

## **Living Wage, The National Living Wage and National Minimum Wage**

The following provides a brief overview of matters related to the Government's' intention to implement a National Living Wage as a requirement for all employers with effect from April 2016.

The New National Living Wage, announced by the Chancellor in the budget in July, will start at a rate of £7.20 per hour from April 2016. The Chancellor has set the ambition that the National Living Wage should continue to increase each April to reach 60 per cent of median earnings by 2020, with an objective to have a National Living Wage of over £9.00 an hour by 2020. The rates between April 2017 and April 2020 will be set by the Low Pay Commission and will depend upon economic circumstances.

The **National Living Wage** will only apply to 25's and over. For those under 25 the current National Minimum Wage rates will continue to apply. For WCC employees, the existing pay scale would apply. It is open to the Council, to apply the National Living Wage rate to all employees no matter their age.

Alongside this, Councillors have asked Local Authority Officers to consider the feasibility of implementing the Living Wage, which is an alternative approach to the National Living Wage. Coventry, Stoke, Wolverhampton, Birmingham, Nottinghamshire, Gloucestershire, Derbyshire neighbouring local authorities have so far implemented the Living Wage. In the private sector Lidl have recently announced they will be implementing the Living Wage.

The **Living Wage** is based on providing an hourly rate of pay, set independently by the National Living Wage Foundation, which is part of the Citizens UK charity, and is updated annually each November. The calculation of the Living Wage is based according to the basic cost of living in the UK, and uses a number of essential items that it deems are required on a weekly basis. The aim is to ensure that people in employment and their dependants can achieve a standard of living which ensures that they can live free from poverty.

The Living Wage rate increased by 2.61% to £7.85 per hour from £7.65 on 3<sup>rd</sup> November 2014. This equates to a salary of £15,145 per annum. The current National Joint Council (NJC), Local Government pay scales, spinal column points 5 to 10, fall below this hourly rate.

The Living Wage rate for the coming year is announced in November each year to be implemented no later than the following May. Therefore currently the rate for 2016 is not yet known. Over recent years the annual increase of the Living Wage has been either 20p or 25p per hour therefore the 2016 rate is likely to be £8.00 or £8.05 per hour.

Warwickshire County Council elected Members are still to determine the approach they wish to take . They will be exploring the option of adopting of the Living Wage, National Living Wage or extending the scope of the National Living Wage to all employees including those under the age of 25.