

The logo for 'new economy' features the words 'new' and 'economy' in a bold, lowercase, sans-serif font. 'new' is positioned above 'economy'. The text is black and set against a solid yellow rectangular background.

**new
economy**

Low Pay and Productivity

Stephen Overell, New Economy

February 24th 2016

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Pay is only one aspect of work...albeit an important one

Nature of work in low paying jobs can be 'permanent precarious' and prone to sudden change. Issues involved indicate fragmented organisations, extended supply chains and schemes to pass unpaid tasks onto staff. 'Whose flexibility'? remains a key question

•**Brian**: Delivery firm, contracted to major retailers. 45p per parcel. Describes himself as “self-employed, but not really”. Normally 80-120 parcels (£36-£54 a day), but best day was 230 (£103.50). Thinks he makes “just about the minimum wage”. Works six days, plus bank holidays for same pay. If wants to take time off needs to find someone to cover his round. Sorts own parcels before set off.

•**Carol**: Care worker, NMW and 7p mileage. 3 years experience. Central frustration is not pay, but schedules: scheduled for three half hour visits in each hour (“clipping”). “You always feel you are letting everyone down. You are always late and always apologising.”

•**Harriet**: Agency kitchen porter. NMW. Main problem is told where she is working at short notice by SMS message. Finishes one 8 hour shift and sent to another. If refused would not get more. Following death of a relative she took time off, but was repeatedly called to ask why she was not at her shift. Dismissed on return.

•**Dylan**: Support worker for adults with mental health problems. £7 an hour (rose from £6.75 an hour in 2012). £8.50 for overtime. Some staff are on NHS terms, getting £8.75-£9 an hour. Can sometimes get better paid overtime – but has to check pay because of inaccuracies. Employer uses agencies to plug shortages – “we are constantly short of staff, but they just keep on acquiring new homes”. Agency workers paid slightly better. “90% of agency staff are like looking after another client.”

How to measure low pay 1: 22.5% of jobs fall below low pay threshold in Greater Manchester in 2014.... proportion has altered little in decade, but number of low paid has risen

Proportion of low pay jobs in Greater Manchester, 2004-2014

	Low Pay Proportion (GM)	Low Pay Proportion (UK)	Low Pay Threshold	Number of Jobs (ASHE)	Total low pay Jobs in GM
2004	22.4%	21.6%	£8.06	941,000	203,256
2005	21.7%	21.5%	£8.16	1,007,000	216,505
2006	21.7%	21.6%	£8.32	1,004,000	216,864
2007	20.5%	21.2%	£8.34	1,025,000	217,300
2008	22.7%	21.3%	£8.35	1,004,000	213,852
2009	22.4%	21.5%	£8.49	997,000	214,355
2010	22.6%	21.3%	£8.30	995,000	211,935
2011	22.9%	21.9%	£7.99	1,020,000	223,380
2012	21.1%	20.8%	£7.81	991,000	206,128
2013	22.9%	21.6%	£7.86	1,016,000	219,456
2014	22.5%	21.2%	£7.74	1,038,000	220,056

How to measure low pay 2: Rising proportions in GM earn below the LW, but more varied in Manchester workplaces

Proportion and number of jobs below living wage in Manchester and Greater Manchester, 2013-2015

	2013		2014		2015*	
	% below LW	No. below LW	% below LW	No. below LW	% below LW	No. below LW
Manchester	16.4	53000	17.2	57000	16.4	52,808
Greater Manchester	21.7	231000	23.3	252000	24.5	258,542

Notes: * 2015 ASHE data is provisional. This estimate uses publicly available information. Previous years (2013 and 2014) use ASHE microdata, and are thus more reliable

Significant difference between workplace and resident data in Manchester. Table uses workplace data.



Source ASHE; ONS cautions ASHE job numbers need careful treatment and differ from other sources (eg. BRES)

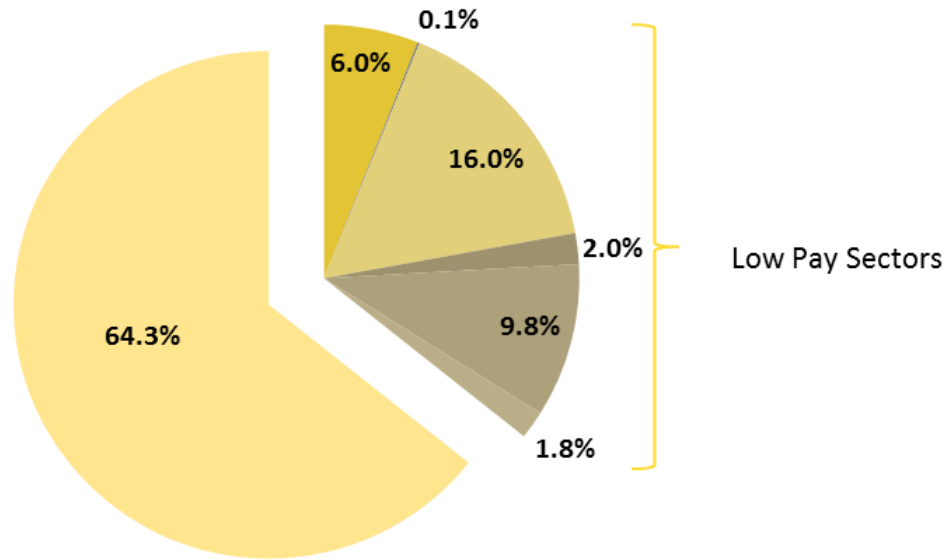
GM's 13 low pay sectors explain 66% of low pay overall

Definition of 'low pay sector'=30% of employees earn below the low pay threshold. Definition of 'extreme low pay sector'=50% earn below low pay threshold

	Low Pay Industries – Greater Manchester (2014)	Proportion of low paid jobs (estimate on a North West level)	Number of employees by sector	Estimate of low paid jobs	Proportions of low paid jobs of all GM jobs	Location Quotient 2014 of Low Paying Sectors
Extreme Low Pay Sectors in GM	Food and beverage service activities	76%	60,427	45,924	3.7%	0.87
	Accommodation	60%	12,923	7,754	0.6%	0.67
	Gambling and betting activities	58%	4,773	2,768	0.2%	1.07
	Retail trade, except of motor vehicles and motorcycles	53%	121,711	64,507	5.3%	1.01
	Services to buildings and landscape activities	53%	24,790	13,138	1.1%	0.85
	Residential care activities	53%	28,657	15,188	1.2%	0.91
Low Pay Sectors in Greater Manchester	Other personal service activities	49%	10,577	5,183	0.4%	0.82
	Security and investigation activities	48%	12,899	6,192	0.5%	1.43
	Sports activities and amusement and recreation activities	44%	14,416	6,343	0.5%	0.77
	Social work activities without accommodation	43%	35,501	15,266	1.2%	0.87
	Employment activities	39%	48,538	18,930	1.5%	1.26
	Manufacture of textiles	32%	6,141	1,965	0.2%	2.73
	Wholesale and retail trade and repair of motor vehicles and motorcycles	30%	16,363	4,909	0.4%	0.78

The low pay sectors account for about a third of all jobs in Greater Manchester

Low pay sectors in Greater Manchester (2014). Definition of low pay sector=more than 30% earn below low pay threshold



- ACCOMMODATION AND FOOD SERVICE ACTIVITIES
- AGRICULTURE, FORESTRY AND FISHING
- WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES
- ARTS, ENTERTAINMENT AND RECREATION
- ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES
- OTHER SERVICE ACTIVITIES
- Non-Low Pay Sectors



Source ASHE

Which are the main low pay employment growth sectors since recession?

Employment trends in low pay sectors, 2009-2014

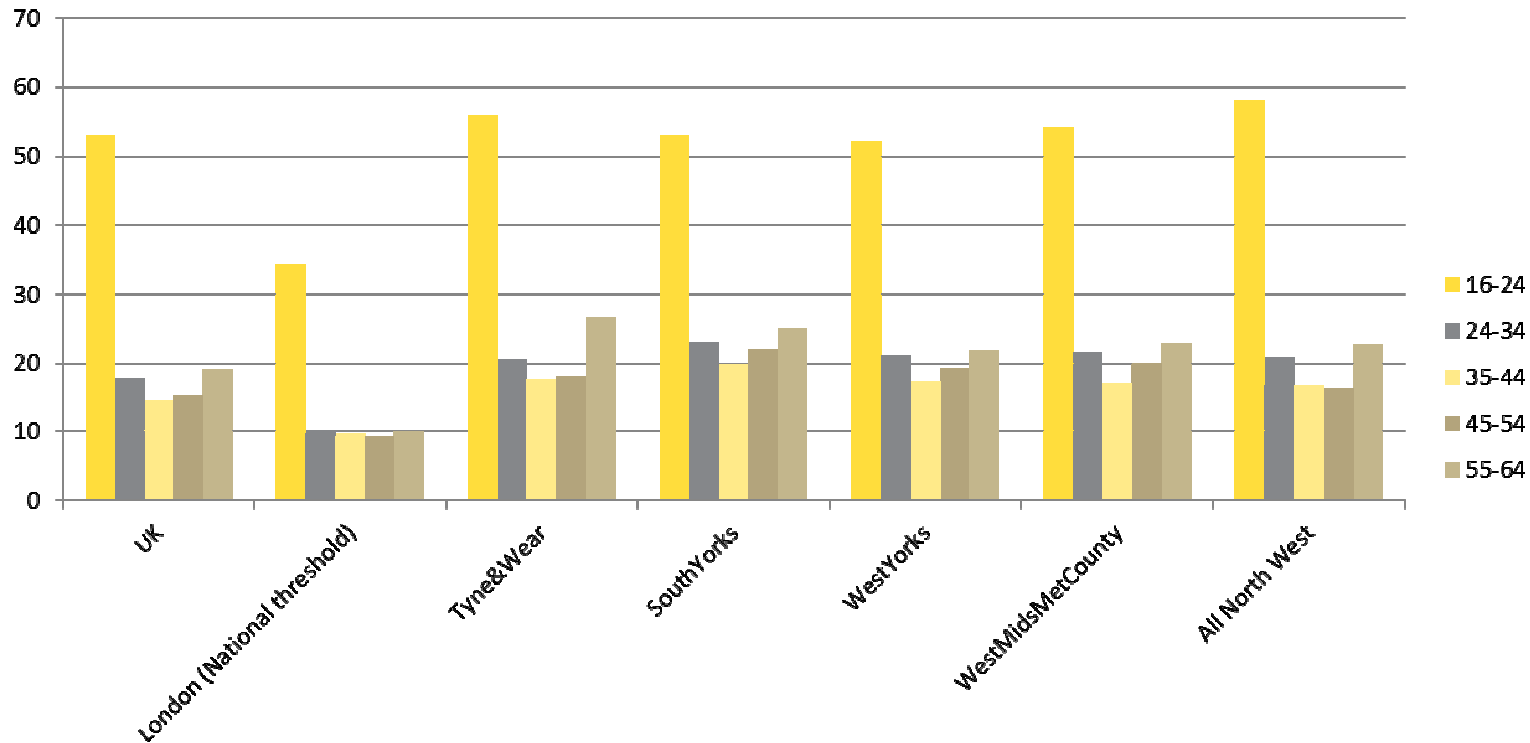
Greater Manchester - Employment Growth in Low Pay Industries (2009-2014)		Change in the overall Number of Jobs (2009-2014)	% Change in the overall Number of Jobs (2009-2014)	Change in Nr. of Low Pay Jobs (2009-2014)	% Change of Low Pay Jobs (2009-2014)
Increase in low pay employees	Employment activities	15,021	44.8%	6,528	52.6%
	Residential care activities	4,210	17.2%	2,720	21.8%
	Security and investigation activities	-5	0.0%	1,675	37.1%
	Office administrative, office support and other business support activities	8,259	60.8%	1,468	34.8%
	Food and beverage service activities	1,875	3.2%	1,425	3.2%
	Accommodation	2,484	23.8%	760	10.9%
	Social work activities without accommodation	-1,642	-4.4%	408	2.7%
	Gambling and betting activities	307	6.9%	312	12.7%
Decrease in low pay employees	Manufacture of textiles	-118	-1.9%	-226	-10.3%
	Other personal service activities	-2,749	-20.6%	-814	-13.6%
	Sports activities and amusement and recreation activities	-4,631	-24.3%	-1276	-16.7%
	Retail trade, except of motor vehicles and motorcycles	1,524	1.3%	-5202	-7.5%
	Services to buildings and landscape activities	-8,312	-25.1%	-9371	-41.6%



Source ASHE, BRES

Young workers up to 24 are most affected by low pay. 58% earn below the low pay threshold in NW. Major problem or part of working life?

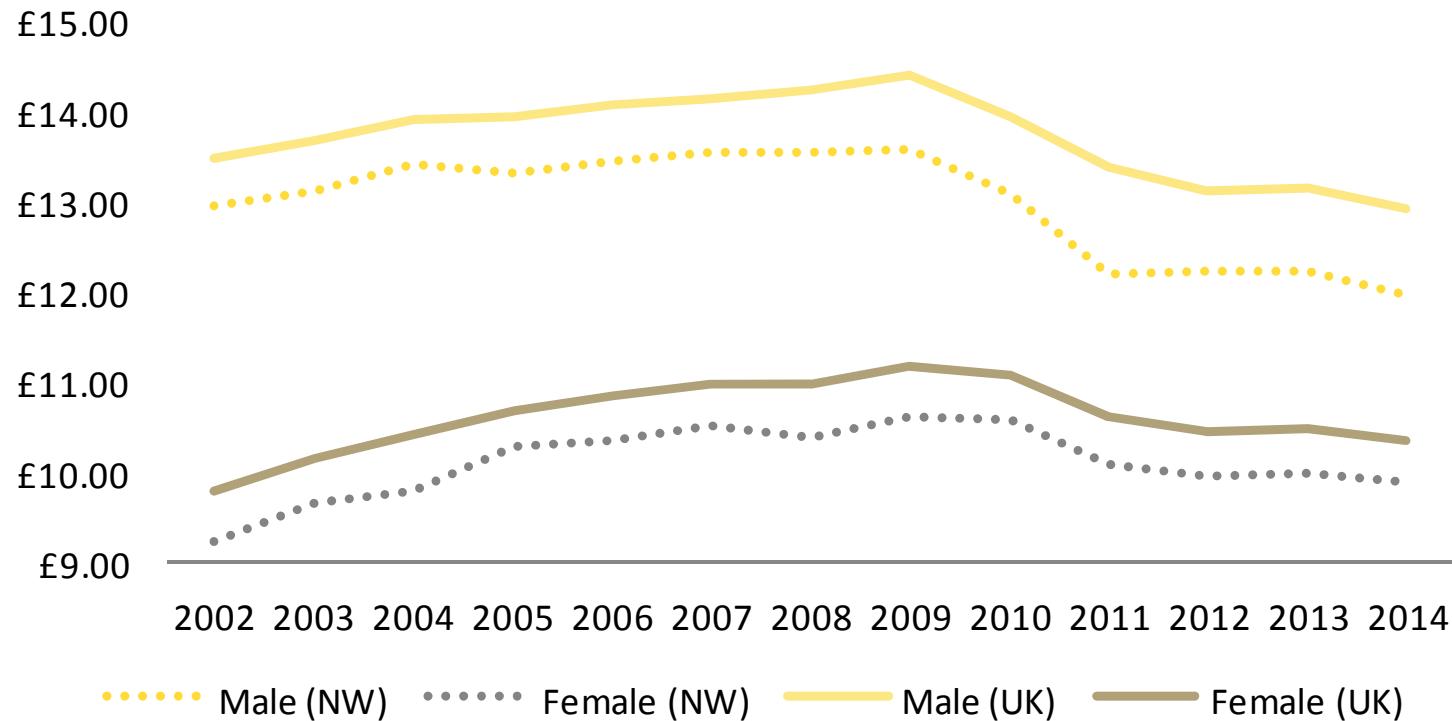
Proportion falling below low pay threshold by age



Source ASHE

The gender pay gap has narrowed because men's pay has levelled down to women's pay through the recession and recovery

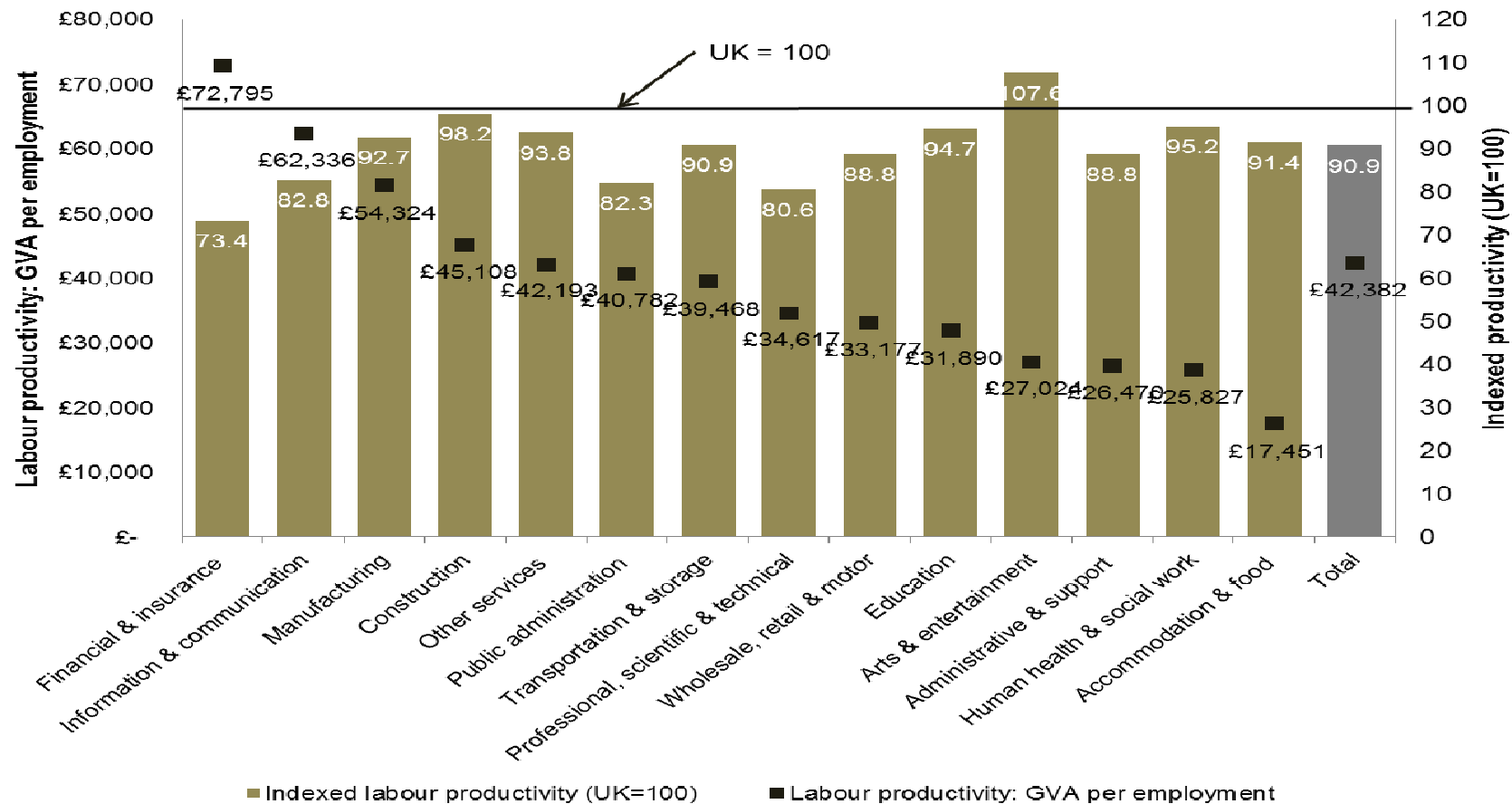
Average hourly pay for men and women in the UK and the North West



Source ASHE

Greater Manchester labour productivity lags UK across almost all sectors

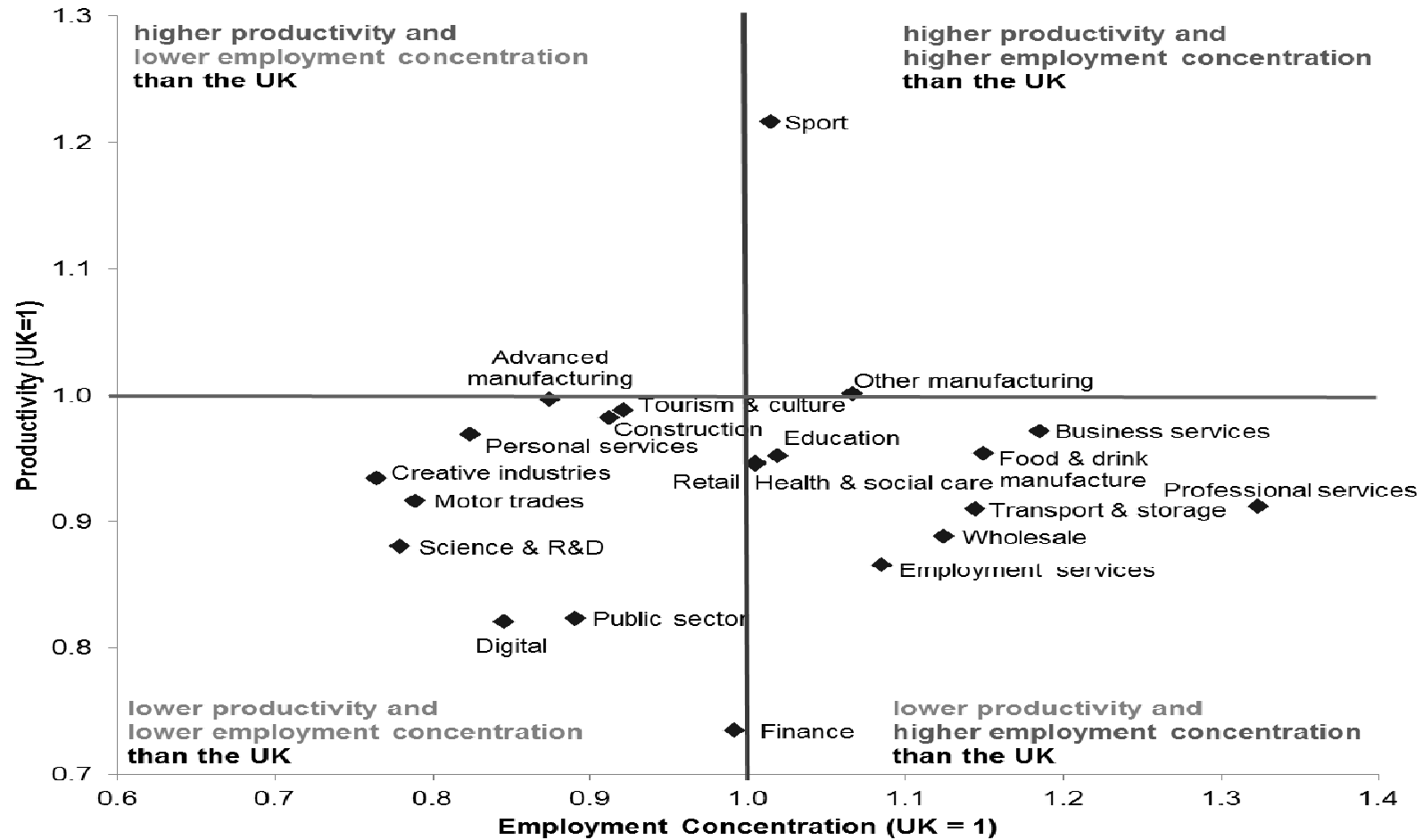
Figure 21: Labour productivity as in GVA per employment in GM ranked from most to least productive and difference to corresponding figure for the UK



Sources: GMFM, 2015

Local labour market has few stand-out jobs sectors

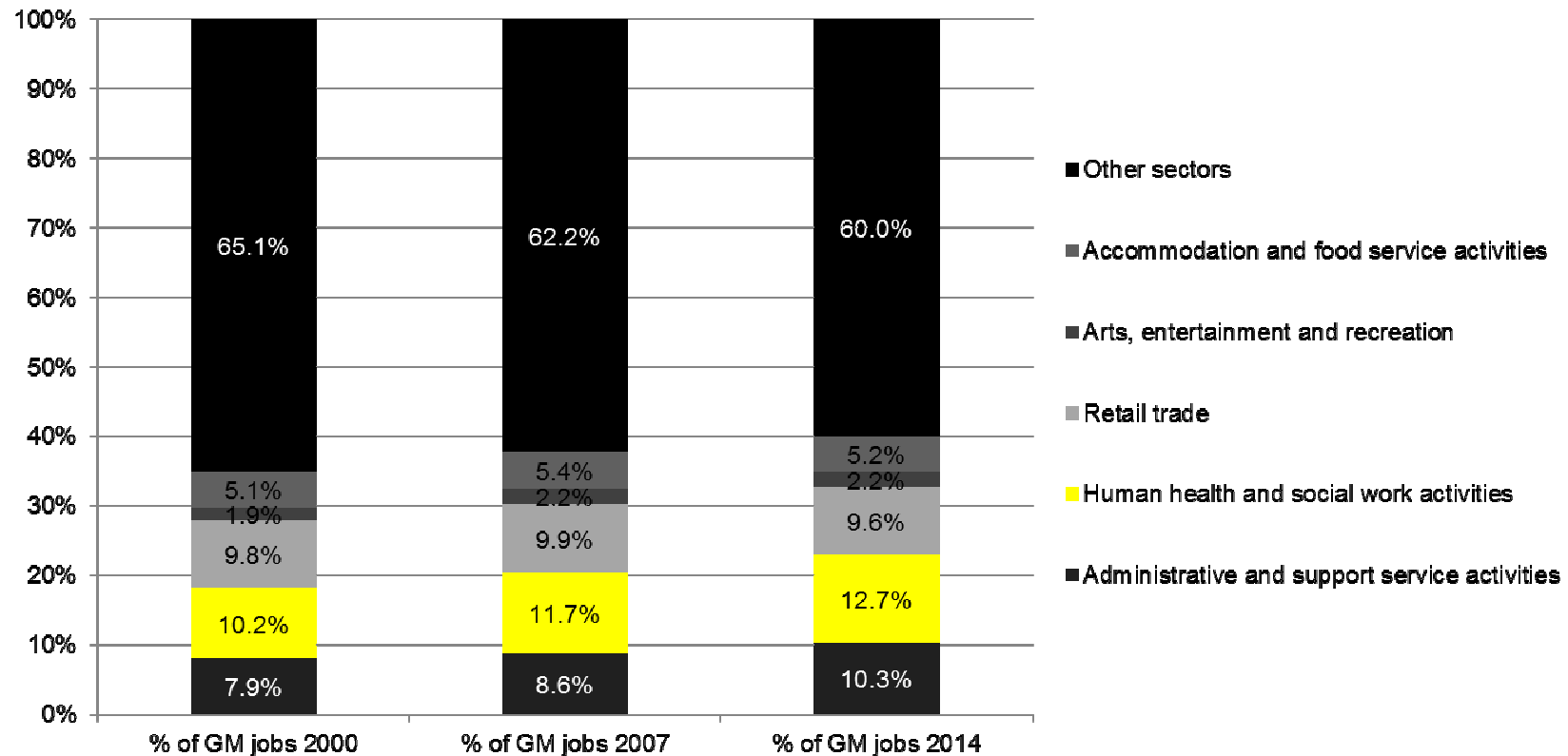
Figure 22: GM employment location quotient and indexed productivity compared to the UK in different sectors in GM 2014 (excluding primary sector)



Sources: GMFM, 2015

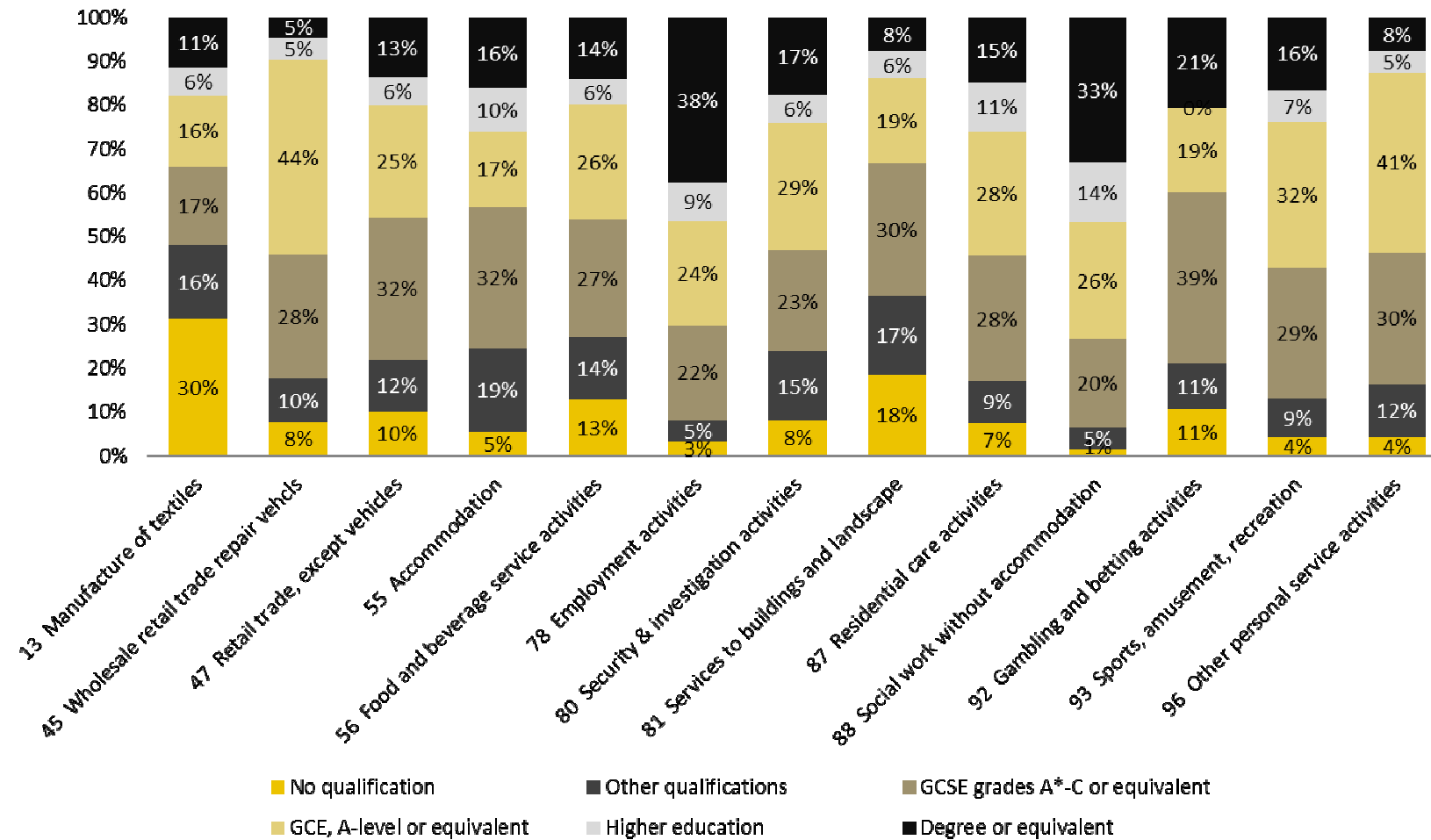
There has been increasing employment in low productivity sectors. In 2000, they accounted for 34.9% of employment; in 2007, 37.8%; in 2014, 39.8%

Employment in low productivity and other sectors, GM, 2000-2014



'Low pay but high skills': Some low pay sectors have better than expected skill levels (eg. employment activities)

Qualifications levels in low pay sectors in GM (2009-2014)



Source: Labour Force Survey

Tax credits summary

- £1.556bn is spent on tax credits in GM (out of approx £30bn total public spending). Compared with Work Programme (approx £30-40m in GM; £700m in UK).
- 219,553 individuals (10.25%) received tax credits in 2012/13 (compares with 8.43% in UK) in 2012/13. A decline of 16% since 2005/6.
- Most of tax credit spending is on families in work with children, especially lone parents. 69.5% of spending goes to those in work (65.4% of which goes with children, 4.1% childless.) More generous earnings limits for lone parents: eg up to £32,000 for lone parent with two children. For childless couple, £17,700 55 hours on NMW between them.
- Characteristics of recipients: 1.51% of childless families, 32.8% of lone parent families, 14.85% of couples with children. Typical ages are 25-50. High self-employed receipt of tax credits in GM: £14.03.
- Childless WTC in GM £65.2; in work CTC £105.3; CTC and WTC combined £715.2; CTC out of work £474.
- 23.07% of tax credit recipients are on NMW. In UK figure is 21.36%. In other words, vast majority of tax credit recipients earn more than the NMW. Therefore, larger scope from second earner reform and, to a lesser extent, lone parents?
- Questions about the scale of employer capture of the benefits of tax credits. Likely to exist, but amounts are relatively low.
- Major changes in patterns. Spending on WTC is rising, but accounts for small amount of total. Tightening eligibility for CTC is driving numbers down.

Low Pay: Five Key Policy Angles

- **Living wages and procurement**
 -
- **Living Wage**
 - *Increasingly popular policy*
 - *Challenges of averages?*
 - *Question of incentives – business rates?*
- **Business Support** (workforce advice, conditions, progression, career ladders, IIP)
 - *But need to grasp organisational strategy*
- **Individual support** (skills, IAG, Work Programme)
 - *But skills utilisation also likely to be significant*
 - *Declining skills spending on adults (except apprenticeship) relevant here*
- **Living cost support** (transport, childcare, housing)



Summary of Principal Findings from Low Pay and Productivity Research

1. The extent of low pay is sensitive to the measure used. Those earning less than the low pay threshold (two thirds of national median income; £7.74 an hour in 2014) in Greater Manchester have grown in number during the decade to 2014 (from 210,780 in 2004 to 233,500 in 2014), but the proportion is stable comparing 2004 and 2015: approximately 22.5% earned less than the low pay threshold in 2014 and 22.4% did so a decade earlier. Low wages are more extensive in Greater Manchester than the rest of the UK, where 21.2% earn below the low pay threshold. Overall job growth has been faster in better paid jobs than growth in low paid jobs (6.8% compared 1.3% for low paid jobs over the decade).
2. Nevertheless, the low pay threshold is beneath the 'real' living wage (£7.85 outside London in 2014; £8.25 an hour in 2015). The number earning less than a living wage has grown sharply in recent years. For example, in 2013 the proportion of employees earning less than a living wage in Greater Manchester was 21.7% (approximately 230,000 jobs), but by 2014 this had increased to 23.3% (approximately 252,000 jobs). Using provisional data released in December 2015, the proportion appeared to have risen once more to approximately a quarter of jobs. In some parts of the conurbation about a third of jobs paid less than £7.85.
3. There has been a decline of living standards overall with Greater Manchester falling faster than the UK. Average hourly pay (for all workers) in 2014 was below that of 2002. In 2004, workers earned £11.62 on average for every hour they worked. By 2014, it was £11. Since 2009, wages fell by 10% in Greater Manchester (9% in UK).
4. 'Low paying sectors' (defined as sectors in which at least 30% of jobs pay below the low pay threshold) account for 35.7% of all jobs out of total employment of 1.2 million. Some 400,000 people work in these sectors in Greater Manchester. The sectors with the highest incidence of low paid work are hospitality (76% of jobs are low paying), accommodation (60%), retail (53%), cleaning (53%) residential care (53%); the largest single low paying sector is retail with 121,700 employees (accounting for 10% of all employees).

Table 1: Low pay sectors in Greater Manchester, 2014¹

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	Wholesale and retail trade and repair of motor vehicles and motorcycles	30%	16,363	4,909	0.4%	0.78
TOTAL Low Pay in GM			397,716	222,446		

5. By occupation, more than 30% of jobs pay below the low pay threshold in elementary trades², sales and customer service³, care, leisure and other service workers⁴ and among process, plant and machine operatives⁵ - this last group is significantly worse paid in Greater Manchester than elsewhere in the UK.

¹ We define a low pay sector as any industrial sector where 30% or more of employees earn below the low pay threshold; an extreme low pay sector is one where 50% earn below the threshold. ASHE refers to the Annual Survey of Hours and Earnings, the main official data source on pay; BRES refers to the Business Register and Employment Survey, the main official source on business sectors. ASHE total employment estimates are not regarded as statistically robust, hence reliance on BRES for employee job numbers. A location quotient above 1 highlights where there is a greater incidence of employment in a certain sector compared with the national average.

² This group includes basic administration jobs, cleaning, security, packing, porters, kitchen and catering staff and some logistics workers;

³ This category includes retail, contact centre, salespeople and traders

⁴ This includes childcare, other care workers, hairdressers and travel and entertainment workers

⁵ Included in this group are drivers, assemblers, logistics staff and construction workers

6. Approximately 130,000 women (27%) and 90,000 men (18%) are low paid. Some 44% of part-time jobs and 17% of full-time jobs earn less than the low pay threshold. The wages of men have declined most during the recession and after it, leading to a shrinking of the gender pay gap due to male 'levelling down'.
7. There is a lack of high quality data regarding the wages of self-employed workers on a Greater Manchester level. However, self-employment has grown faster in Greater Manchester than in the UK (from a lower starting point). In the year to March 2014, the self-employed in Greater Manchester were 13.2% of those in employment (compared to 14.7% in the UK). Between March 2012 and March 2014, their number grew by 19.2% in Greater Manchester compared with 9.1% in the UK. Some estimates suggest 51% of the self-employed are in low wage work⁶.
8. Greater Manchester's post recessionary work culture has become more 'casual', as evidenced by the rapid expansion of employment agencies. Employment agencies generated more new jobs than any other sector between 2009 and 2014 (15,000).

Productivity: does it cause low pay?

9. Most economists would begin their explanation of low pay from the concept of productivity. Greater Manchester's Gross Value Added (GVA – the standard measure of sub-national output) per job is £39,328 compared with the UK's of £45,093. There are five sectors with productivity of less than £30,000 per job in Greater Manchester and they correspond with the lowest paying sectors with minor exceptions ('other personal services'⁷ and textile manufacturing which has relatively high productivity but pays low wages). The low productivity sectors account for a growing share of jobs. In 2000 they represented 35% of employment. By 2014 the proportion was 40%. Two sectors are responsible for most of this growth. They are administrative and support service work (10.3% of all jobs) and human health and social work activities (12.7%).
10. The low productivity sectors have grown at a faster rate in Greater Manchester than the UK (by 5.1 percentage points compared with 3.6pp in the UK). However, this growth appears to be at least in part due to additional jobs being created, rather than a downgrading of the existing sectoral base.
11. But the conurbation's sectors with the lowest absolute productivity have nevertheless been relatively productive over recent years. Their performance has outpaced average productivity growth between 2000 and 2014 (average annual growth between 2000 and 2014 was just 1.3%). The low productivity sectors exceeded this rate (with the exception of administrative and support services). The worst productivity lags are among the more knowledge intensive

⁶ See Corlett, A. and Gardiner, L., Low Pay Britain 2015, Resolution Foundation, October 2015

⁷ 'Other personal services' is a very small group (just 7,500 total jobs) which includes hairdressers, beauticians, undertakers, wellbeing therapists, tattooists and pet care workers.

(and better paying) sectors such as business and professional services, property, manufacturing and digital work.

12. Many jobs in the low productivity sectors are people-facing, interactive service tasks that are difficult to automate (and to a lesser extent to standardise) in order to drive productivity improvements. They have been productivity laggards throughout recent economic history. The exception may be retail, which has seen greater increases in productivity (spurred by automation, self-service and online innovation) than the others. For these reasons, the chances that productivity growth in most low productivity sectors will reduce the incidence of low pay in the near future are slim.

How the low paid and employers perceive life at work

13. From the perspective of low paid workers, wages are not the main problem that they face, but are part of a package of job quality issues. Their principal complaints related to insecurity (for example, not knowing when or where the next shift would occur until they received a text message), outsourcing, the chaotic, ad-hoc nature of organizational management, the use of agency staff and inaccurate payments.
14. The burdens for low wage workers caused by extended outsourcing and contracting out in both private and public sectors (for example, the two tier workforce, organisational turmoil and opaque accountability chains) emerged extremely strongly from interviews. Complex contractual arrangements were associated with 'being unproductive' and 'inefficient' by interviewees.
15. The low paid tend to feel their work situations are 'the way of the world' over which they have limited control. Asked about the possibilities of promotion, the prevailing view was 'I've never asked and I've never been told'. Most claimed to feel a strong attachment to 'doing a good job', but felt their employers did value them or their skills.
16. Cost pressures have driven employers to implement extreme working patterns, which were especially apparent in certain sectors (for example, in the care sector scheduling rotas for three half hour appointments in each hour).
17. Meanwhile, interviews among employers highlighted very diverse views regarding the causes and consequences of low pay. Skills development was regarded as important, but a second order business concern. Reducing waste, increasing efficiency, and lean production were generally seen as more important.

The role of skills in Greater Manchester's low paying labour markets

18. The low paid tend to have lower qualification levels than others. Those without any qualifications have the lowest average pay rates (£8.07 an hour). Yet pay progression does not always follow skill progression, especially in lower wage work. For example, at level 2, our research confirms other research in finding 'negative returns' at level 2, meaning that those whose highest qualification is level 2 earn less on average than those with lower qualification levels. Meanwhile, some vocational education qualifications are of lower labour

market value (in terms of wages paid) than academic qualifications (for example, those whose highest qualification is a vocational level 3 tend to earn less than those with A levels).

19. In general, low paid occupations are low skilled occupations. The low-qualified form 61% of the low paid, compared to being 36% of the workforce. But there are many who are low paid and are qualified at level 3 and above. For example, workers in the caring, leisure and other service occupations are typically medium skilled (nearly two thirds are either educated to degree level, hold other higher education qualifications or have a level 3 qualification) but are low paid.
20. The inference should not be drawn that increasing qualification levels will 'solve' low pay. Qualification is a poor proxy for skill – international evidence suggests this is a particular problem in the UK. And employers do not necessarily value the skills the system produces (in wages terms). There are profound issues on the demand side: poor use of skills, inadequate job design and ongoing problems with over-qualification (about a third of workers in the UK claim they are over-qualified).
21. Demand for skills is also constrained by the business models of Greater Manchester employers. Employers in the city region pursue 'low cost, low value, low skill' business models to a greater extent than is the norm in the UK. Some 21% of Greater Manchester businesses have 'low or very low specification product market strategies'. This compares with 18% for the UK as a whole. This low road approach implies lower demand for skills than would be the case if customised, differentiated, innovative (and in turn higher cost) products and services were being marketed by more employers.

Labour market progression: are the low paid able to move up at work?

22. Using Labour Force Survey microdata from 2011-2015, we examined a 15 month time period to investigate levels of dynamism among low paid work. The research asked how many manage to move from below the low pay threshold to above it (or who fell back below it) over the time period.
23. About two thirds of workers (61%) who were low paid at the start were still in low paid work at the end of the period, suggesting levels of upward mobility among the low wage workforce are limited. Those who 'escaped' low pay were 33% (about 53,000 people), while a small minority (6%; 10,000) left to joblessness. However, there was also a significant group (28%; 51,000) who were not low paid at the start of the observation period, but who had moved down into low paying work.
24. The majority of the stuck were qualified no higher than level 2, but the data suggested neither training nor qualification attainment helped people advance. In the case of training this was *negatively* associated with pay – that is, those who received training were more likely to be stuck than those who escaped (fewer of whom received training). This could be due to the nature of the training (eg. induction and health and safety) – in other words, mandated rather than value adding. Although escapers' qualification levels were higher (above

level 2), those whose pay declined also had higher qualification levels. Further research is needed to test this relationship.

25. Women are more likely to be ‘stuck’ and also to see their pay decline. Those with dependent children are also more likely to be ‘stuck’. Some 45% of the stuck had dependent children compared with 28% of decliners and 30% of escapers (this compares with 37% of the low paid in Greater Manchester who have children).
26. Key factors for progression included working for a large employer and working full time. Progression was more likely if workers changed employers.

Tax Credits: what are the fiscal costs of low pay and future labour market regulation

27. Greater Manchester has a higher dependence on the tax credit system (working tax credit and child tax credit) than most other comparable city regional areas and the UK as a whole. In 2012/13, 219,000 people received tax credits, with 70% being spent on people in work. Some 10.25% of residents receive tax credits – a higher share than the UK (8.43%) and other metropolitan areas (9.93%). Per working age adult, Greater Manchester spends £715.33 compared with a UK average of £573.73. Only the West Midlands has a higher outlay (£802.69).
28. In practice, tax credit spending is oriented towards families with children, especially lone parent families. By family type, 14.4% of families with children, 32.8% of lone parent families, and 1.5% of childless households receive tax credits. The self-employed have a particularly high incidence of tax credit receipt (14%).
29. In 2012/13, Greater Manchester spent £1.556 billion on tax credits, up from £974m in 2005/6 (a real terms increase of 29%; 26% in the UK). Spending on tax credits rose in real terms between 2005 and 2010, but has been falling in recent years due to tightening eligibility for CTC. By contrast, WTC has been rising but accounts for a lower proportion of tax credit spending overall (in 2012/13, £65.2m WTC went to childless recipients – an increase of 100% on 2005/6; £130.4m CTC went to in work families receiving CTC only – down from £374.6m a decade earlier, a fall of 65%); and £885.4m went to in-work families receiving both tax credits, an increase of 34%).
30. About three quarters of the recipients of tax credits are on income levels above the minimum wage. In Greater Manchester 24.15% of tax credit recipients receive the NMW (in the UK, the proportion is 21%). Therefore changes in the legal pay floor will not necessarily be sufficient to eliminate the need for in-work support.
31. In terms of reducing tax credit dependence, programmes encouraging the labour market participation of second earners (and to a lesser extent lone parents) are likely to have larger effects than moving more workers up to the level of the living wage.

32. The advent of the 'national living wage' of £7.20 from April 2016 for workers aged over 25 is estimated to benefit approximately 18% of Greater Manchester residents⁸ who currently earn less than this hourly pay rate. The target of £9 an hour by 2020 will shift the legal pay floor to about 60% of median earnings – the highest ever.

⁸ District NLW estimations: Bolton: 20%; Bury: 16%; Manchester: 21%; Oldham: 20%; Rochdale: 20%; Salford: 17%; Stockport: 16%; Tameside: 19%; Trafford: 13%; Wigan: 19%.

**Manchester City Council
Report for Information**

Report to: Economy Scrutiny Committee – 24 February 2016

Subject: 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 and Living Wage Policy which reported back to this Committee in March 2015 and September 2015.

Recommendations

That the Committee notes and comments on the recent progress.

Wards Affected:

All

Contact Officers:

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Telephone: 0161 234 1541
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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.

- Manchester Minimum Wage, Personnel Committee – 3 February 2016
- Draft Living Wage Policy, Economy Scrutiny Committee – 30 September 2015
- 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 9 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.
- 1.2. A Living Wage Policy was subsequently produced which was submitted to the Economy Scrutiny Committee in September 2015.
- 1.3. The new Living Wage rates for London and the UK were announced in November 2015 as part of Living Wage Week. The new rate for the UK rose from £7.85 an hour to £8.25 an hour and the London rate rose to £9.40 an hour.
- 1.4. Tables 1 and 2 below provide an estimate of the percentage and number of Manchester and Greater Manchester workers and residents that are currently paid less than £8.25 an hour. These figures use the ONS Annual Survey of Hours and Earnings data which is a 1% sample of Pay As You Earn (PAYE) data.

Table 1: Workplace wages affected by Living Wage

Geography	Below Living Wage (£8.25)	
	Percentage	Number
Manchester	16.4	52,808
Greater Manchester	24.5	256,025

Source: ONS Annual Survey of Hours and Earnings (ASHE)

Table 2: Resident wages affected by Living Wage

Geography	Below Living Wage (£8.25)	
	Percentage	Number
Manchester	32.2	56,028
Greater Manchester	25.7	258,542

Source: ONS Annual Survey of Hours and Earnings (ASHE)

2. Implementation Progress

Manchester City Council as an Employer

- 2.1. The 3 February 2016 Personnel Committee agreed an increase to the Manchester Minimum Wage for Manchester City Council employees equivalent to £8.25 per hour, with the increase being made through the application of a non-consolidated payment to SCP 7. This increase is equivalent to 40p per hour and will be implemented with effect from 1 April 2016.
- 2.2. The Committee also noted their continued commitment to advocating the take-up of the Manchester Minimum Wage and its adoption by schools, contractors and agency suppliers, in line with the recommendations of the Living Wage Task and Finish Group.

Manchester City Council as Procurer and Commissioner

- 2.3. A total of 23 contracts have been awarded since the introduction of the Living Wage Policy and all successful suppliers have confirmed that they are paying the Manchester Minimum Wage or above, with the exception of one supplier who plans to implement this in 2016 and one with a small number of staff paid below this rate but those staff are not necessarily working in the Manchester area.
- 2.4. Recent research by CLES indicates that 69% of the top 300 suppliers responding to our survey paid all their staff a Living Wage of £7.85 per hour. It should be noted that all existing work has been based on the £7.85 rate and consideration will need to be given to the new £8.25 rate from 1 April 2016.

Manchester City Council as an influencer

- 2.5. The Manchester Strategy 2016-2025 was approved by the Council's Executive and Full Council in January 2016. The Strategy sets out the following ambitions in relation to the Living Wage:
 - 'We will ensure everybody is paid at least a real Living Wage'.
 - 'We will work with employers to ensure that everyone is paid at least a real living wage'.
- 2.6. The Manchester Work and Skills Strategy 2016-2021 was also approved by Executive in January 2016 contains the following objectives:
 - 'Support more Manchester residents into work which provides a good standard of living via the real Living Wage and Healthy Work principles'.
 - 'Collectively promote the real Living Wage to Manchester employers from all sectors'.
- 2.7. The Greater Manchester Chamber 'The Living Wage: Stating the Case' report (<http://www.gmchamber.co.uk/system/attachments/1282/original.pdf>) was published during Living Wage Week in November 2015. For the most part, the collective research suggests that paying a Living Wage (as distinct from the

National Minimum Wage) is a good thing as it helps boost productivity and aids staff retention. However the paper noted that for some sectors such as retail, health and social care and hospitality, where a large percentage of the workforce are paid low wages, the Living Wage could present considerable difficulties for businesses. The report was presented to members at the Chamber's Autumn Assembly in October 2015, where 91% of members voted in favour of supporting the Chamber in backing the official Living Wage campaign.

3. Conclusion

- 3.1. This short report has summarised the recent progress since the approval of the Living Wage Policy in September 2015. The Council continues to commit to paying staff the real Living Wage and has made further progress within procurement and commissioning. The recently approved Manchester Strategy 2016-2025 and Manchester Work and Skills Strategy 2016-2021 have clearly demonstrated the Council's strategic commitment to promoting the real Living Wage within the city.