
**Manchester City Council
Report for Information**

Report to: Economy Scrutiny Committee – 9 November 2017

Subject: Manchester's Living Wage Policy

Report of: Eddie Smith, Strategic Director, Strategic Development

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 considers the content of the report and comments on the recent progress.

Wards Affected:

All

Contact Officers:

Name: Angela Harrington
Position: Head of Work and Skills
Telephone: 0161 234 1501
E-mail: a.harrington@manchester.gov.uk

Name: David Houlston
Position: Policy and Partnerships Manager
Telephone: 0161 234 1541
E-mail: d.houlston@manchester.gov.uk

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.

- 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

- Living Wage Policy, Economy Scrutiny Committee 24 February 2016
- Manchester Minimum Wage, Personnel Committee – 8 March 2017

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. A Living Wage Policy was subsequently produced which was submitted to the Economy Scrutiny Committee in September 2015.
- 1.2. The current real Living Wage rates for London and the UK were announced in November 2016 as part of Living Wage Week. The rate for the UK rose to £8.45 an hour and the London rate rose to £9.75 an hour. The new real Living Wage rate is due to be announced on 6th November 2017 as part of the 2017 Living Wage Week therefore a verbal update will be provided to the Committee.
- 1.3. The calculation of the real Living Wage is now undertaken by the *Resolution Foundation* who have developed a methodology which includes: the costs of a core basket of goods and services; housing costs; Council Tax; travel costs; and childcare costs. Full time workers currently earn £40 more per week when paid the real Living Wage when compared to those who are paid at the governments 'National Living Wage' which is effectively a minimum wage for over 25's. The gap between the real Living Wage and those earning the government minimum wage who are aged under 25 is even larger.

2. Implementation Progress

Manchester City Council as an Employer

- 2.1. The Council's Personnel Committee agreed an increase to the Manchester Minimum Wage for Council employees equivalent to £8.45 per hour in March 2017. The increase has been made through the application of a non-consolidated payment to SCP 7 which is equivalent to 20p per hour and was implemented with effect from 1 April 2017.
- 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 and in support of the aims of the Our Manchester Strategy.

Manchester City Council as a Procurer and Commissioner

- 2.3. The Living Wage Policy stated that the Council would reserve the right to require the payment of the Living Wage on a case-by-case basis. All tenders issued through Corporate Procurement now include the agreed wording to commend the Manchester Living Wage to all suppliers and their supply chain and asks suppliers to confirm if they are currently paying the Manchester Living Wage or above to the staff that will be employed on Council contracts .

- 2.4. Since August 2015, a total of 86 contracts have been awarded to suppliers confirming that they are paying the Manchester Living Wage. The total annual value of the 86 contracts is circa £145 million. The latest *Centre for Local Economic Strategies* survey (based on 2015/16 spend) revealed that 64% of Council suppliers responding to the survey paid all their staff the then real Living Wage rate of £8.25 per hour.
- 2.5. As previously reported to this Committee, the Council has also increased its weighting for social value considerations from 10% to 20%. One of the Social Value Framework objectives is to ‘raise the living standards of local residents and promote equity and fairness’. Paying the Manchester Living Wage is one of the suggested ways that suppliers can help to meet this objective.
- 2.6. The Council recently became the first local authority in Greater Manchester to sign up to the UNISON Ethical Care Charter. Councillor Bev Craig, Executive Member for Adult Services, Health and Wellbeing signed the charter on 23rd October 2017.

Manchester City Council as an influencer

- 2.7. The Manchester Strategy 2016-2025 and the Manchester Work and Skills Strategy 2016-2021 set out Manchester’s ambition to become a ‘Living Wage City’ and to promote the real Living Wage to Manchester employers across all sectors. As Tables 1 and 2 below show, increases in wages for workers in the city and working Manchester residents are not keeping pace with the increases to the real Living Wage. The data in these tables comes from the ONS Annual Survey of Hours and Earnings data which is a 1% sample of Pay As You Earn (PAYE) data. Nationally, wage growth is also continuing to slow despite unemployment being at its lowest rate since 1975 and this productivity challenge is a major concern both locally in Manchester and Greater Manchester, and also nationally.
- 2.8. A recent publication by the Resolution Foundation has investigated wages in Greater Manchester and has found that male wages have declined by over 3% since the 2008 recession. Women’s wages have fared slightly better, however, much of this increase has been due to a large number of female workers seeing their wages increase as a direct result of the government’s ‘National Living Wage’ for over 25’s. This is positive news but also demonstrates how the National Minimum Wage rates have become the going rate for many occupations rather than a suggested minimum rate of pay.

Table 1: Proportion of employee jobs paid less than the real UK Living Wage: Manchester and Greater Manchester Workforce

| | 2014 | 2015 | 2016 (provisional) |
|--------------------|-------------|-------------|-------------------------------|
| Greater Manchester | 23.4 | 23.0 | 24.4 |
| Manchester | 17.3 | 15.8 | 18.0 |

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

Table 2: Proportion of employee jobs paid less than the real UK Living Wage: Manchester and Greater Manchester Residents

| | 2014 | 2015 | 2016 (provisional) |
|--------------------|------|------|-----------------------|
| Greater Manchester | 26.8 | 23.9 | 25.6 |
| Manchester | 29.7 | 26.6 | 30.8 |

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

- 2.9. The Work and Skills Board recently agreed an employer engagement framework which will be discussed with employers and employer bodies in the city using the Our Manchester approach. The Council's Work and Skills team also continues to undertake employer engagement work across the city to promote payment of the real Living Wage, local recruitment, work experience, apprenticeships and social value. This work targets all employers but has a particular focus on start-ups and business that have recently located to the city. Uptake of the real Living Wage with start-ups and Small and Medium Enterprises remains a particular challenge due to some of the financial pressures businesses are under. The Greater Manchester Chamber of Commerce is a Living Wage accredited employer which has helped to influence some of its members and promote the many positive impact for employers.
- 2.10. The Greater Manchester Living Wage Campaign has been responsible for some excellent campaigning work in the city and has had some significant successes. Earlier this year, the decision was taken to merge the Greater Manchester Living Wage Campaign with Greater Manchester Poverty Action. Lynn Sbaih is the new GM Living Wage Coordinator and will be organising a number of events to mark 2017 Living Wage week which commences on Sunday 5th November.
- 2.11. As the government's 'National Living Wage' for over 25's does not apply to younger workers, Citizens Advice Manchester are undertaking some research into how this policy is affecting under 25's. The survey is available online and has been promoted to younger people in the city.
- 2.12. One emerging opportunity for the Council is the plan to launch a 'Good Work' charter/kitemark for Greater Manchester employers. This work will be led by the Mayor of Greater Manchester, Andy Burnham, but there will be an opportunity for the Council to feed into the content of the charter and to promote it within the city. This clearly links to the employer engagement activity mentioned above and the work with anchor institutions in the city which has been identified as a key priority within the Manchester Family Poverty Strategy.

3. Conclusion

- 3.1. This short report has summarised the recent activity which has been undertaken to implement the Living Wage Policy which was adopted in September 2015.
- 3.2. The Committee are invited to consider the content of the report and comment on the recent progress.