

Trust Board Meeting in Public: Wednesday 9 March 2016

TB2016.33

Title	Local Living Wage
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Status	For Board consideration and decision
History	This document relates to a paper previously discussed by the Trust Board in July 2015 (TB2015.91)

Board Lead(s)	Mark Power Director of Organisational Development and Workforce			
Key purpose	Strategy	Assurance	Policy	Performance

EXECUTIVE SUMMARY

1. In 2015 the Trust Board confirmed its agreement, in principle, to implement a Living Wage for the Trust's lowest paid members of staff. The original paper supporting the implementation of a Living Wage (included within this document, as **Appendix 1**) proposed applying a minimum hourly rate of pay of £8.07. This equated to the existing Agenda for Change spine point which most closely aligned with the prevailing National Living Wage (NLW) of £7.85/hour. The overall additional cost of implementation was £657k.

2. Prior to confirming its full agreement to apply a Living Wage, locally, the Board required to be updated on the final cost of implementation: the purpose of this paper is to provide that update.

3. The NLW is annually reviewed by the Living Wage Foundation which, in November 2015, increased the hourly rate to £8.25. This paper proposes that the revised NLW becomes the minimum hourly rate applied within the Trust, thereby directly benefiting over 1,300 employees on the lowest levels of pay. Furthermore, it is proposed that any increase associated with the NLW is applied to individuals as a local consolidated pay supplement. The additional gross cost of implementation (over and above the original £657k) is £269k.

4. The Trust's PFI partners and trades union representatives have been consulted and are in full support of this initiative. Implementation of a Living Wage is predicted to have a positive impact upon the recruitment, retention and morale of an important but unstable section of the workforce, where staff turnover remains high.

Recommendation

5. The Trust Board is asked to confirm its support for the implementation of a Living Wage, as described within this paper, from 1 April 2016.

1. PURPOSE

1.1 The purpose of this paper is to further update the Trust Board on the proposed introduction of a Living Wage within Oxford University Hospitals NHS Foundation Trust (OUH) and to seek approval for its implementation from April 2016.

2. BACKGROUND

2.1 At its meeting in July 2015 the Trust Board received a proposal from the Director of OD and Workforce to introduce a minimum hourly rate of pay for the Trust's lowest paid members of staff, which is at least aligned with the National Living Wage (NLW). The arguments for doing so were set out in a supporting paper (TB 2015.91), which also included three options for the Board's consideration. This same paper is attached, for reference, as **Appendix 1**.

2.2 The decision taken by the Board was to support, in principle, the recommended option to apply a minimum hourly rate of pay which exceeded the (then) NLW, but fell below the unofficial 'Oxford Living Wage'. The Board recognised that the introduction of this local 'Enhanced' Living Wage rate would assist in addressing the recruitment and retention issues associated with an important but relatively unstable staff group, in which turnover remains high and, characteristically, morale and engagement is low.

2.3 The Board noted the long-term detrimental effect of low pay on the health and wellbeing of employees, particularly in an area such as Oxford (where the basic cost of living is recognised as being the highest in the UK, alongside central London), and that an increasing number of private and public sector organisations are implementing the NLW, and committing to maintaining it as the rate is subsequently increased. Implementation of the recommended option would benefit a significant number of low paid members of staff, who are either employed directly by OUH, or indirectly by the Trust's PFI partners under Retention of Employment (RoE) terms and conditions.

2.4 The application of a local Living Wage represents a cost pressure for the Trust. Based upon the prevailing NLW rate, at the time, the assumed cost of implementation was £657k. A condition of the Board's support was that it must be notified of the final cost before full approval to implement is granted. In the interim, the Trust's 2016/17 financial planning assumptions would include provision for an associated uplift, either with or without potential additional funding from Commissioners (which was deemed to be unlikely).

3. CURRENT POSITION

3.1 In November 2015, the hourly rate of pay associated with the NLW increased from £7.85 to £8.25 (i.e. an uplift of £0.18 against the local Living Wage rate specified in the initial proposal). Currently, within the Agenda for Change pay bands 1 and 2, there are three spine points which remain below the revised NLW hourly rate. As a consequence, a total of 1,324 members of staff are employed on salaries which do not meet the NLW. Predominantly, these individuals occupy health care assistant, housekeeping, portering and clerical roles.

3.2 When compared with the financial assumptions presented to the Board in July 2015, the additional gross cost of implementation of the revised NLW is £269k. This assumes that £8.25 will represent the minimum hourly rate of pay applied within the Trust. Furthermore, consistent with previous calculations, an assumption has been made that an uplift to lower-level Agenda for Change salaries of 1% will be applied from April 2016. Local implementation will benefit over 1,300 OUH and RoE members of staff (1,000 WTE), whose hourly rate of pay (inclusive of the assumed 1% national uplift) is below the NLW. Summary details are provided in table 1, below:

Table 1: NLW Implementation - Gross Costs and Staffing Numbers

Categorisation and Pay Band	Gross Cost of Implementation @ £8.25/hour	Headcount	WTE
OUH Staff - Pay Band 1	£20,511	32	26
OUH Staff - Pay Band 2	£597,202	793	649
Total OUH Staff	£617,713	825	675
RoE Staff - Pay Bands 1 and 2	£309,075	499	380
Total OUH and RoE Staff	£926,788	1,324	1,055

3.3 The additional payment associated with the three spine points highlighted in section 3.1, above, will be applied to individuals as a consolidated OUH supplement to basic salary. The supplement will continue to be applied until such time that future annual pay increments and national uplifts take an individual above the prevailing NLW (which, generally, is adjusted each year). This will also facilitate the retention of Pay Band 1, thereby addressing concerns relating to the maintenance of pay band differentials for supervisory roles and responsibilities.

3.4 The introduction of the NLW and its application as a local pay supplement is fully supported by the Trust's PFI partners and trades union representatives. The collective view of Carillion, G4S and Aramark is that the initiative will have a positive impact upon staff recruitment, retention and development, and thereby improve service delivery standards.

3.5 A principal objective in introducing a Living Wage is to ensure all Trust employees receive sufficient income to cover their basic cost of living. The previous paper recognised that the impact of any increase for low-income individuals can be complex, with respect to the current UK benefit system. Subsequent consultation with trade union and staff representatives has confirmed there is little risk that receipt of the NLW will result in any reduction in overall income for particular individuals as a consequence of the potential removal of benefits.

4. SUMMARY

4.1 The Board has previously agreed, in principle, to the implementation of a Living Wage for the Trust's lowest paid employees and the rationale for doing so remains unchanged. Since the receipt of a supporting paper in July 2015, an uplift to the hourly rate of pay associated with the NLW has increased the overall cost of implementation. In order to mitigate this increase, it is proposed that the revised NLW is applied as a supplement to basic salary and on a 'mark time' basis.

4.2 Local implementation of a Living Wage is fully supported by trade union and staff representatives, and by the Trust's PFI partners. The impact of doing so is anticipated to be significant with respect to improved recruitment and retention, and staff morale and engagement.

5. RECOMMENDATION

5.1 The Trust Board is asked to support the recommendation that a Living Wage is implemented for OUH staff, as described, with effect from 1 April 2016.

Appendices:

Appendix 1: Trust Board Paper 2015.91 (Implementing a Living Wage)

Mr Mark Power

Director of Organisational Development and Workforce

March 2016

APPENDIX 1

Trust Board: Wednesday 8 July 2015

TB2015.91

Title	Implementing a Living Wage
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Status	Proposal for Board consideration and decision
History	This proposal has been considered and is supported, in principle, by the Trust Management Executive

Board Lead(s)	Mark Power Director of Organisational Development and Workforce			
Key purpose	Strategy	Assurance	Policy	Performance

EXECUTIVE SUMMARY

1. The concept of the Living Wage recognises the detrimental impact of low pay on individuals, with respect to physical and mental health, and life expectancy, and aims to raise the standard of living for the lowest paid members of the UK workforce.

2. Championed by the Living Wage Foundation, other major research and advisory bodies and national trade unions, the National Living Wage (NLW) establishes a minimum hourly rate of pay which is above the National Minimum Wage (NMW). The NLW aims to ensure that low paid employees are provided with sufficient income to cover their basic cost of living.

3. Over 600 Trust employees (approximately 5.5% of the total workforce) receive an annual salary which falls below the NLW level. The majority of these individuals are directly employed by OUH, whilst the remainder are employed via Retention of Employment (RoE) contracts and seconded to the Trust's PFI partner: All are currently on the lowest pay point in agenda for change bands 1 and 2, or the equivalent (RoE staff).

4. This paper seeks to make a case for implementing a Living Wage in OUH, highlighting the national influences and local drivers which support such an initiative. Several options are presented for consideration and recommendations are made, based largely upon current and future affordability. The paper also highlights the process for accreditation as a 'Living Wage Employer' and further recommends that this is pursued.

5. The Trust Management Executive has considered this paper and supports its recommendations. Implementation is conditional upon Trust Board approval.

Recommendation

The Trust Board is asked to agree, in principle, to the implementation of an Enhanced Living Wage of £8.07/hour (i.e. Option 2), subject to a number of conditions which are enumerated at Section 8 of the paper.

1. PURPOSE

1.1 The purpose of this paper is to propose the implementation of a Living Wage within Oxford University Hospitals NHS Trust (OUH). In so doing, several options are presented for consideration by the Trust Board.

2. BACKGROUND

2.1 Although all employers in the UK are legally required to apply a minimum hourly rate of pay, annually set by the Government, to all workers over the age of 22, the National Minimum Wage (NMW) takes no account of regional variations in the overall cost of living. In many parts of the country, particularly across the South and South East, the NMW is considered to be inadequate in covering the basic needs of individuals and families.

2.2 The National Living Wage (NLW) is an hourly minimum wage, optional for employers, which is intended to raise the pay of those on the lowest incomes, to ensure that it covers the basic cost of living in the UK. The NLW rate is set annually by the Living Wage Foundation and is calculated by the Centre for Research in Social Policy¹ (CRSP). The calculation is based on the Minimum Income Standard (MIS) for the UK, which is the product of research undertaken by the CRSP, funded by the Joseph Rowntree Foundation². The research looks in detail at the relationship between poverty and the cost of living and examines what level of income is needed by households in order to maintain a minimum acceptable standard of living.

2.3 The CRSP determines those essential goods and services required to meet basic needs and to 'participate' in society, and highlights that these same goods and services take up a relatively larger share of low income budgets. Decisions about what to include in the MIS are informed by consultation with a wide range of organisations and with members of the public. Therefore, the NLW is rooted in social consensus about what people need to 'make ends meet'.

2.4 The NLW rate is increased each year taking into account rises in living costs and any changes in what people define as a 'minimum'. In determining annual increases the Living Wage Foundation³ also takes notice of what is happening to wages generally, in order to prevent a situation where NLW employers are required to give pay rises that are out of line with general pay trends. In the period 2005 to 2013, the Consumer Price Index (CPI) increased by 26 percentage points and continues to remain above the average growth in wages. The prices of 'everyday' items, including food and utilities, have risen faster than for higher cost items.

2.5 A NLW was first established for London in 2008, before being adopted by many organisations, nationally, in 2011. The NLW now enjoys cross-party support and widespread public backing, and is championed by most trade union organisations, most notably Unison. With effect from 1 January 2015, the Living Wage within London was set at £9.15/hour and for the remainder of the UK (i.e. the national rate) at

¹ Centre for Research in Social Policy: <http://www.lboro.ac.uk/research/crsp/mis/>

² Joseph Rowntree Foundation: <http://www.jrf.org.uk/>

³ Living Wage Foundation: <http://www.livingwage.org.uk/>

£7.85/hour, against a NMW of £6.50/hour. Based upon the NHS standard working week of 37.5 hours, the NLW hourly rate equates to an annual salary of £15,347.

3. CONTEXT

Low Pay in the UK

3.1 Within the advanced economies, the UK has one of the highest proportions of employees in low paid work. According to the Organisation for Economic Co-operation and Development⁴ (OECD) definition, the share of employees in the UK earning below the low pay threshold in the period 2010-2012 was 21% - higher than most other European countries. Furthermore, the proportion of employees in low pay in the UK, having reached a peak of 23% in 1996, had not fallen at any significant rate to April 2013.

NHS National Pay Rates

3.2 The implementation of the NHS pay award, effective from 1 April 2015, effectively removed pay point 1 and established a minimum salary for staff employed under agenda for change terms and conditions (i.e. the majority of NHS staff) of £15,100, or an hourly rate of £7.72. This minimum hourly rate still falls short of the current Living Wage by £0.13/hour. Annual salaries and hourly rates of pay associated with the lowest NHS pay bands are detailed in Table 1, below.

Table 1: Annual Salaries and Hourly Rates of Pay - Bands 1, 2 and 3

Pay Point	Band 1	Band 2	Band 3	Hourly Rate
2	£15,100	£15,100		£7.72
3	£15,363	£15,363		£7.86
4		£15,786		£8.07
5		£16,210		£8.29
6		£16,633	£16,633	£8.51
7		£17,179	£17,179	£8.79
8		£17,800	£17,800	£9.10
9			£17,972	£9.19
10			£18,468	£9.44
11			£19,027	£9.73
12			£19,461	£9.95

3.3 Currently, a total of 646 employees (569 wte) receive an annual salary which falls below the NLW level. Almost 90% of these individuals are directly employed by OUH, whilst the remainder are employed via Retention of Employment (RoE) contracts and seconded to the Trust's PFI partner. These staff account for approximately 5% of the total substantive workforce and all are on the lowest pay point in agenda for change bands 1 and 2, or the equivalent (RoE staff). The associated job roles include: Theatre Porters; Care Support Workers; Catering Assistants; Linen Room Assistants; Stores Assistants; Ward Clerks; Housekeeping Staff; Clerical Officers; Receptionists;

⁴ Organisation for Economic Co-operation and Development: <http://www.oecd.org/unitedkingdom/>

Estates and Ancillary Staff and Phlebotomists. Over two thirds (i.e. 68%) of staff in these roles are Theatre Porters and Care Support Workers.

Local Cost of Living

3.4 Outside of central London, Oxford is officially recognised as being the least affordable town/city in which to live, with an average property costing over eleven times the local average earnings (compared to the average of six times the typical local salary for other major towns and cities in the UK). No area within Oxford has house prices which are less than five times earnings. Relative to earnings, the cheapest area in the city is now as expensive as the area immediately surrounding the John Radcliffe Hospital was 15 years ago and housing supply is more limited in the cheaper areas. Recently, housing has become still less affordable due to a further rise in property prices - in the first nine months of 2014 the Oxford median house price was 7% higher than in the same period the previous year, driven by a limited stock of housing. Oxford rental costs are also regarded as being higher than elsewhere in the country and are now more expensive than in some London Boroughs, with tenants typically spending over half of their salaries on property charges. The rental market in Oxford is further influenced by the student population associated with two large neighbouring universities.

Oxford Living Wage

3.5 In recent years, local pressure groups representing the interests of lower paid workers in Oxford have petitioned employers to recognise the particular issues associated with the prevailing local socio-economic conditions by applying an 'Oxford Living Wage', which is above the NLW. Currently, the Oxford Living Wage is set at 95% of the London Living Wage and therefore equates to £8.69/hour, or an annual salary of circa £17k. When compared with NHS pay rates, this salary level spans the top and bottom points associated with pay bands 2 and 3, respectively. Although not officially recognised or endorsed by the Living Wage Foundation, this rate is paid as a minimum to Oxford City Council employees.

4. RATIONALE FOR IMPLEMENTING A LIVING WAGE

National Influences

4.1 Many private sector companies have been early adopters of the NLW and their numbers have increased over recent years. Increasingly, NHS organisations are being approached by staff and their representative trade union bodies to consider implementing the NLW and some have already done so, most notably: Great Ormond Street Hospital for Children NHS Foundation Trust; Barts Health NHS Trust; York Teaching Hospital NHS Foundation Trust, and Northumberland, Tyne and Wear NHS Foundation Trust.

4.2 Many of the arguments in support of implementation are consistent across the Health Service, including the perceived moral obligation and corporate social responsibility associated with being the UK's largest employer. The long-term effects of low pay are well documented by leading research and advisory bodies, including the

Low Pay Commission⁵, the Resolution Foundation⁶ and the Living Wage Foundation. Reports from these bodies include reference to the “poverty trap” associated with individuals on consistently low incomes, and the detrimental effect of low pay on health and wellbeing, and family relationships. In its recent report ‘Health Inequalities and the Living Wage’ commissioned by Public Health England, the Institute of Health Equity⁷ cites evidence showing that insufficient income is associated with worse outcomes across virtually all domains of health, including long-term health and life expectancy. Existing on a low income is associated with a risk of limiting illness and poor mental health and these negative health impacts are caused by both material factors (e.g. the inability to afford essential items) and psychosocial factors, such as anxiety and low self-esteem.

4.3 Other arguments in favour of the NLW are more specific and influenced by, for example, prevailing local economic conditions and the opportunities available to individuals with respect to alternative employment provision. The rationale for implementing a Living Wage at OUH is summarised below.

Local Drivers

Local Employment Market

4.4 Predominantly, the lower paid members of staff employed by OUH, either directly or via RoE contracts, reside in the Oxford area, within which a significant number of employing bodies compete for the local workforce. The top six largest employers in Oxfordshire (which includes OUH) are all public sector bodies, whilst the dominant private sector employer is BMW Motors. Currently, the local job market is buoyant and the competition for both professional and non-professional staff is increasing. In June 2014, Oxfordshire registered its lowest count of those claiming Job Seekers Allowance since May 2008. For those in receipt of unemployment benefits, the figure in Oxfordshire is now less than one per cent. Consequently, Oxford Job Centre Plus is reporting difficulties in attracting candidates to lower paid, unskilled work.

4.5 In contrast with a number of years of successive pay restraint within the NHS, the salaries associated with the workforces of most local employers have at least kept pace with the rate of inflation and, in some cases, more generous increases have been applied. The University of Oxford adheres to the principles of applying salaries which, as a minimum, match the recognised NLW. The lowest non-academic University salary point reflects a minimum hourly rate of £7.88, which is marginally above the £7.85 NLW. Oxford City Council, which is a major local employer, applies the Oxford Living Wage as its minimum hourly rate of pay. Furthermore, the standard weekly working hours for employees in both organisations are less than their NHS counterparts.

⁵ Low Pay Commission: <https://www.gov.uk/government/organisations/low-pay-commission>

⁶ Resolution Foundation: <http://www.resolutionfoundation.org/>

⁷ Institute of Health Equity: <http://www.instituteofhealthequity.org/projects/health-inequalities-and-the-living-wage>

Staff Recruitment and Retention

4.6 OUH aspires to be an “employer of choice”, which is capable of attracting, recruiting and retaining compassionate, engaged, skilled and experienced staff who deliver high quality services and excellent patient care. Whilst, currently, there is no significant problem in recruiting to posts in pay bands 1 to 3, the ‘churn’ associated with these posts is of concern. Staff turnover in these posts averages 15% and in some areas is as high as 18%. Similarly, the level of sickness absence associated with this particular staff group is both disruptive to service provision and costly, with respect to management time and recruitment activity. Furthermore, establishing and maintaining high levels of engagement and motivation within a relatively transient staff group, which feels less valued than colleagues who are better rewarded financially, is problematical.

Reported Benefits

4.7 Research conducted to identify the ‘business benefits’ of implementing the NLW, from the perspective of the employer, includes widespread reporting of reduced staff turnover, improved attendance, better morale and increased engagement and productivity. Over two thirds of all NLW implementers highlight the associated reputational benefits, through increased customer/consumer awareness of their organisation’s commitment to be a fair and ethical employer.

5. OPTIONS FOR CONSIDERATION

5.1 Having sought to make a case for increasing the hourly rate of pay associated with the Trust’s lowest paid members of staff, this paper presents three options for consideration, namely:

- implementation of the National Living Wage;
- implementation of an ‘Enhanced’ Living Wage;
- implementation of the Oxford Living Wage.

These options, and the cost implications associated with each, are summarised, as follows:

Option 1 - Implementation of the National Living Wage (NLW)

5.2 This Option provides for all staff directly employed by OUH, and those who are indirectly employed via the established RoE arrangements to receive a minimum hourly rate of pay which equates to the NLW. This will affect staff employed in pay bands 1 and 2. In order to achieve this increase, whilst remaining within the prevailing agenda for change pay scales, it is necessary to remove pay point 2 (Table 1, above, refers).

5.3 The removal of pay point 2 establishes a minimum hourly rate of pay of £7.86 (i.e. £0.01 above the NLW rate). This represents an increase of £0.14 (or 1.8%) against the current lowest hourly rate and establishes a minimum annual salary of £15,363 (again Table 1, above, refers). The gross costs associated with this Option, which directly benefits 646 members of staff, are detailed in Table 2, overleaf.

Table 2: Implementation of the NLW - Associated Costs

Gross Costs @ £7.86/hour (removal of pay point 2)	Number of Staff	WTE	
OUH Staff - Pay Band 1	£9,737	35	29
OUH Staff - Pay Band 2	£158,568	541	480
Total OUH Staff	£168,305	576	509
RoE Staff	£21,636	70	60
Total OUH and RoE Staff	£189,941	646	569

Option 2 - Implementation of an 'Enhanced' Living Wage

5.4 This second Option recognises that the costs associated with implementing the Oxford Living Wage (i.e. £8.69/hour) are likely to be unaffordable (see Option 3, below), but suggests applying a minimum hourly rate of pay which exceeds the NLW. Again, this rate will apply for all staff directly employed by OUH, and those who are indirectly employed under RoE terms and conditions.

5.5 The enhanced rate is achieved by removing a further pay point (i.e. pay point 3) and establishing a minimum hourly rate of pay of £8.07, which equates to a minimum annual salary of £15,786. This represents a pay increase of £0.35/hour (or 4.5%) for the lowest paid members of staff (i.e. those on pay point 2) and £0.21/hour (or 2.7%) for those staff on pay point 3.

5.6 The gross costs associated with this Option, which directly benefits 1,139 members of staff, are detailed in Table 3, below.

Table 3: Implementation of an 'Enhanced' Living Wage - Associated Costs

Gross Costs @ £8.07/hour (removal of pay points 2 and 3)	Number of Staff	WTE	
OUH Staff - Pay Band 1	£16,618	35	29
OUH Staff - Pay Band 2	£437,044	635	553
Total OUH Staff	£453,662	670	582
RoE Staff	£203,479	469	358
Total OUH and RoE Staff	£657,141	1,139	940

Option 3 - Implementation of the Oxford Living Wage

5.7 This final and most costly Option considers the implementation of the Oxford Living Wage at its current rate of £8.69/hour for all directly employed and RoE staff. The closest existing hourly rate within the current agenda for change pay scales is £8.79 and to achieve this as the minimum rate will require the removal of pay points 1 to 6 (Table 1, above, refers). This represents an increase of £1.07/hour (or 13.9%) for the lowest paid members of staff (i.e. those on pay point 2).

5.8 For illustrative purposes Table 4, below, details the gross costs of implementing the Oxford Living Wage (i.e. £8.69/hour) as an additional consolidated supplement to salary, rather than applying the closest agenda for change hourly rate.

Table 4: Implementation of the Oxford Living Wage - Associated Costs

Gross Costs @ £8.69/hour (removal of pay points 1 to 6)	Number of Staff	WTE
OUH Staff - Pay Band 1	35	29
OUH Staff - Pay Band 2	968	824
OUH Staff - Pay Band 3	346	295
Total OUH Staff	1,349	1,148
RoE Staff	522	386
Total OUH and RoE Staff	1,871	1,534

6. ADDITIONAL CONSIDERATIONS

6.1 Within the context of the application of a Living Wage within OUH, a number of additional considerations need to be highlighted, as follows:

Effect of Unsocial Hours Payments

- The gross costs highlighted in Tables 2, 3 and 4, above, relate to basic pay only and take no account of the impact of additional unsocial hours payments. In the financial year 2014/15, unsocial hours payments associated with OUH staff on pay bands 1 and 2, and with RoE staff, accounted for an additional ten per cent over and above the basic pay bill for this group. Assuming the same level of uplift will continue, then with respect to Option 2 (i.e. implementation of an Enhanced Living Wage), the gross cost of implementation will increase from £657k to £723k.

Effect of Future Annual Increments

- A particular consideration relates to those OUH and RoE staff who are currently employed on pay band 1, or equivalent, and who total approximately 60 wte. The removal of pay points 2 and 3 will, effectively also removes this lowest pay band. Therefore, unless their pay is 'frozen' at pay point 3, these lowest paid individuals

will be eligible (subject to continued satisfactory performance) for future annual pay increments which will increase their maximum potential earnings, over a five-year period. Assuming a static workforce (i.e. no turnover), the estimated additional cost of allowing these staff to attain future increments is £358k over five years.

Future National Uplifts

- The summary analysis shown in the above Tables 2, 3 and 4, above, highlights the costs associated with initial implementation of enhanced hourly rates of pay. Subsequent to implementation, the maintenance of any enhanced rates would, most likely, require the application of future increases, commensurate with annual uplifts to the NLW/Oxford Living Wage. For the three-year period 2011 to 2013, the average annual increase in the NLW was £0.22/hour. For the same period the London Living Wage increased by an average of £0.28/hour per annum (the Oxford Living Wage is always set at 95% of this rate).

Potential Impact on Low Income Benefits

- Clearly, the main objective of a Living Wage is to ensure all employees of the Trust have sufficient income to cover their basic cost of living. Before any uplift to pay is applied, an important consideration is that the impact of any increase for low-income individuals can be complex. Currently, the structure of the UK benefit system could mean that a particular individual, or group, is no better off with an increased hourly rate of pay, because some of their benefits are removed as a consequence. This will need careful discussion with trade union colleagues and staff representatives, such that the impact is fully understood.

Living Wage Accreditation

- Whilst many private and public sector organisations are recognised “Living Wage Employers”, this endorsement is subject to meeting the requirements of an accreditation process. Accreditation is a signed licence between the Living Wage Foundation and the employer. For any employer to be accredited it must pay all directly employed staff at least the National Living Wage and have a plan in place to ensure all third party contracted staff are paid at the same minimum rate, over time. Therefore, if accreditation is sought, this will require detailed consultation and agreement between the Trust and its PFI partner.

7. SUMMARY

7.1 Despite a recent national uplift to some NHS salaries, effective from April 2015, a significant number of OUH employees are paid less than the National Living Wage (NLW). These lowest paid individuals occupy a range of positions and are either directly employed by the Trust, or indirectly employed under Retention of Employment terms and conditions. The impact of low pay on the health and wellbeing of individuals and their families is well documented and the effects are also often evident within the workplace. Turnover and sickness absence associated with these members of staff is high and it is difficult to maintain stability within this section of the workforce.

7.2 An increasing number of private and public sector organisations are implementing the NLW and committing to maintaining it as the rate is increased on an

annual basis. Linked to the NLW is the London Living Wage, which is being applied by growing numbers of employers within the capital. In recognition of the high cost of living within the Oxford area, when compared with other parts of the UK, implementation of the Oxford Living Wage has also gained momentum over recent years. The concept of the Living Wage is being championed by most national trade union bodies, and in particular Unison, which has strong representation locally.

7.3 This paper seeks to make a case for increasing the remuneration of the Trust's lowest paid employees by implementing a Living Wage that at least matches the NLW rate, and presents three options for consideration, namely:

- Implementation of the NLW, at the nearest point on the existing agenda for change pay scales (i.e. Option 1). This is the least expensive option and would benefit some 646 members of staff by establishing a minimum rate which is marginally above the current NLW rate.
- Implementation of the Oxford Living Wage (i.e. Option 3) would mirror the approach taken by at least one other significant local employer, namely Oxford City Council and benefit almost 2,000 of the Trust's lower paid staff. However, this option is deemed to be unaffordable.
- Option 2 represents a compromise position, which recognises that, whilst implementation of the Oxford Living Wage is unaffordable, nevertheless there needs to be some acknowledgement of the particular issues associated with the high cost of living in the Oxford area and the increasing competition within the local labour market. The implementation of an Enhanced Living Wage would benefit over 1,000 members of staff (i.e. circa 9% of the total workforce).

8. RECOMMENDATIONS

8.1 The Trust Board agrees, in principle, to the implementation of an Enhanced Living Wage of £8.07/hour (i.e. Option 2).

8.2 Acknowledging the impact of introducing an additional cost pressure in the current financial year, without a recognised funding source, implementation of an Enhanced Living Wage is deferred until 1 April 2016. This will allow for the associated costs to be considered within the 2016/17 financial plans.

8.3 In the interim, the Trust enters into negotiation with Commissioners regarding funding of the additional cost pressure (c.£700k).

8.4 Should there be a funding shortfall, implementation will be subject to further consideration and approval by the Trust Board.

8.5 Subject to the implementation of an Enhanced Living Wage in April 2016, and in support of the Trust's stated aim to be an "employer of choice", accreditation with the Living Wage Foundation is pursued.

Paper Prepared and Presented by:

Mark Power
Director of Organisational Development and Workforce

June 2015