



**NOTTINGHAMSHIRE**  
**Fire & Rescue Service**  
*Creating Safer Communities*

Nottinghamshire and City of Nottingham  
Fire and Rescue Authority  
Policy and Strategy Committee

# LIVING WAGE FOR SUPPLIERS

Report of the Chief Fire Officer

**Date:** 13 November 2015

**Purpose of Report:**

To seek approval to apply to be an accredited Living Wage Employer through the requirement of the living wage to be paid to staff employed by contractors providing services to Nottinghamshire Fire and Rescue Service.

## CONTACT OFFICER

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## **1. BACKGROUND**

- 1.1. In April 2013 the Nottinghamshire Fire and Rescue Service (NFRS) implemented the living wage to its employees. The introduction of this policy affected a very small number of people within the Grade 1 pay scale bracket.
- 1.2. In order to become a Living Wage Employer, the Living Wage Foundation requires that contracted staff such as cleaners, catering and security are paid the living wage. In order to gain accreditation, organisations need to put in place milestones for introducing the living wage across supply contracts. Support for the recommendation within this report will enable an application for accreditation to be made.
- 1.3. The Living Wage Foundation reports that the adoption of the living wage can bring benefits to businesses, families and society in general. For instance, an independent study examining the business benefits of implementing a living wage policy in London found that more than 80% of employers believe that the living wage had enhanced the quality of the work of their staff, while absenteeism had fallen by approximately 25%. Two thirds of employers reported a positive impact on recruitment and retention within their organisation.
- 1.4. The Chancellor recently announced a new 'living wage' as part of his budget speech which promised to pay over 25s £9 per hour by 2020. This rate was not calculated by the Living Wage Foundation and is, in effect, a higher National Minimum Wage, rather than a living wage which is based upon the cost of living. For the purposes of this paper the term 'living wage' will refer to that figure calculated and endorsed by the Living Wage Foundation. The rate referred to in the Chancellor's speech will be referred to as the 'National Minimum Wage'.
- 1.5. The living wage is currently £7.85 per hour, and the Chancellor's revised National Minimum Wage for over 25's will be £7.20 from April 2016.
- 1.6. The purpose of this report is to ask Members to consider the extension of the requirement of a living wage being paid to directly employed staff, to staff employed through services-related contracts that NFRS procures.

## **2. REPORT**

- 2.1 The Authority has not yet committed to gaining accreditation as a Living Wage Employer, but there is a social and ethical case to consider this, and extending the policy to service contracts will facilitate the process.
- 2.2 This proposal fits within 'Service Priority 6 – Inclusion and Equality' from the Service's IRMP 2014-2019. Specifically, the commitment to engage with wider social and ethical issues at a strategic level. The expected outcome of this objective is to:

*‘Support or develop initiatives and use our influence to positively contribute to a wider agenda of engagement on issues which affect the day-to-day lives of people in Nottinghamshire and make the County a better place to live and work.’ (p54, IRMP)*

- 2.3 Research undertaken by the University of Strathclyde in partnership with the Living Wage Foundation has found a range of positive benefits from adopting the living wage with both directly employed staff and those people employed by suppliers via contracts. Please see Appendix A for an extract from that case study and direct quotes from companies bidding for the contract.
- 2.4 The research shows that payment of the living wage to the poorest 10% of households would see their disposable income rise by around 7 per cent on average, with an expectation that a large proportion of salary increases would be spent within the local economy, as low paid workers tend to live close to the workplace.
- 2.5 Furthermore, evidence from a range of sources suggests that the living wage can be linked directly to reduced absenteeism and staff turnover, and workers feeling more positive about their employment.
- 2.6 The requirement of the living wage to be paid to staff employed through contracted services has the potential to increase contract costs, however this is likely to happen anyway due to the increases expected through the Chancellor’s commitment to raise the National Minimum Wage.
- 2.7 It is difficult to predict the exact financial impact in the longer term, however the potential is low, firstly due to the very small number of contracts for service being let by NFRS, and secondly, the majority of contractors will already be paying at a level above the living wage. One area that is expected to be affected is the cleaning contract.

### **3. FINANCIAL IMPLICATIONS**

- 3.1 The introduction of the new National Minimum Wage of £7.20 per hour for over 25’s has the potential to increase the contract cost for services at NFRS. This will increase further if the living wage of £7.85 becomes a policy requirement through tendering.
- 3.2 Using the example of the cleaning contract currently in place, this has the potential to rise by approximately £15k per year through the implementation of the living wage, assuming the contract hours remained constant through the retendering process.

#### **4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS**

There are no direct human resources or learning and development implications arising from this report.

#### **5. EQUALITIES IMPLICATIONS**

An equality impact assessment has not been undertaken because this does not represent a change in service delivery policy, function or service.

#### **6. CRIME AND DISORDER IMPLICATIONS**

There are no crime and disorder implications arising from this report.

#### **7. LEGAL IMPLICATIONS**

As a public sector organisation NFRS needs to comply with EU Regulations and Public Contracts Regulations and the Treaty principles. Social considerations, including the living wage can now be included as a Contract condition within a set of criteria.

#### **8. RISK MANAGEMENT IMPLICATIONS**

- 8.1 It should be noted that there are financial risks associated with adopting this principle. These are not anticipated to be significant, but will add further burden to the ongoing financial pressures.
- 8.2 In making the decision and assessing risk, Members also need to consider the potential benefit this could bring to NFRS's contractors' employees, the wider economy and communities of Nottinghamshire.

#### **9. RECOMMENDATIONS**

That Members agree to pursue the accreditation as a Living Wage Employer through the implementation of the requirement for providers of service contracts to pay their staff the living wage through tendering processes as and when they are renewed.

**10. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)**

None.

John Buckley  
**CHIEF FIRE OFFICER**

## APPENDIX A

### AVIVA CASE STUDY

#### Bidder A

*“Overall, we believe the Living Wage has many positive impacts including individual well-being, commitment, enhanced family and community life which in turn improve loyalty, performance and standards.”*

#### Bidder B

*“We are committed to setting pay rates on the Aviva contract in accordance with the Living Wage and, in doing so, we will provide Aviva with the following benefits: • Creating an opportunity for people to provide for themselves and their families; • Improved levels of service; • Improved employee’s opinion of and commitment to their role; • Improved productivity; • Increased motivation and morale; • Reduced absenteeism (c.25%); • Minimised disruption to your business; • Substantial positive impacts on recruitment and retention; • Support your CR strategy and targets.”*

#### Bidder C

*“Where our clients have elected to implement the Living and London Wage we have seen a reduction in employee turnover, improved engagement and enhanced performance as we are able to attract the best calibre people in the market to these contracts. In one small study of a group of contracts that pay the Living Wage versus a group of similar contracts that did not, we saw a 4% decrease in employee turnover.”*