
**Manchester City Council
Report for Information**

Report to: Economy Scrutiny Committee – 30 September 2015
Subject: Draft Living Wage Policy
Report of: Head of Work & Skills

Summary

This report provides an update on the implementation of the recommendations of the Living Wage Task and Finish Group, which reported back to Economy Scrutiny Committee in March 2015. A draft Living Wage Policy is also provided for discussion.

Recommendations

That the Committee notes and comments on the progress made since March 2015 and the draft Living Wage Policy.

Wards Affected:

All

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

Final Report and Recommendations of the Living Wage Task and Finish Group,
Economy Scrutiny Committee – 11 March 2015, Finance Scrutiny Committee – 12
March 2015

1. Background

- 1.1. The Living Wage Task and Finish Group reported back to the Economy Scrutiny and Finance Scrutiny Committees in March 2015. The final report contained nine recommendations which were grouped under three distinct headings; Manchester City Council as an Employer; Manchester City Council as a Procurer and Commissioner; and Manchester City Council as an Influencer. This report sets out the progress which has been made in implementing the recommendations, alongside a draft Living Wage Policy which seeks to clarify the Council's position on the Living Wage. The report also contains some information about the likely impact of the recently announced 'National Living Wage'.

2. Note on the new 'National Living Wage'

- 2.1. The recently announced compulsory 'National Living Wage' of £7.20 an hour for all workers aged over 25 from April 2016 has added further complexity to the low pay agenda. Although, National Government has called this rate a living wage, it is not based on cost of living calculations and could be considered a National Minimum Wage (NMW) premium for over 25s, as it does not apply to those under the age of 25. The Low Pay Commission has been tasked with setting out how this new rate will reach 60% of median earnings by 2020 which, based on OBR forecasts, will mean a rate of well over £9 an hour by 2020 (a rise of over 6% per annum).
- 2.2. The current NMW is £6.50 an hour for over 21s but will rise to £6.70 an hour in October 2015. The UK Living Wage rate is announced every November by the Living Wage Foundation and is a higher, independently calculated, voluntary rate of pay based on the cost of living. This rate is currently £9.15 in London and £7.85 in the rest of the UK. Estimates submitted to the Living Wage Task and Finish Group suggested that the UK Living Wage will probably reach £9 an hour by 2019. This means that it is likely that the new compulsory 'National Living Wage' for over 25's and the aspirational UK Living Wage will have reached roughly the same level within the next four to five years.
- 2.3. The following section provides an overview of the progress that has been made in implementing the Living Wage Task and Finish Group recommendations. It also contains information about the likely impact of the new 'National Living Wage' rate.

3. Implementation Progress

Manchester City Council as an Employer

- 3.1. The final recommendations from the Living Wage Task and Finish group contained two specific recommendations in relation to Manchester as an employer:

To recommend that if and when there are any discussions around the pay structure of Council employees, either specific to the Council or in terms of

national pay negotiations, the Living Wage is considered within any new pay structures that result.

To recommend that – in line with the Council's ambitions for career progression – the Council ensures that its employees on the lowest grade have access to training, learning and development to support them to progress.

- 3.2. Following approval at Personnel Committee on 3 February 2015, the Manchester Minimum Wage (MMW) increased to £7.85 per hour (based on a 35 hour week) in April 2015. This corresponds to the current UK Living Wage (as set by the Living Wage Foundation). Apprentices and new starters at Grade 1 are currently paid a new starter and induction rate of £7.46 until the successful completion of their probationary period or apprenticeship.
- 3.3. Manchester City Council remains committed to reviewing the Manchester Minimum Wage annually as part of its budget setting process and the annual review of its Pay Policy Statement. In line with the recommendation above, this process will continue to include consideration of the Living Wage at the time.
- 3.4. National negotiations are currently underway in relation to potential national changes to local government pay levels for 2016/17, in particular, in relation to staff on NJC terms and conditions which represent circa 97% of the Manchester City Council workforce. In its participation within these negotiations and associated analysis the City Council has taken account of the proposed changes in the context of its continuing commitment to the Manchester Minimum Wage.
- 3.5. In relation the second recommendation the City Council remains committed to providing access to training, learning and development to all staff to support their personal and professional development. This includes staff on the lowest rates of pay. The City Council has recruited 290 Apprentices since 2011, including 50 apprentices who have been recruited this financial year and have, or will have commenced employment with the City Council in the coming weeks. MCC has been nationally recognised for its apprenticeship programme and remains committed to supporting apprentices through the provision and access to a range of appropriate training and development activities.

Manchester City Council as Procurer and Commissioner

- 3.6. The City Council has now incorporated the GMCA Social Value Policy and Social Value Evaluation Framework into procurement policies and procedures. This includes (as part of the objectives and outcomes) consideration of suppliers approach to the MMW. Changes have been made to standard tender documentation to include MMW into the evaluation of tenders.
- 3.7. Through this year's annual research into the practices of our supply chain, Corporate Procurement has incorporated questions related to the payment of the Living Wage by suppliers to their employees. An analysis of the results will

be conducted and included in a report resulting from the survey. There is also provision within the new e-procurement portal to add a question into the supplier registration process which will help with data collection.

- 3.8. The practice of suppliers that are successful in winning a contract is now recorded in contract reports as part of the social value outcomes. Some recent examples of practices recorded through this process are listed below:

Table 2: Recent Contracts and MMW Commitment

Contract Title	Comments
Delivery of Waste Collection and Street Cleansing Services	All bidders said they would pay MMW.
Inspection of Food Premises	Paying MMW or above.
Catering Concession - Manchester Art Gallery	Payment of staff exceeds the Living Wage.
Recycling of Bulky Waste	Commitment to paying in excess of MMW and providing local employment.
Supply of Electricity	Supplier 1. Meet MMW standard. Supplier 2. First utility company to become Living Wage accredited.
Design, Supply and Installation of Solar Panels	Payment of staff exceeds the Living Wage
Children and Young Person's Rights and Independent Visitor Service	Provider confirmed paying above MMW.

- 3.9. The new 'National Living Wage' for over 25s will have the greatest impact on the social care sector. Even without the increase from April 2016, national organisations representing care providers have stated that local authorities are not paying enough to care providers to ensure they pay the existing NMW. An issue which is receiving increased national media attention. The Resolution Foundation shows that care-providers, who are heavily dependent on low-paid staff, would already have had to find £1bn to pay for increases in the NMW over the next five years.

- 3.10. At a Greater Manchester (GM) level the GM PSR team has looked at the impact of introducing the new 'National Living Wage'. They have estimated a budget pressure of £102 million across the region between 2016 and 2021. The estimated budget pressure for Manchester City Council is £23.76 million between 2016 and 2021 and further analysis is being undertaken by the Directorate for Children's and Families and Corporate Services.

Manchester City Council as an influencer

- 3.11. A communications strategy has been developed to addresses the recommendations made by the Task and Finish Group. This includes how the City Council can communicate its new Living Wage Policy, but also how to influence other partners, stakeholders, suppliers and the wider business community to do the same. The main objectives of the strategy are as follows:

- To promote Manchester City Council as a UK Living Wage employer
 - Use influence in the business community through:
 - Leveraging existing relationships with suppliers and partners e.g. through procurement
 - Proactive promotion of the UK Living Wage to businesses
 - Signpost organisations to information on introducing the UK Living Wage, and especially promote the business case for paying a UK Living Wage as set out by the Living Wage Foundation
- 3.12. The Living Wage Policy will be launched at either a breakfast meeting or at a twilight event with key employers, partners and stakeholders. Communications will co-ordinate the promotion of this event and will provide materials for distribution to Manchester businesses. Partner organisations such as the GM Chamber, Pro-Manchester, the GM Living Wage Campaign, the Federation of Small Business and local trader and business associations will be approached to support this event.
- 3.13. Communications will reinforce the campaign messages through our existing business focused channels. These include links across the business pages on the Council's website, messages provided to the Library's Business Information Service, emails to relevant business databases and partner databases. Social media will also be utilized to promote the campaign via LinkedIn and Corporate and Place-Based Twitter and Facebook accounts.
- 3.14. An appropriate area of the Council's website will be established to promote the Living Wage Policy to staff, residents, suppliers and Manchester employers. Case studies from Council suppliers and businesses in the city that pay the UK Living Wage will be included with links to external websites such as the Living Wage Foundation.

4. Conclusion

- 4.1. This report has summarised the progress which has been made in implementing the Living Wage Task and Finish Group recommendations. The announcement of a new 'National Living Wage' for over 25s has created further confusion for employers and their staff. The City Council's position is that this new rate is a NMW premium for over 25's and should not be called a living wage. A new Living Wage Policy has been drafted and is included in Appendix 1 below. This policy sets out the City Council's position and suggests the renaming of the MMW to the Manchester Living Wage.

Appendix 1: Draft Living Wage Policy Statement

MANCHESTER CITY COUNCIL LIVING WAGE POLICY STATEMENT

Introduction

Manchester City Council is committed to addressing low pay amongst the city's residents and those working within the city. This policy builds on the recommendations made by the 2014/15 Living Wage Task and Finish Group and sets out the City Council's role in applying the Living Wage to directly employed and contracted staff, within the existing and future supply chain, and to employers based in the city.

Terminology

Living Wage references in this policy refer to the Living Wage Foundation rate which is announced by the Living Wage Foundation every November. This should not be confused with the new 'national living wage' announced by the Chancellor in the Summer Budget 2015 which will entitle all over 25's to £7.20 an hour from April 2016. The Chancellor has tasked the Low Pay Commission with ensuring that this rate reaches 60% of median earnings by 2020 which is expected to be over £9 an hour. At present this does not constitute a true living wage and should be seen as a minimum wage premium for over 25 year olds. The Living Wage is a higher, independently calculated, voluntary rate of pay, based on the cost of living.

Key Objectives

The aim of this policy is to ensure that Manchester City Council employees, current and potential contractors and suppliers, and Manchester based employers are fully aware of the City Council's commitment to the Living Wage. The City Council firmly believes that increasing the number of people being paid at least the Living Wage will make a significant contribution to supporting residents out of poverty and reducing dependence on in work benefits. The City Council is also committed to the responsible management of its resources and is clear that the payment of the Living Wage by its suppliers and contractors must not result in any increased costs. The following objectives are grouped under three clear themes:

1. Manchester City Council as an employer

Manchester City Council established the Manchester Minimum Wage (MMW) to focus on the lowest paid directly employed members of staff. The MMW is reviewed annually as part of the budget setting process annual refresh of the Council's Pay Policy Statement. This process takes account of various factors including staff turnover, any National Joint Council pay award, the ratio of low to high earners and the current National Minimum Wage and Living Wage rates. At the time of introduction in 2008, the Living Wage did not exist, but in recent years the MMW has increased in line with the UK Living Wage, meaning that the two rates are currently the same value.

Objectives:

- Use the term 'Manchester Living Wage' as long as its value remains equal to the UK Living Wage
- All Manchester City Council employees (with the exception of new starters on probation and apprentices) will be paid at least the Manchester Minimum Wage. The Manchester Minimum Wage rate will be reviewed on an annual basis as part of the budget setting process and will be set by Personnel Committee and approved by Full Council. This process will take into account a range of factors but the aspiration is that this rate will be equal to the latest UK Living Wage.
- To reaffirm the Council's commitment to providing access to training, learning and development to all staff to support their personal and professional development and progression.

2. Manchester City Council as a procurer and commissioner

Objectives:

- Existing suppliers and contractors will be encouraged to implement the Living Wage without any increased cost to the City Council
- The requirement to pay the Living Wage in tenders will be assessed on a case-by-case basis
- Payment of the Living Wage will be embedded within the 'social value' element of relevant tender evaluations
- The City Council will gather and hold non-personal data on pay rates of suppliers wherever feasibly possible
- The payment of the Living Wage will be monitored via annual surveys and spot checks

3. Promoting the Living Wage to all Manchester employers – creating a 'Living Wage City'

Objectives:

- The Living Wage and healthy work principles will be promoted whenever members and officers come into contact with employers and particularly within partner organisations such as schools and housing providers
- Promotion of the Living Wage will be undertaken via the City Council's website, appropriate business events, the development of case studies and via signposting to other relevant sites

- The City Council will continue to work with existing groups and organisations such as the GM Chamber of Commerce and the GM Living Wage campaign to promote take up of the Living Wage amongst local employers

Reviewing progress

- An annual Living Wage report will be produced which will be published on a specific Living Wage area of the City Council's website. This report will summarise the progress being made against the objectives contained in this policy.
- Reports will be submitted to the City Council's Personnel, Economy Scrutiny and Finance Scrutiny Committees when requested.

September 2015