

BRISTOL CITY COUNCIL

HUMAN RESOURCES COMMITTEE

22 January 2015

Report of: Human Resources Director: Business Change

Title: Living Wage and Bristol City Council Apprentices

Officer Presenting Report: Helen Sinclair-Ross – Change and Performance Manager

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RECOMMENDATION

That the committee agree to the following recommendations:

- The committee is asked to consider the impact of paying the 'Living Wage' to Apprentices in their third year.
- The committee is asked to consider the impact of paying all Apprentices the Living Wage.

Summary:

Following the decision to pay employees a 'Living Wage' and apprentices a 'one off' payment of £250, the Committee is asked to consider the impact of paying all apprentices in their third year a 'Living Wage'.

The additional cost of paying the 'Living Wage' to all apprentices in Years 1,2, and 3 cumulatively would be an additional £470,743 per annum. Given the pressure on workforce cost at present, this significant increase is likely to adversely impact on the future take-up of Apprenticeships and may jeopardise the future of the apprenticeship scheme.

The additional cost of paying the 'Living Wage' to Year 3 Apprentices would be £13,637 per annum based on the current Living Wage of £7.65 per hour.

The significant issues in the report are:

- The Council has a lead role to play in ensuring Bristol's young people have access to training and work experience opportunities across the city, and the apprenticeship scheme has achieved this.
- There are some areas of the workforce where there are clear skills gaps which are being addressed through apprenticeships and other trainee programmes.
- Apprentices are not covered by the provisions of the Living Wage.
- This report recognises that apprentices have benefitted from a 'one off' payment of £250 as a gesture which recognises their contribution.

1. Policy

- 1.1 Pay rates for apprentices fall outside of the core grading/pay rates for employees within the council.
- 1.2 Apprentices are not covered by the Green Book terms and conditions.
- 1.3 The National Apprenticeship Service advises employers on best practice and the national minimum wage for apprentices, is currently recommended at £2.73 per hour. Bristol City Council is paying an enhanced rate at £3.20 per hour (first year apprentices aged 16 years and over).

2. Background

2.1 The Scheme

- 2.2 The apprenticeship scheme was set up in April 2009 and the council has been fully committed to working across the city in partnership to help address the growing challenge of youth unemployment.

The council invested £1 Million in order to launch the programme and has worked with managers, the colleges and schools to identify opportunities for young people in the council to gain the necessary employability skills and qualifications.

- 2.3 The council has offered over 250 Bristol Apprenticeships since 2009 with managers fully embracing the programme. These apprenticeships have included business administration, youth and play, procurement, finance, security, recycling, marketing and communications and ICT. It is now the aspiration of the council to extend the format of the programme out into our communities to offer more opportunities and help the local economy.

The Mayor, George Ferguson is in support of the Apprenticeship Programme and the initiative contributes towards the Mayor's Vision for Bristol

- 2.4 The apprentices are generally employed on 24 month fixed term apprenticeship contracts, for 30 hours per week in the first year, which increases to 35 hours per week in the second year. They are paid £95.95 per week for the first year, rising to

the national minimum wage in the second year and are also entitled to claim travel expenses for commuting to and from work.

- 2.5 There are 5 Apprentices who are continuing their training into their third year and they are paid the National Minimum Wage.
- 2.6 Apprenticeships are training opportunities and designed to offer the opportunity to develop skills which enhance the employability of the Apprentice. Managers should not use apprentices to cover substantive roles that exist in the workforce.
- 2.7 There are currently 71 Bristol City Council Apprentices and a new recruitment campaign will be launched in 2015. It is envisaged that the scheme will continue to increase in popularity helping to grow the talent of young people in the Council. There were 42 advertised apprenticeships in the last recruitment campaign. This was the highest number of apprenticeships advertised to date therefore signaling an upward trend.
- 2.8 Following research conducted by Portsmouth University, of the 46 Councils that responded to a survey, none pay the Living Wage to their Apprentices.

3. Context

- 3.1 The apprentices' overall hours were reduced in 2012 from 35 hours to 30 per week, (inclusive of their attendance at college) in order to give apprentices more time to concentrate on college work and to achieve their NVQ 2 well within the 12 months allowed. This also encouraged a greater number of our apprentices to progress on to the Advanced Apprenticeship scheme at NVQ 3 and to complete this within their 24 month contract.
- 3.2 The Council have invested £2.6 million over three years in creating and supporting over 250 apprenticeship opportunities, with a success rate of 85%.
- 3.4 The 85% success rate is borne out by positive experiences both from the apprentices and the managers and many apprentices have secured permanent Council employment. Recently apprentices have been promoted into roles such as Energy Project Officer in Energy Management, Valuation Assistant in Property Services, Engineering Technician in Highways and a Vehicle Mechanic in Fleet Services. There are many more successes too numerous to list.
- 3.5 In addition to the Bristol Apprentices there is a Trades and Construction Council Scheme called ON-Site. This scheme is separate from the Bristol Apprenticeships and operates its own terms and conditions.
- 3.6 Apprentices are recruited from a wide area in terms of the City of Bristol. A breakdown of the postcode areas shows a good representation of where apprentices are drawn from. (see Appendix C). The level of qualifications when apprentices join the apprenticeship scheme is also shown indicating that the highest qualification attained is that of a degree. (see Appendix C).
- 3.7 The Committee should note that the calculations set out in this paper are based on the 'Living Wage' of £7.65 per hour however, if the Council were to pay the 'Living Wage' after March 2015, the Living Wage will be increasing to £7.85 per hour. This will therefore increase the cost of implementing a 'Living Wage' further.

4. Options for consideration

- 4.1 Maintain current arrangements for Apprenticeship pay.** This would incur no additional cost and given the success of the apprenticeship scheme under current arrangements, there is no evidence to suggest that this would be detrimental to the scheme.
- 4.2 Pay the Living Wage to all Apprentices.** Based on current numbers, the total cost of this would be £470743. Our assessment is that the cost of paying apprentices a 'Living Wage' would make employing an apprentice less attractive than advertising a substantive role on Bristol grades. This is because they would be paid the same as an experienced or qualified employee, without being able to offer the necessary skills, knowledge and experience.
- 4.2 Pay the Living Wage to Apprentices in their second and third year.** Based on current numbers, the cost of this would be £153381. As stated above, this is likely to have a detrimental impact on the number of Apprenticeships that are offered, with a consequent impact on opportunities in Bristol.
- 4.3 Pay the Living Wage to Apprentices in their third year.** Based on current numbers, the cost of this would be £13637 per annum. This is not considered a prohibitive cost or likely to impact the volumes of apprentices recruited.

5. Risk Assessment

- 5.1 Any significant increase in the cost of providing Apprenticeship opportunities is likely to negatively impact the success of the scheme in terms of the volume of Apprenticeships the City Council is able to offer.

Public Sector Equality Duties

- 6a) Before making a decision, section 149 Equality Act 2010 requires that each decision-maker considers the need to promote equality for persons with the following "protected characteristics": age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. Each decision-maker must, therefore, have due regard to the need to:
- i) Eliminate discrimination, harassment, victimisation and any other conduct prohibited under the Equality Act 2010.
 - ii) Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to -
 - remove or minimise disadvantage suffered by persons who share a relevant protected characteristic;
 - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of people who do not share it (in relation to disabled people, this includes, in particular, steps to take account of disabled persons' disabilities);

- encourage persons who share a protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

iii) Foster good relations between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to –

1. - tackle prejudice; and
2. - promote understanding.

6b) To date the equalities impact of the apprenticeship programme has been favourable in terms of impact on the workforce demographics. Due in part to the targeted marketing and revised recruitment approaches adopted by the apprenticeship programme, the scheme manages to attract and select a relatively high proportion of BME applicants.

Legal and Resource Implications

Legal

Legal Advice provided by Husinara Jones for Head of Legal Services.

Financial

(a) Revenue

(b) Capital

N/A

Land

Not applicable

Appendices:

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers: None

Appendix A

Cost of paying the Living Wage to Apprentices based on the current Living Wage rate of £7.65 per hour (before April 2015)

No. of apprentices	Age	*Year	Hourly rate	Current Annual training allowance	Annual training allowance at the Living Wage rate	Annual cost of paying Living Wage per apprentice	Annual Cumulative cost of paying Living Wage to Apprentices
35	16-44	1	£3.19	£4,989	£11,964	£6,975	£244,125
1	Under 18	2	£3.79	£6,915	£13,958	£7,043	£7,043
15	18-20	2	£5.13	£9,360	£13,958	£4,598	£68,970
15	21+	2	£6.50	£11,860	£13,958	£2,098	£31,483
5	21+	3	£6.50	£11,862	£13,958	£2,098	£10,490

*First year apprentices' pay is based on a 30 hour week.

*Second year apprentices' pay is based on a 35 hour week.

Appendix B

Cost of Paying the Living Wage to Apprentices including Employer Costs	
Year 1 Apprentices	£317,362
Year 2 Apprentices	£139,744
Year 3 Apprentices	£ 13,637
Total for all 3 years:	£470,743

Minimum Wage			
21 and over	18 to 20	Under 18	Apprentices
£6.50	£5.13	£3.79	£2.73

The Living Wage from April 2015 will be £7.85 per hour

Appendix C

Apprentices' Qualifications when recruited	
QUALIFICATION	NUMBER OF APPRENTICES
NVQ2	5
NVQ3	1
NVQ4	4
NVQ1	3
A Levels	15
AS Levels	8
GCSE	21
BTEC	7
University	6
CSE	1
Unknown	1

POSTCODE	Number of Apprentices in each Postcode
BS5	9
BS7	6
BS15	6
BS3	3
BS11	2
BS9	1
BS16	5
BS13	6
BS1	2
BS32	3
BS10	5
BS14	2
BS30	3
BS2	2
BS4	8
BS37	2
BS8	2
BS31	1
TA6	1
BS16	1
BA12	1
BS36	1