard since 2011. The difference in rates is designed to reflect the unique characteristics of the London labour and housing markets. The rate is set in November each year, and is used by the Living Wage Foundation to accredit companies and organisations as Living Wage Employers. For reference, the National Minimum Wage for adults is £6.50.

¹² Work that pays: the final report of the Living Wage Commission (2014)

¹³ Hurrell, A. (2013) *Starting out or getting stuck? An analysis of who gets trapped in low-paid work and who escapes* London: Resolution Foundation

¹⁴ Ibid

¹⁵ Sweeney, E. (2014) *Making work better: an agenda for Government*; The Smith Institute

¹⁶ Jackson, M. (2014) *Living Wage and the Role of Local Government*; CLES and the Greater Manchester Living Wage Campaign

WHAT MAKES A 'GOOD' JOB?

An inquiry carried out recently on behalf of The Smith Institute (Sweeney, E. 2014) identified seven factors as being particularly important in defining what makes for a good job:

Safe and secure: A good workplace should feel safe and comfortable, with the employee being given clear and achievable objectives. Security does not necessarily imply a job for life or a workplace characterised by stability rather than change. It does mean that employees are not fearful about imminent job loss or a loss of job status.

Autonomy and choice: Wherever possible, employers should allow for flexibility. Employees need to feel in control and want a degree of discretion over their work, as well as the opportunity to participate in and influence the decisions that affect them.

Effort and reward: A person's effort should be reflected in the rewards they receive – so a fair day's work deserves a fair day's pay. Reward structure should be open and transparent, and pay differences should be felt to be fair. Reward also refers to the recognition of good performance, in terms of praise, esteem, respect and the availability of new opportunities.

Skills training: Opportunities to utilise and develop skills influence the quality of employment, making work more satisfying and valued. A good working environment is where workers can learn, develop and progress.

Fairness and trust: Being treated fairly is a basic right at work, and an experience of injustice can lead to anger and conflict. Behaving in an open, honest and inclusive way is key to building trust at work. If employees observe regular incidents of bad practice they are unlikely to believe their workplace is fair.

Relationships: Work is a social activity and maintaining good relationship builds trust and helps people (individually and in teams) respond to the challenges they face. Acting fairly, while respecting differences and valuing diversity, is important to good work.

Voice: Employees have the right to be heard and the right to associate with colleagues to express their views. This right offers benefits to employees and employers; and gives workers the confidence to challenge unfair treatment.

3. LOW PAY IN THE CONTEXT OF THE WEST YORKSHIRE COMBINED AUTHORITY AREA

Why is it so important that local authorities fully recognise their role and responsibility in the low pay debate? The data presented here examines the wider economic context of public sector employment in the WYCA area to paint this picture for us.

3.1 The economy

The workforce: Across the WYCA area the public sector workforce fell from 252,300 people in 2010 to 233,700 in 2012, a fall of 18,600, with the largest losses seen in Calderdale and Kirklees. This decline matches a national trend. Yet, in common with many northern regions, it still sees the public sector account for a higher proportion of total employment than is typical nationally. In 2013 this stood at 22.4% against 19.3%. This reliance on public sector employment is really important when we come to look at total employment across all industry sectors. We can see that, whilst employment has begun to rise again nationally, the WYCA area is still playing catch-up. This means that growth in private sector employment to 2012 was still not sufficient to balance out losses from the public sector.

Where employment growth has been more significant, it has been driven in part by higher levels of self-employment, to the extent that increases in self-employment rates have been more pronounced across the WYCA area than the national average (up 13% since 2009 versus 8.9%). It can be argued that this has helped prevent a return to levels of unemployment seen in previous recessions. However, commentators¹⁷ note the very real danger that self-employment is in fact masking hidden levels of low pay, where people are working for themselves for very little salary simply because they have no other option.

Workforce characteristics: Restructuring of the public sector workforce has had big implications on particular groups of people, critically where we know low pay to be already prevalent.

Age: Although trends towards an ageing workforce are not specific to the public sector, recent staffing reductions have meant that the already lower than average proportion of workers in the 16 – 19 and 20 – 24 age groups is now even more pronounced, with a corresponding rise in the workforce aged 50 and above.

Gender: In 2013, nearly half (47%) of all women in the workforce resident in the WYCA area were employed in the public sector (Public Administration, Education and Health), compared to 17% of males. This proportion has increased year-on-year since 2009, and although similar trends can be observed nationally, there is a higher proportion of females here dependent on the public sector for employment than across England as a whole. This means that women make up over 70% of the WYCA area public sector workforce.¹⁸

Ethnicity: The public sector is a major route for employment for those from a minority ethnic background, with over a quarter of all 16+ minority ethnic residents of the WYCA area employed in the sector, a reduction from a high of a third in 2010.¹⁹

Working patterns: There are now more people working part-time in the public sector; while the trend has been broadly static, or in some areas reduced, across the private sector. This is a comparable national trend. At the local level, in 2012, on average approximately 30% of workers across the private sector were part-time; while rates across the public sector are closer to the 40% mark.²⁰

¹⁷ <http://www.taxresearch.org.uk/Blog/2013/12/03/the-fast-disappearing-income-of-the-uks-self-employed/> Accessed 13/11/2014

¹⁸ Source: Office for National Statistics, Annual Population Survey, resident-based, Jan-March each year.

¹⁹ Ibid

²⁰ Office for National Statistics, Business Register and Employment Survey, public/private sector workforce data.

Future labour markets: Employment growth expectations overall across the public sector will be driven in particular by raised expectations and demands on the health and social services sector, as a result of an ageing population with increasing healthcare needs. Alongside this, replacement demand,²¹ as a result of an ageing workforce means that the wider Leeds City Region could see an overall net requirement of 617,000 workers across all occupations for the period 2010 – 2020. These figures (available at the occupational level only) include a net requirement for 26,100 Health Professionals, 34,300 Teaching and Educational Professionals, and 55,700 Caring and Personal Service Occupations.²²

Wages: Based on gross hourly pay figures,²³ around 20-25% of resident workers across the WYCA area (224,750 – 281,000 people) fell below the living wage at its rate of £7.65 an hour (calculated prior to the November 2014 living wage increase to £7.85). When split by full-time and part-time working, around 10-20% of full-time workers are earning below the living wage, but as many as 40-50% of part-time workers are. This is of particular concern for the public sector given the prevalence of part-time work.

Analysis of gross hourly pay by workplace rather than residency, shows a similar pattern. Median²⁴ gross hourly pay differences range from a rate of £10.10 per hour in Wakefield, up to £11.55 in Leeds, with all local authorities in the WYCA area with median gross hourly pay rates below the England average of £11.76. There are also significant differences between full and part-time workers, with the highest median gross hourly pay rates for part-time workers seen in Calderdale (£8.51). Looking at data in this way also allows us to examine the gap between those earning the most and the least. We can see that the least apparent differential is in Wakefield (a difference of £6.78 an hour) and the most apparent differential in York (a difference of £9.29 an hour).

3.2 The local authority workforce

We have examined how these characteristics play out across our own employee groups. Our lowest 10% of earners are, by and large, female, white British, working part time or in shifts, and aged 45-55. They include cleaners, customer service assistants, lunchtime supervisors, teaching assistants, sports coaches, ceremony officers; and they often have more than one job, either in our councils or elsewhere. Length of service varies, but tends to be below five years. A further examination is underway in York, as part of research to examine the impact on council employees and of others in the city adopting the living wage.²⁵

Through focus group sessions we were able to explore some of the issues that our lower paid workers face in order to gain a better understanding of what more we can do, with a particular focus on how we can do more to help people stretch their take-home pay through our employee benefit packages. Detail is given under relevant recommendations below, however at a headline level we learnt:

- Lower paid staff are finding it harder to make ends meet, and must make daily decisions on what to go without
- People are positive about working for their council, recognising that they have better jobs than they might do elsewhere. They regularly “go the extra mile” but feel this could be better recognised through pay and employee benefits.
- Awareness of current employee benefits is minimal at best, with confusion about the offer, eligibility and relevance to them given the nature of their working hours, commitments and lack of access to IT
- Training and development is a necessity of the role not a pathway to progression

²¹ Replacement Demand = retirements + occupational mobility + migration resulting in a Net Requirement = expansion demand + replacement demand. Figures produced by University of Warwick and cover the period 2010 – 2020 for the Leeds City Region (the lowest geographical breakdown available).

²² Source: University of Warwick, Institute for Employment Research, 2010 – 2020.

²³ Office for National Statistics, Annual Survey of Hours and Earnings, resident-based analysis, gross hourly earnings – median data and proportion of workers earnings by percentiles; latest data is for 2013.

²⁴ The median is the value below which 50 % of employees fall

²⁵ Working with York St John University, the City of York Council, Joseph Rowntree Foundation/Joseph Rowntree Housing Trust

This detail has been invaluable in guiding our recommendations – it has made it absolutely clear that we can, and must go further to support our lower paid workers.

3.3 The strategic and policy framework

There is evidence that suggests that the strategic and policy framework on low pay is evolving locally and at a Leeds City Region level. Through JRF's More Jobs Better Jobs partnership a detailed study²⁶ was undertaken across Leeds City Region in the summer of 2014 to assess attitudes and understanding of the economy, employment and poverty; policy, plans and commitments in place concerning these issues; and supporting actions being taken.

Through interviews with senior representatives from local authorities, business and the third sector, it found there to be an emerging strong narrative on the concept of good growth, with the recession, welfare reform and cuts to local authority budgets focusing minds more sharply around this agenda. In this context, there was a clear view of the need to better understand in-work poverty, and that getting into employment alone, without a consideration of wages, is insufficient. It also found calls for wider responsibility now to prioritise an evolving poverty agenda, moving away from a focus on benefit maximisation towards self-sufficiency, resilience of individuals and employability, and to enlist the private sector in thinking about its responsibility.

An analysis of local and city regional strategies, plans and policies shows that there has been a tendency towards fragmentation of growth, jobs and poverty agendas. More positively, policy centred on good growth is beginning to catch-up as strategies are refreshed in a post-recession climate. This includes scope at a city region level in the new European Structural and Investment Fund programme to tackle inclusion. However, stakeholders acknowledged that there was certainly scope to go further and with more pace to break down silos and systematically join up action on growth, jobs and poverty and use this to drive integrated decision making. Strong leadership was agreed to be critical.

The report found many specific suggestions for new/more action together with greater scale to tackle entrenched economic and poverty challenges, including those on childcare, mentoring, more enterprise and apprenticeships in deprived areas and support on job applications. In addition calls were made for a more strategic, collaborative and ambitious approach with prioritised actions informed by sophisticated intelligence and delivered in partnership.

²⁶ Denison, N., Newby, L., Gell, V. (2014) *More Jobs, Better Jobs Baseline Study*; Joseph Rowntree Foundation, York

4. FINDINGS AND RECOMMENDATIONS

From its inception, the Group's approach has been rooted in two fundamental assumptions regarding low pay. Firstly, councils, both individually and collectively, have a critical role to play in ensuring that people and places are not left behind as the economy returns to growth. We are vital local anchor institutions with huge potential to influence good growth, good employment practices and business behaviours, good procurement and good outcomes for the lives of many people.

Secondly, we are in many ways already exemplar employers – we are not starting from scratch, but rather building on robust foundations. However, low pay, by the nature of the services we currently provide and the evolving way in which we provide them, is undoubtedly a challenge to us. This is compounded when we place this alongside our high rates of part-time hours, people working multiple jobs, and a predominantly older and female workforce. In a climate where low pay is rising in prevalence, our actions matter, and we have a responsibility to make sure our own house is in order and to go as far as we can to influence the behaviour of others in addressing this issue. This is an intrinsic part of a much wider long term agenda of transformational change in low pay culture.

Our recommendations have been arrived at through evidence review, data analysis, and discussion with lower paid workers themselves directly. Some recommendations are for councils themselves to implement; others can be done across the WYCA area. Some cost, others do not. Some are new, others involve shaping existing activity to better focus on the needs of these people. All aim to go further, now, to help our lowest paid workers.

4.1 A note on the living wage

Before making our recommendations it is important to set out the Group's position on the living wage. In due course, the Group would like all authorities across the WYCA area to be accredited living wage employers, extending to schools and using procurement and influence to encourage more businesses to do the same. This critical mass will be a key tool in driving up disposable income, quality of life and resilience across our communities, making more jobs 'good' jobs, and reaping big benefits on productivity, a reduced benefits bill, and local circulation of wealth.

As already noted, we applaud those who have implemented living wage policy. This includes authorities who have distinguished between *a* living wage versus *the* living wage, allowing them to move forward whilst at the same time retaining a degree of control over future wage bills. In Calderdale for example, detailed financial impact assessment on the impact of implementing a living wage has found no employee to be worse off. All employees who moved to a living wage had a net increase in their overall income as a result, taking the impact on in-work benefits into account. Wage inequality between the highest and lowest paid staff has decreased and the council is leading by example in its wider ambition to drive up living standards in the district.

Yet equally we recognise that at this time, some areas will need to make more gradual steps towards achieving this. We support those who have had to make difficult decisions in the current climate, and acknowledge commitment to review their position on an ongoing basis. We also fully appreciate complexities such as the emergence of a two tier workforce, pay differentials, equal pay claims and wider pay bargaining, as well as how an authority's decision to pay a living wage can impact on an individual's receipt of benefits.

In this vein, it is important to state our view that the living wage alone is not a silver bullet. We can go further now, on matters beside the living wage, to do more for our lower paid staff including stretching their take-home pay. It is on this basis that our recommendations are made, grouped below in three categories: 1) the pay dimension; 2) the non pay dimension; and 3) Council's role in society.

4.3 The pay dimension: recommendations that impact on income now and in the future

Recognising current constraints, we make two recommendations that will impact on levels of take home pay now and through to retirement.

A. PAY SCALES

RECOMMENDATION 1: For those who have not implemented a living wage policy - Apply a managed and staggered approach to reaching a living wage by removing the bottom two pay scales for the two years 2015/16 and 2016/17

Why

The scale of the low pay challenge is growing. The report thus far has been very clear as to why this is a concern. As one participant in our work told us, *“no one in low paid work should rely on food banks”*. Through this recommendation, we are seeking to ensure that all constituent members of the WYCA area go as far as they can, in accordance with their own unique financial circumstances, to ensure that lower paid staff are not held back from achieving an acceptable standard of living, stable financial footing and be able to fulfil their potential. We are clear that modifying our own response to this can, and will, have positive multiplier impacts on families and communities, where evidence²⁷ points to income inequalities leading to poorer outcomes on health and wellbeing, educational attainment, social mobility, child poverty to name just four examples.

Our Response

There are gradual steps we can take over the medium term to increase pay amongst our lowest paid workers without committing to an immediate step up to living wage levels. We propose a solution that will allow councils to deliver a managed and incremental pathway to increasing pay, allowing a move towards a living wage with some pace yet within budgetary constraints. It also goes further than the current Local Government Employers’ pay offer option to bottom load the pay award, which is extremely modest in terms of an overall effect, equating to a 3% average increase across the lowest spinal column points. Cost and grade relativities will need to be considered, but this recommendation forms the basis of an approach to low pay across the WYCA area.

B. PENSIONS

RECOMMENDATION 2: Review existing pension information to make the case for membership from a low pay perspective and proactively target its communication at lower paid workers to drive up-take

Why

We know that across the board, too few people are saving now for their future. Recent figures calculate that 40%, or 11 million people aged between 22 and state pension age will not save enough for a decent standard of living in retirement.²⁸

Auto-enrolment has gone some way towards addressing this. However, it has become clear that its potential to drive retirement savings amongst low paid workers is being held back by government set rules on the point at which auto-enrolment is triggered linked to income tax thresholds. As this threshold has risen to £10,000 per annum, so more people fall outside the auto-enrolment criteria. In effect, two policies to boost an individual’s income now and in the future are working against each other. As a result, low earners remain the least pensioned and fail to reap the benefits of saving in a workplace pension. The picture becomes more complex when looking at impacts on people

²⁷ See for example Pickett, K. and Wilkinson, R. (2009) *The Spirit Level: Why Equal Societies Almost Always Do Better*

²⁸ Barty, J. (2014) *Help to Save: Defusing the Pensions Time Bomb*; Policy Exchange

who have more than one low paying job under the income tax threshold or work part time, with women particularly badly hit – all features that we know to be prevalent in our own workforces.

Much comment has been passed on how to tackle the looming pension crisis. Labour has spoken of reducing auto-enrolment eligibility to the point at which National Insurance contributions are triggered - £5,772. Estimates suggest that this would bring 1.5 million low paid workers, of which 1 million are women, into pensions and hence saving now to avoid financial hardship in later years.²⁹ Others suggest that enrolment should be compulsory across the board, including removing opt-outs.³⁰

The Group has examined pension take-up across the WYCA area authorities and our findings are broadly as you might expect. Firstly, we are not starting from scratch. Levels of pension membership are encouraging and demonstrate the value that people place in the scheme. Of direct council employees, even in our lowest band (those earning up to £13,319 per annum) we see levels of take-up ranging from 65% in Leeds to 79% in Kirklees.

Secondly, the more you earn, the more likely you are to be part of the pension scheme, to the extent that just short of 100% of our highest 10% of earners (earning £37,124 and above) are members. It is when we look at our casual workforce that we see a dramatic drop. In Bradford, this falls to 14% of casuals employed directly by the council, which is equivalent to 1,588 people. It falls further still when we include casuals employed by schools. We are also able to analyse data on pension take-up in external businesses for which individual councils provide a payroll function e.g. West Yorkshire Fire Authority and the Yorkshire Purchasing Organisation. In some cases, pension membership amongst the casual workforce falls to zero.

The message is that there are significant numbers of people earning below a living wage that - as far as we know through our scheme - have no pension in place to save for their future. It challenges us to think about what more we can do to make the case for membership and to ease enrolment to it. We know it is possible – in Kirklees just short of 50% of casuals directly employed by the Council are members of the pension scheme. When we asked Kirklees Council what they are doing to buck the trend in this regard, it would appear that it simply comes down to being very proactive about enrolment and making it easy to join.

Pension data highlights three further points of note:

1) Take-up increases markedly from casual workers to those in the lowest 10% of earnings (earning up to £13,319). Where you would expect this upwards trend to continue, membership in fact dips as we move to those in the 11 to 20% salary range (earning £13,320 to £14,880), before rising again at median salary and beyond. This is seen most obviously in Leeds City Council, where nearly half of staff in the band (503 people) are not pension members. So despite being paid more and above living wage, this group is less likely to be saving for retirement through the pension scheme. We do not know the reasons for this but factors could include age profile, or a need for individuals to divert income towards other costs such as childcare or mortgage payments.

2) In terms of direct council employees, Kirklees Council out-performs others on take-up, especially so in terms of its casual workforce as noted above. When looking into the reasons behind this, it would appear to simply come down to being very proactive in getting information quickly and frequently to lower paid staff, thus making it easier to opt in than to opt out.

3) With a few exceptions, across all bands, pension membership in schools runs slightly higher than amongst direct council employee counterparts.

²⁹ <http://www.ft.com/cms/s/0/d79f3f4e-e684-11e3-b8c7-00144feabdc0.html#axzz3J9C2xxtn> Accessed 16/11/2014

³⁰ Barty, J. (2014) *Help to Save: Defusing the Pensions Time Bomb*; Policy Exchange

Our Response

We are not making recommendations regarding the pension scheme itself. We know that in comparison to others our scheme is good, and that people know this and see it as a positive benefit of working for the council. Furthermore, we are not advocating that paying into a pension will be right for everyone. There will be a huge difference in the benefit gained by someone signing up at the start of their working life compared to at the end for example, and it is up to individual to make that judgement.

We must however work to ensure that we maintain good existing levels and do more to reach those who do not already take part i.e. our casual workforce and those in our lowest two earning bands. It is our responsibility to provide accurate, clear and concise information that allows people to make informed decisions regarding financial planning for their future based on a belief that – even in difficult times - saving something can be better than nothing, and with time, what seems like low levels of contributions can build up into a meaningful sum of money.

We must:

- Work with the West Yorkshire Pension Fund to review existing pension information and ensure it can be made relevant to individuals and their circumstances
- Undertake deeper analysis of low take-up groups to allow for more effective targeting and review channels for promoting take-up accordingly
- Learn from practice in Kirklees and in schools as to the tools they use for driving membership
- Use technology to allow us to demonstrate to individuals the real value of their pension to them so that they can clearly see what their money is worth and can be worth in the future (with obvious caveats on the value of an investment falling as well as rising)
- Review auto-enrolment such that casual workers are auto-enrolled after 13 weeks of working for a council
- Promote options around new 50/50 pension scheme arrangements and calculations based on career earning averages as being more advantageous to those in lower bands and with shorter periods of council employment
- Work in partnership for example with the Credit Union to deliver good financial education to our staff

4.4 The non pay dimension: recommendations focused on non-cashable benefits

From a non pay dimension, there are many factors that contribute to the overall experience of work and that contribute to what makes a 'good' job. The recommendations below explore the nature of these non-cashable benefits where the impact is not directly on immediate take-home pay, but instead on helping people to make their money go further, improve quality of life, and provide the tools that they need to develop and, in time, progress to better and higher paid work.

C. SKILLS AND PROGRESSION

RECOMMENDATION 3: Commit to proactively communicating the positive relationship between skills and opportunity; and to ensuring that lower paid staff are supported to reach their potential through implementation of a strategy for inclusive personal and professional development

RECOMMENDATION 4: Proof all HR policies for their impact on lower paid workers, with particular focus on progression and reducing institutional barriers such as constrained career structures

Why

There is a clear correlation between skills and the ability to earn an income across the life-course that either prevents risk of poverty or allows a person to move out of poverty.³¹ Skills enhancement facilitates movement

³¹ Barnes, M. and Lord, C. (2013) *Poverty, economic status and skills: What are the links?* York: JRF

through the labour market and up ladders of progression, and in turn scope to achieve higher wages and as such a higher household income. Skills development and in-work progression have been cited by the City Growth Commission as vital factors in raising productivity and contributing to long term city growth and economic prosperity – yet depends in part on employers using and investing in the skills of their workers. The potential is huge: 43% of workers have skills they are not using at work.³²

This presents a challenge to councils where, by the very nature of the work we do, there will always be a need for relatively low paid and low skilled roles. This is compounded by insights from our focus groups telling us that:

- Training is *“not for me”*; nor is it a benefit or a way to earn more money, it is merely a *“necessity to get the job done”*. This infers that lower paid workers receive just functional skills, not those needed to enhance, develop and progress.
- Moving up to a more senior position will often only bring a very marginal increase in pay for more responsibility, change to a settled working pattern and *“more hassle”*, and as such a decision that *“it’s not worth it”*.
- Low levels of confidence are holding people back in applying for roles pointing to a need for softer skills development delivered through mentoring, coaching etc.
- There is poor understanding of the changing face of local government and the need to increase role flexibility.

Our Response

Local government is changing and our workforce must evolve accordingly. It is critical that our lower paid workers understand this future perspective and how they can adapt and play a positive role in this change. The Group has explored what this means in a local authority setting, in a context where training budgets are constrained, and employee levels of trust in ‘management’ is under pressure given uncertainty regarding the future. In this context, it is important that we understand where and how we can most effectively deliver a package of skills, training and development for our lower paid staff that will maximise use of all skills and build the sort of flexible, future-proofed workforce we will need. And we must ensure that our management and leadership style supports this.

We must also recognise the intricacies of low paid work, where people often believe that training is ‘not for them’, show reluctance to take on more responsibility, display lack of confidence, and where poor previous educational attainment for example hold back progression and trap people in low pay. The solution here for a woman in her 30s returning to work compared with a woman in her 50s will look very different.

The key question is whether our people are fulfilling their potential, and if not, how inclusive are we to ensuring we give them the tools that they need to do this? The Group urges an approach across the WYCA area that looks at its own demand for skills and its responses on functional flexibility, under-utilisation of skills, and realistic progression pathways. We need a new way of looking at personal and professional development, progression and succession that allows us to ensure that our lowest paid receive the right development, do not see their existing skills deteriorate as the workplace evolves, and as such do not become trapped. This will also allow us to sustain productivity improvements we have seen in our workplaces in recent years.

We also want to challenge the notion of flexibility. How flexible are we in reality to developing progression pathways? Can we look at multi-skilling to give greater choice of movement within wider job families that help tackle constrained internal labour markets and act as barriers to progression out of low pay? Can we make room for low earning women to progress and not forgo income, whilst at the same time have the flexibility they need to manage non-work commitments? The answer to these questions is critical if our lower paid staff people are to find space in the future shape of local government.

³² City Growth Commission (2014) *Human Capitals: Driving UK Metro Growth Through Workforce Investment*

CALDERDALE FUTURE WORKFORCE PROGRAMME (FWP)

FWP is the Council's way of recruiting for internal vacancies. Each employee takes psychometric, verbal and numeral reasoning tests, which creates a 'profile'. From this, jobs are put through the system with ideal profiles attached. If the employee profile is a good match with a job profile, the employee receives an email asking if they would like to be automatically shortlisted for the job, which is as simple as a click of a button.

FWP gives employees the chance of progression by matching them to jobs they did not even consider. To ensure these staff are engaged in the system, the FWP has been demonstrated at staff meetings for staff who do not have access to the intranet to let them know how to sign up. It can be accessed via the internet so employees can sit the assessments at home or in a public place as well as at work. There is also opportunity for staff to sit assessments in all council offices. Apprentices too can move off their low paid positions into better paid work through FWP.

D. MANAGEMENT AND LEADERSHIP PRACTICES

RECOMMENDATION 5: Deliver excellent management and leadership practices as standard across the organisation, with specific focus on equipping those who manage lower paid workers with the skills and systems they need

Why

Good management practices are fundamental to good jobs. The Sunday Times Survey of Best Companies to Work For gives a clear insight into this, and is a useful starting point in understanding that by and large, the factors that make a fulfilling place to work are the same, but it is their management and application and the extent to which they are communicated that varies and that matters. Big retail operations are often not referred to as being synonymous with good jobs, yet frequently top the list of best places to work. These are organisations that typically pay low wages but their employees are happy because these companies have learnt to build motivation through positive work environments that:

- Recognise positive results and effort, with simple and fair systems for measuring and appraising performance
- Create an atmosphere in which everyone understands how they make a difference and contribute to success
- Engender pride, trust, empowerment, teamwork, values and wellbeing
- Build confidence in leadership and accessibility of senior managers
- Have open communication, share information and provide opportunities to voice opinion
- Encourage staff to have fun
- Give people the right tools to do their jobs properly

Feedback from our focus groups gave some indication that managers are not always passing on information, particularly regarding employee benefits; managers are less visible and that more senior staff have "*absorbed hours cut from lower grades*" and "*no longer muck in or step onto the floor when we are short staffed*". Whilst this feedback only represents a small sample size, we get an insight into potential issues of distance, poor communications and mistrust that do not sit comfortably with our core values. Yet we know that managers play a critical role in ensuring that policies and practices on human resources are well communicated, well implemented and well adopted. They have a significant influence on workplace wellbeing, perception of work as being good or otherwise and productivity.³³

³³ Department for Business, Innovation and Skills (2012) *Leadership and management in the UK – the key to sustainable growth – a summary of the evidence for investing in leadership and management development*

We point here to JRF funded research³⁴ that sits alongside this in specifically examining the role of rewarding work for low paid workers linked to an anti-poverty agenda. It draws out the potential to use tools such as job rotation, flexible working and job-related training to assist progression, improve job quality and boost wellbeing and organisational performance without impacting on cost. The emphasis here is on 'good' jobs that improve the quality of employees' working life.

Our Response

It is unacceptable that the experience of management and leadership can vary vastly from team to team. This is particularly true given that a good proportion of the recommendations in this report rely on good, clear, consistent communication to lower paid staff. If we are to achieve them successfully, it is critical that our managers and leaders – especially those who manage in predominantly low paid areas - are equipped with the right skills, knowledge, support and confidence. This is even more important given the changing form and function of local authorities and the need to do more with very limited training and development budget. We stress the need for consistency of approach, for example concerning flexible working policies. This can have a big impact on people's ability to manage their work life balance, yet can be applied in different ways by different managers.

We believe this should focus on in the first instance:

- Setting out the basic expectations of behaviour, attitudes and practices that the council expects from its managers, using models already applied in York, Kirklees and Leeds
- Ensuring that managers know how to manage change
- Consistently applying HR policy and practice alongside organisational values and behaviours, in particular in appraising performance, identifying opportunities for personal and professional development and promoting progression
- Tasking internal communications functions with reviewing the way in which we engage and communicate with lower paid workers and how we hear their voice on what matters to them and learn from their frontline expertise. We know that these groups do not always have ready access to IT and that the nature of their work means that they are not necessarily in sight of printed material. We believe that this is an opportune time to review, refresh and revitalise practices.
- Look for new ways to acknowledge and communicate excellent performance, contribution and commitment

E. EMPLOYEE BENEFITS AND SALARY SACRIFICE

RECOMMENDATION 6: Agree to the principle of investing in and promoting a responsive employee benefits package that is accessible and communicated to target groups consistently, frequently and through the right channels, and that complements the approach in individual Districts to directly support lower paid workers to stretch their take-home pay. Wherever possible, we will use our collective leverage to broker deals with providers.

Why

Across sectors, employee benefit packages play important roles in attracting and retaining talent and boosting staff morale, performance and wellbeing. The Group believes that each local authority across the WYCA area provides a well-intending benefits package, that is enjoyed by many people, and for whom it makes an important contribution to their overall view of the council as providing them with a rewarding and 'good' job.

With some local variation, by and large the benefits offered across the WYCA area can be categorised as:

- Lifestyle (e.g. season tickets, recreation, restaurants etc)

³⁴ Philpott, J. (2014) *Rewarding work for low-paid workers* York: Joseph Rowntree Foundation

- Travel (e.g. bus, rail, emergency recovery etc)
- Corporate discounts (e.g. locally agreed retail offers, mobile phone contracts, etc)
- Financial, mental and physical health and wellbeing (e.g. gym membership, eye tests, counselling, healthcare schemes, links to Credit Union etc)
- Salary sacrifice (e.g. childcare, tax-free bike purchase, annual leave purchase etc)
- Facilitating work/life balance and personal development (e.g. flexible working, training etc)

These benefits are open to all staff. However, the Group challenges the extent to which in reality lower paid workers are able to reap the full benefit of what is on offer. Many of the benefits by their very nature make take-up amongst this group hard i.e. because they demand an outlay of money upfront, have contractual tie-ins, or need greater levels of disposable income and free time. Furthermore we rely heavily on internal intranets to communicate, yet one participant told us *“I have never heard of the staff intranet”*. We have concluded that we are missing an opportunity in relation to the employee benefits package across six areas. We do not currently:

- 1) Explicitly use the employee benefits package to directly help our lower paid workers to make their money go further, support their families, better manage work/life commitments, and access opportunities they may ordinarily be cut off from
- 2) Collaborate as authorities in any way to be more than the sum of our parts – that is to say work together to boost our purchasing power and to maximise the combined customer base of 100,000 employees across the WYCA area that we can reach and use this in our discussion with the private sector to influence provision, negotiate innovative deals and secure big discounts
- 3) Optimise and then ring fence the savings we accrue as employers through salary sacrifice to re-invest in benefits for our lower paid staff
- 4) Listen directly to our lower paid staff to understand what would help them to stretch their pay and continually evolve our offer accordingly; or demonstrate to them the full value of the employee benefits on offer to them
- 5) Adequately communicate our employee benefits on offer, target it at lower paid groups, or in many cases make it easy to access, or promote it as being in line with our values
- 6) Maximise the social multiplier and reach of our benefits package in helping not just employees, but also their families, with unlocked potential to connect to local businesses and boost local circulation of wealth

We have not arrived at this conclusion through an assumption – we have used focus groups to directly pose the question. Participants told us that, although their council does go the extra mile for them, there is:

- Very limited awareness of employee benefits, and as such, very limited take-up
- Poor communication and difficulties in access, especially given lack of regular IT and intranet access
- Mixed view on the monetary value of employee benefits and impact on overall ‘total reward’
- Agreement that there is scope to better target the package to the needs of lower paid workers
- Assistance would be most beneficial in respect to directly saving money – help with costs of travel/transport, mobile phones/IT and fuel are specifically mentioned; as are supermarket and retail discounts especially for those outside main city/town centres

Our Response

Our recommendation is centred on an early and full review across the WYCA area of our individual and potential collective packages, the way we secure them, the rules we apply to them and our use of the salary sacrifice mechanism. This will give us a huge opportunity to identify how we can innovate and do things differently to address the points above and, in so doing, make a big difference to people's lives and financial wellbeing. Done well, we can also use these packages to drive wider agendas that are intrinsic to a vision for good growth and fairness, for example around the local circulation of wealth, social responsibility and sustainable travel.

Members of the Group have already begun to explore innovative solutions, and have sought initial advice from impartial experts in the field. This includes ways to make salary sacrifice relevant to lower paid workers such as purchasing white goods through salary sacrifice to avoid the extortionate interest rates applied by high street rent-to-own retailers. These ideas can maximise our purchasing power and allow us to pass on savings to our lowest paid employees. We urge the WYCA area to work together to develop a strategic approach to innovating and maximising our collective leverage to respond to the feedback we have had through our focus groups, for example around using our combined purchasing power to help reduce household food and energy costs, and provide affordable credit.

A reshaped offer would bring in:

- A shared employee benefit service, hosted in one authority, maximising efficiency and economies of scale
- Powerful brokerage of deals with large providers, using procurement expertise to ensure we maximise discounts and deliver social value where possible
- Stronger relationships with local suppliers and greater scope to circulate local wealth
- Much sharper focus on salary sacrifice as a tool to generate savings to re-invest in lower paid workers
- Improved access and flow of information with clear, consistent, sustained and targeted communications across channels that are known to work in reaching our target group

We must make an important caveat on the relationship between pensions and salary sacrifice. People must be made fully aware that a saving now through salary sacrifice, e.g. leasing a car through a council scheme, will have an impact on pension figures down the line. This underlines the critical nature of accurate, clear and consistent communications that help people to make informed decisions regarding long term financial planning.

We recognise that this is a substantial recommendation that will require system change across the WYCA area and will involve dedicated resource and some upfront budget. There is scope to work smartly with partners who already have systems in place to reach many of our employees, and these options are being explored.

F. HEALTH AND WELLBEING

RECOMMENDATION 7: Collaborate across the WYCA area to streamline health and wellbeing activities, learn from good practice and target lower paid workers to increase participation

Why

Health and wellbeing in society is of fundamental concern to local authorities. Good health allows people to enjoy life to the full, build their individual resilience and make a productive economic contribution. As gaps between the best and worst off in society grow, so do the gaps in health and life expectancy. It has been argued³⁵ that "the single best action local authorities can take to reduce health inequalities is to implement a living wage policy. This will have

³⁵ Pickett, K. (2014) *If you could do one thing...nine local actions to reduce health inequalities*; British Academy

a direct impact on the UK's income inequality, which in turn is a root cause of health inequalities and other social ills.”

It is an important factor to consider in all workforces, as work, the quality of the work and the working environment are major determinants of health inequalities. Improving the health and wellbeing of staff can help to improve productivity, engagement, job satisfaction and morale, as well as reduce the amount of time lost through sickness absence. Initiatives aimed at improving health and wellbeing can mean that staff feel more valued and better supported at work. Due to their size, any initiative that a local authority implements to improve staff health and wellbeing has the potential to reach a significant number of people. In addition, this has important positive multiplier effects as these initiatives extend further, benefiting not just the families of employees, but also the wider community and local economy, and through easing pressure on local health systems. See Annex A for more detail.

Health and wellbeing cuts across pay grades and efforts to promote good health must be universal accordingly. That said, low paid workers are an important group to recognise given the volume of evidence that points to poorer health outcomes amongst the less well off in society. This is a critical issue as the number of working households living in poverty continues to rise, with Sir Michael Marmot noting that “low paid workers are not paid enough to live healthily”.³⁶

Our analysis shows that a great deal of good work is already in place within councils to improve the health and wellbeing of all employees on four fronts:

- Provision within the employee benefit scheme on healthy lifestyles, active travel, access to healthcare schemes, Care First for counselling, debt advice, legal assistance etc
- Workplace health promotion through awareness raising events, healthy workplace programmes
- Supporting terms and conditions on absence, maternity, and ill health
- Links to a wider strategic framework on affordable warmth, financial inclusion, welfare reform and child poverty

Our Response

Pay matters, but that aside, there are non-financial initiatives that can and are being implemented to improve the health and wellbeing of low paid workers. It is unclear however whether there are any actions in place that specifically address the health and wellbeing of low paid workers or whether there is any direct targeting towards these groups. Linked to our recommendation on management, we urge authorities to encourage a leadership style that supports and improves mental and physical wellbeing, for example through enhancing employees' sense of control, delegation, constructive feedback and mentoring; as well as supporting a culture of healthy eating and physical activity. We would also like to see more focus put on the financial wellbeing of staff, given the linkages we know to exist between advice, health and income.³⁷

4.5 Councils in society

We have made the point throughout this report that councils have a fundamental role to play in building and shaping the resilience of its businesses, communities and people. They are influential local anchor institutions with scope to line up their resources behind place based priorities, to connect growth and poverty and deliver fairness. The Group has identified three areas in which the authorities of the WYCA area can assert this influence and show leadership to deliver improvements in pay and good growth.

³⁶ <http://www.bmj.com/content/348/bmj.g1939> Accessed 26/11/14

³⁷ *Improving Public Health Through Income Maximisation* (2011) Department of Health Regional Public Health and Social Care Group and Leeds City Council

G. PROCUREMENT AND SOCIAL VALUE

RECOMMENDATION 8: Apply Social Value policy, prioritising in the first instance those commissioned services where low pay prevails; and work collaboratively to influence others to do the same

Why

The scale of local authority procurement presents a huge opportunity to influence pay and behaviour in supply chains, not least given the extent to which we enter into contracts with traditionally low paying sectors such as care. The Public Services (Social Value) Act has legislated local authorities and other providers of public services to actively explore economic, social and environmental benefits in their procurement processes and decisions. This has raised questions relating to the ability to oblige suppliers to pay their employees a living wage as an extended route to addressing low wage concerns. Concerns have been raised that it may be incompatible with EU law for a public body to require bidders in a procurement procedure to make this commitment, on the basis that it stifles fair competition. The Living Wage Foundation itself believes the legal risks arising from such a requirement to be remote, however, it is certainly prudent for authorities to reach their own view on this matter and agree an approach accordingly. Islington Council has introduced living wage compliance on all new contracts, and this acts as a useful case study.

Our Response

Pending such a decision, the Group would like to see the authorities of the WYCA area move forward with pace to embed social value in procurement to achieve maximum benefit for their areas, as well as to shift organisational culture accordingly. We believe all discussions with suppliers should be framed in a way that builds a long term shared perspective on eradicating low pay. As CLES have noted recently,³⁸ this is about local authorities acting as requirers, encouragers and cajolers as opposed to enforcers, using tools such as education and engagement, compulsory scoring in tender documentation and supplier charters alongside the social value agenda.

To be clear, we are not putting the matter of explicitly requiring our suppliers to pay a living wage into the 'too difficult box'. We know that there is a process of due diligence to go through before this will become policy across the WYCA area, not least while we all catch up to paying a living wage to our own employees. Our message instead is that rather than do nothing, there are alternative, more readily adopted approaches that we can be getting on with now that will help to make incremental moves towards a longer term ambition. That means a fresh look at minimum standards on minimum wage, travel time, good Terms and Conditions, annual leave, and supporting career aspirations, skill development and progression.

Further work by CLES³⁹ has sought to identify the extent to which suppliers to Manchester City Council currently pay their employees a living wage, along with the perceived benefits and challenges associated with this. It also explored the progress being made by other local authorities, together with the pros and cons of universal adoption of the living wage across businesses in the city. A key conclusion was that a one-size-fits-all approach across the supply chain cannot be applied, reinforcing the notion of encouraging rather than making compulsory. It also noted models such as that in Birmingham around a Business Charter for Social Responsibility and living wage payment above certain contract values as tools in enabling economic, social and environmental well-being through procurement.

Specifically we want to see:

- Development and role out of a WYCA area social value toolkit based on the model being implemented in Kirklees
- Engagement with contractors who use zero hours contracts to ensure that they offer a level of guaranteed hours (e.g. calculated based on a percentage of hours worked during the previous 13 weeks)

³⁸ Jackson, M. (2014) *Living Wage and the Role of Local Government*, CLES and the Greater Manchester Living Wage Campaign

³⁹ Jackson, M. (2014) to be published

- Agreement of a minimum standards for minimum wage, travel time, Terms and Conditions, and skill development

H. ZERO HOURS CONTRACTS AND CASUAL STAFF

RECOMMENDATION 9: Guard against inappropriate use of zero hours contracts and protect casual workers from affects of low pay, concentrating on our own workforces and commissioned services

Why

Zero hours contracts have come to the fore recently as a marker of poor employment practice linked to low pay. There are in fact only 13 casuals currently employed on zero hours contracts in employment across the WYCA area, those being employed by the West Yorkshire Combined Authority in a specific role. The nature of the employment relationship between these individuals and the Combined Authority is clear, with none of the individuals being solely dependent on this work for income and no exclusivity clauses. All parties are confident that the contract is being used appropriately. However, while there are no other zero hours contracts, there are substantial numbers of casuals being employed across each authority in the WYCA area. This raises the question of zero hours contracts in all but name. Furthermore, there is evidence of a culture where our lower paid workers have come to rely on overtime payments to supplement their wage.

Research from the US⁴⁰ raises the substantial benefits people (in this case those employed in care settings) realise from knowing their work schedules in advance. Giving workers as much notice of the pattern that they will work as possible, and minimising changes after rotas have been assigned, gives predictability to an otherwise frequently varying schedule. Helping individuals to plan ahead for care of dependents, transport, healthcare, second job, or learning and better plan and budget household finances in this way demonstrates anti-poverty employment in action. These measures are also good for business - improving efficiency, and reducing absenteeism and turnover.

Our Response

Our priority here is to twofold. Firstly, to ensure that people working for the council, either directly or on a casual basis, are not at risk of becoming trapped in low paid, insecure roles from which they will 'churn' between unemployment and low paid work. Secondly, we recognise that there is a need to balance this with flexibility from an organisational perspective and the critical factor that for some people, casual or zero hours work is in fact their preferred way of working. In these instances, where all parties consent freely, we can see the mutual benefit that can be gained from this type of arrangement. However, in any other circumstances, we do not approve of their use.

In total, our goal is to continually apply and evolve as ethical employers across all employment types using poverty-proofed human resource practices to test and benchmark ourselves against and ensure that we are always striving to do our best for lower paid workers.

We have drawn on recent policy conclusions from The Work Foundation⁴¹ that it is the rigorous awareness raising and enforcement of employment rights for those on insecure forms of employment that can make a difference. This includes a ban across the WYCA area on the use of exclusivity clauses, and on the use of 'false agencies' that bypass the Agency Workers Regulations, which entitle agency workers to the same basic pay and conditions as comparable employees after a 12-week qualifying period.⁴² As noted in the procurement section, we also wish to see suppliers

⁴⁰ Lambert, S. (2011) *Work Scheduling Study*; University of Chicago School of Social Service Administration

⁴¹ Ray, K., Foley, B. and Hughes, C. (2014) *Rising to the Challenge: A policy agenda to tackle low pay*; The Work Foundation

⁴² Also referred to as the Swedish Derogation

encouraged to move away from zero hours contracts after a period of time, with opt-outs for those workers who wish to retain such level of flexibility.

I. DRIVING A GOOD GROWTH AGENDA IN PARTNERSHIP WITH THE PUBLIC, PRIVATE AND THIRD SECTOR

RECOMMENDATION 10: Use local authority influence and local leadership to tackle low pay across the West Yorkshire Combined Authority area in pursuit of a 'good growth' agenda

Why

As the recovery gathers pace we need a shared vision for the sort of cities, towns and Combined Authority area that we want to be. We suggest that this should be based on a narrative of good growth that bridges prosperity and fairness and that builds resilience delivered by a partnership of private, public and third sector agencies, as is currently being tested through the JRF and LCR More Jobs Better Jobs partnership. It is consistent with the changing relationship between central and local government and the policy context of devolving more power to local areas.

Our Response

We recommend that the WYCA area builds a shared vision for good growth. The buy-in of the private sector is critical to us making substantive progress on this agenda. We should draw on experience from York in the work that they have carried out in recent years to make York a Living Wage City, as well as working with and through the LCR Enterprise Partnership to draw on its extensive access to business to use our local leadership role to drive a shared concern for low pay and good growth including:

- Breaking down internal silos to effectively connect growth, jobs and poverty, including the need to develop integrated approaches to tackling low pay across sectors
- Establishing a new deal with the private sector based whereby the council is open for business in return for a commitment to a menu of behaviours including living wage, apprenticeships, corporate social responsibility and environmental policy
- Using tools at our disposal to influence business behaviour, for example trading standards, Section 106 agreements, Key Account Management and daily engagement with the local business base
- Leveraging new investment and infrastructure schemes to connect local labour, pay a living wage and shape regeneration projects for the benefit of local people and good jobs
- Work collaboratively across institutions to systematically join up investment and action on jobs, growth and poverty, including through long term engagement in the More Jobs Better Jobs partnership, and connection to the Living Wage Foundation, Skills for Care and the independent care sector
- Tapping into existing business engagement routes including the LEP's 5-3-1 campaign⁴³; and identify private sector champions across the geography to help present the case to a wider audience

⁴³ 5-3-1 is a Leeds City Region Enterprise Partnership initiative designed to help businesses, and our economy, grow by encouraging more companies to unlock the skills potential of their business

5. Next step actions

We present here an outline of the initial next steps that we believe need to be taken to ensure that the recommendations made in this report are converted into demonstrable action and lasting change for lower paid workers. Some will be driven by individual authorities themselves, others demand a collective approach. Because of this, we strongly believe that there is merit in retaining the capacity of a pan-WYCA area (noted as LPWG in the actions table below) of empowered senior staff, such as the existing HR Directors grouping, that can work through the recommendations of this report and turn the initial actions below into a measurable and costed work programme. These individuals should lead on championing, communicating and embedding action within their own organisations, developing specific business cases to take action forward, and monitoring progress that the wider group can report on to the Chief Executives and Leaders of the WYCA area at agreed and appropriate intervals. In this way we will ensure that the recommendations do not simply become well intentioned words, but that they drive lasting change for our lower paid staff. The Group responsible for the production of this report will continue to meet in the immediate term to oversee this initial next step.

Furthermore we point to a communication theme that cuts across all of the recommendations we make and the proposed actions that follow. We are not criticising current internal communications, nor are we asking for full scale review of processes. However, we do ask that we collectively and immediately apply a new low pay lens to all of our action and communication, and that we challenge assumptions and become rigorous in testing our engagement and reach amongst our lower paid staff. This is critical to success not just internally but in our leadership and influence of a wider agenda for good growth across the WYCA area. We should wherever possible seek to learn from best practice amongst ourselves and from further afield across the public, private and third sectors.

Action	Lead
RECOMMENDATION 1: For those who have not implemented a living wage policy - Apply a managed and staggered approach towards reaching a living wage by removing the bottom two NJC pay scales for the two years 2015/16 and 2016/17	
1a. Calculate exact implications of cost, grade relativities and numbers of people impacted and re-model NJC pay scales if financially feasible	Bradford, Leeds, Kirklees, WYCA
RECOMMENDATION 2: Review existing pension information to make the case for membership from a low pay perspective and proactively target its communication at lower paid workers to drive up-take	
2a. Review existing pension information, communication channels and sign-up processes and undertake deeper analysis of low take-up groups	LAs + WYCA
2b. Work together to share and develop best practice material and approaches that effectively target take-up	LPWG
2c. Explore use of technology to demonstrate value of pensions (with obvious caveats around the value of an investment falling as well as rising)	LPWG
2d. Review auto-enrolment such that casual workers are auto-enrolled after 13 weeks of working for a council	LAs + WYCA
2e. Promote options around new 50/50 pension scheme arrangements as being more advantageous to those in lower bands and with shorter periods of employment at the council	LAs + WYCA
2f. Work in partnership for example with the Credit Union to deliver good financial education to our staff	LPWG
RECOMMENDATION 3: Commit to proactively communicating the positive relationship between skills and opportunity; and to ensuring that lower paid staff are supported to reach their potential through implementation of a strategy for inclusive personal and professional development	
3a. Review current approaches to training and development from a low pay perspective, including assessing good practice from elsewhere, and develop a strategy that responds accordingly	LAs + WYCA + LPWG

3b. Deliver a targeted campaign on the connection between skills and opportunities to change perceptions on value of training and development	LPWG
RECOMMENDATION 4: Proof all HR policies for their impact on lower paid workers, with a particular focus on progression and reducing institutional barriers such as constrained career structures	
4a. Review HR policy and practice from a low pay perspective, with a particular focus on assessing good practice from elsewhere, appraising performance, identifying opportunities for personal and professional development, promoting progression and removing institutional barriers	LAs + WYCA + LPWG
RECOMMENDATION 5: Deliver excellent management and leadership practices as standard across the organisation, with a specific focus on equipping those who manage lower paid workers with the skills and systems they need	
5a. Review current approaches to management from a low pay perspective and develop a strategy that responds accordingly, with a particular focus on including assessing good practice from elsewhere, setting out robust expectations of behaviour, attitudes and practices expected of managers	LAs + WYCA + LPWG
5b. Review internal communications practices from a low pay perspective, with a particular focus on access, engagement, voice and reach	LAs + WYCA + LPWG
5c. Look for new ways to acknowledge and communicate excellent performance, contribution and commitment	LAs + WYCA
RECOMMENDATION 6: Agree to the principle of investing in and promoting a responsive employee benefits package that is accessible and communicated to target groups consistently, frequently and through the right channels, and that complements the approach in individual Districts to directly support lower paid workers to stretch their take-home pay. Wherever possible, we will use our collective leverage to broker deals with providers.	
6a. Explore business case for officer to lead review of employee benefits on behalf of WYCA area	LPWG
6b. Explore and cost options around discounted travel for lower paid workers	LPWG
6c. Explore scope to demonstrate 'total value' of employee benefit packages, including pensions	LPWG
RECOMMENDATION 7: Collaborate across the WYCA area to streamline health and wellbeing activities, learn from good practice and target lower paid workers to increase participation	
7a. Review current approaches to health and wellbeing from a low pay perspective, informed by best practice in other authorities and beyond, and develop a strategy that responds accordingly	LAs + WYCA + LPWG
RECOMMENDATION 8: Apply Social Value policy, prioritising in the first instance those commissioned services where low pay prevails; and work collaboratively to influence others to do the same	
8a. Explore social value toolkit approaches and develop target framework	LAs + WYCA
8b. Carry out early engagement with commissioners in local authorities to share recommendations of this work	LPWG
8c. Engage with contractors who use zero hours contracts to offer a level of guaranteed hours	LAs + WYCA
8d. Agree minimum standards for minimum wage, travel time, Terms and Conditions and skill development/progression	LAs
RECOMMENDATION 9: Guard against inappropriate use of zero hours contracts and protect casual workers from affects of low pay, concentrating on our own workforces and commissioned services	
9a. Keep under constant review the use of zero hours contracts, with an outright ban on exclusivity clauses and use of false agencies	LAs + WYCA
RECOMMENDATION 10: Use local authority influence and leadership to tackle low pay across the WYCA area in pursuit of a 'good growth' agenda	
10a. Align recommendations of this report with other internal and local strategies for anti-poverty and financial inclusion	LAs
10b. Current Chair of Lower Paid Workers Group to present report recommendations to Leeds City Region Enterprise Partnership Board, to include discussion on way forward for engaging business community	Chair/LPWG
10c. Current Chair of Lower Paid Workers Group to engage with JRF/LCR More Jobs Better Jobs Steering Group to discuss opportunities for alignment	Chair/LPWG
10d. Continue to engage with trade unions around a shared agenda for improved outcomes	Chair/LPWG

Annex A: Further Sources of Evidence - Health and Wellbeing in the Workplace

The National Institute of Health and Care Excellence (NICE) has produced a range of evidence relating to this topic.

- [Workplace Health](#): This guidance summarises actions local authorities can take to improve health in the workplace. It also helps quantify the costs and benefits to the organisation.
- [Workplace Interventions to Promote Smoking Cessation](#): Smoking is the leading behavioural cause of ill health amongst low paid workers. Smoking cessation will not only benefit health, but will also reduce household expenditure and as such increase disposable income (a 20 a day smoker will pay over £2,000 a year for tobacco purchased legally).
- [Physical Activity in the Workplace](#): Low paid workers are typically in roles that require physical activity but it should not be assumed that promoting physical activity is of no benefit. Good levels of physical activity are likely to reduce musculoskeletal injuries which are, with mental health issues, the commonest reason to sickness related absence from work.
- [Pathway for Healthy Diet](#): Efforts to support healthier eating should recognise the working patterns of low paid workers. Obesity is increasingly associated with sickness absence.
- [Walking and cycling: local measures to promote walking and cycling as forms of travel or recreation](#): Walking and cycling represent a low cost method of travel and recreational activity.
- [Promoting mental wellbeing at work](#): Poor mental health is common amongst low paid workers and a common cause of absence from work.
- [Managing long-term sickness and incapacity for work](#): Supporting low paid workers back into work will help avoid long term sickness related worklessness.