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**Manchester City Council  
Report for Resolution**

**Report to:** Personnel Committee – 8 March 2017

**Subject:** Manchester Minimum Wage

**Report of:** Chief Executive

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**Summary**

To present to Personnel Committee a proposal to increase the current hourly rate of the Manchester Minimum Wage in the context of the UK 'Living Wage' (as set by the Living Wage Foundation). This proposal follows a review of the current Manchester Minimum Wage in line with Manchester's Pay Policy Statement and cognisant of the recommendations of the Living Wage Task and Finish Group and the Our Manchester Strategy aim to 'Ensure everybody is paid at least a real living wage'.

The report also proposes a number of associated increases to other scale points to ensure the integrity of the pay line. Considerations with regard to procurement and the schools workforce are also detailed.

**Recommendations**

The Committee is recommended to agree:

1. An increase in the Manchester Minimum Wage for Manchester City Council employees equivalent to £8.45 per hour, with the increase being made through the application of a non-consolidated payment to SCP 7. This would be an increase of 20p per hour to the current Manchester Minimum Wage.
  2. An amendment of the existing non-consolidated increases to the hourly rates of SCPs 8 to 11, and the addition of non-consolidated payments to SCP 12 to retain an appropriate pay differential between salary levels. The details of these payments are set out in paragraph 1.2 of this report.
  3. That the values in recommendations 1 and 2 above are implemented with effect from 1 April 2017.
  4. A continuing commitment to advocating 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.
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**Wards Affected:** All

Manchester Strategy outcomes	Summary of the contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Ensuring everybody is paid at least a real living wage is one of the high level aims of the Our Manchester Strategy. The proposals in this report directly support this through both the Council's practical actions as a major employer in the City and commissioner of Services and through the example it sets to others. This contributes to all of the Strategy's outcomes.
A highly skilled city: world class and home grown talent sustaining the city's economic success	
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	
A liveable and low carbon city: a destination of choice to live, visit, work	
A connected city: world class infrastructure and connectivity to drive growth	

**Full details are in the body of the report, along with any implications for**

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

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### **Financial Consequences – Revenue**

Within Manchester City Council's non-schools workforce there are currently circa 1,317 staff employed in posts whose current rate of pay falls between SCPs 6 and 12, equivalent to 681 Full Time Equivalent (FTEs).

Increasing the hourly rate in accordance with the report through the application of non-consolidated supplements to staff pay would result in additional full year costs of approximately £205k per annum inclusive of national insurance and superannuation on-costs. Provision will be made for this increase within the 2017/18 budget.

If Manchester community schools (excluding Academies / free schools, foundation schools and voluntarily aided schools) were to accept the recommendations made below the actual cost impact to schools would be anticipated to be circa £130k per annum, which would need to be met from existing schools' budgets.

These costs take account of the nationally agreed pay award for 2017/18 for local government employees.

## Financial Consequences – Capital

None

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### Contact Officers:

Name: Geoff Little  
Position: Deputy Chief Executive (People, Policy & Reform)  
Tel: 0161 234 3280  
E-mail: g.little@manchester.gov.uk

Name: Carol Culley  
Position: City Treasurer  
Tel: 0161 234 3406  
Email: c.culley@manchester.gov.uk

Name: Pat Fetherstone  
Position: Head of HROD- Service Delivery  
Tel: 0161 234 1847  
E-mail: p.fetherstone@manchester.gov.uk

Name: Sam McVaigh  
Position: Strategic Workforce Planning  
Tel: 0161 234 3976  
Email: s.mcvaigh@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.

- Personnel Committee report of 03 February 2016 – *Manchester Minimum Wage*
- Personnel Committee report of 08 February 2017 – *Pay Policy Statement*

## 1.0 Background and Introduction

- 1.1 In the context of a national minimum rate of pay, the Manchester Minimum Wage was introduced in 2009 at SCP 6 on the Grade 1 pay scale at an hourly rate of £6.84 (£12,489 per annum). This rate has been reviewed on a number of occasions since that date with the most recent review taking place in February 2016, and the rate amended to £8.25 (£15,055 per annum) at SCP 7 with a 'New Starter Induction & Training Rate' at SCP 6 of £7.95 per hour (£14,514 per annum). In addition, further non-consolidated payments were applied in 2016 to SCPs 8 to 11 to retain the integrity of the Council pay line. As set out in the Manchester Pay Policy Statement, the Manchester Minimum Wage is reviewed on an annual basis.
- 1.2 Over recent years, the UK Living Wage has gained increasing prominence in the context of pay at a national level. The UK Living Wage is not a legally enforceable minimum level of pay, but rather an informal benchmark. The rates are calculated annually by the Resolution Foundation and overseen by the Living Wage Commission, based on the best available evidence about living standards in London and the UK. Before 2016 the London Living Wage was calculated by the Greater London Authority and the UK rate was calculated by the Centre for Research in Social Policy at Loughborough University. The UK Living Wage for outside of London is currently £8.45 per hour.
- 1.3 The announcement by the government of a new 'National Living Wage' from April 2016 added further complexity to the already crowded low wage environment. The table below summarises the different rates of pay.

Pay Rate	Definition of Cohort	Hourly Pay	Review Approach	Apprentice Rate
<b>National Minimum Wage (Statutory)</b>	Workers aged 21 and over	£6.95	Recommended by the Low Pay Commission. The remit provided by Government was an aim to have "NMW rates that helped as many low-paid workers as possible, while making sure that we do not damage their employment prospects". In making recommendations in these areas the Government asked the Commission to take account of the state of the economy, and employment and unemployment levels, and relevant policy changes.	£3.30*
	Workers aged 18 to 20	£5.55		
	Workers under the age of 18	£4.00		

<b>National Living Wage (Statutory)</b>	Workers over 25	£7.50**	The Government announced that from April 2016 a Living Wage Premium (LWP) will apply on top of the National Minimum Wage (NMW) for employees aged 25 and over to deliver a National Living Wage (NLW).	N/A
<b>UK Living Wage (Living Wage Foundation)</b>	All workers (higher rate for London)	£8.45	The UK Living Wage is an aspirational wage which is announced every November by the Living Wage Foundation. In setting the Living Wage rate, the Living Wage Foundation calculate minimum living costs based on a “minimum income standard”, rent, childcare costs and Council Tax. This is then translated into a wage requirement.	N/A
<b>Current Manchester Minimum Wage (Local)</b>	All employees following completion of their probationary period or apprenticeship	£8.25	Reviewed annually, taking account of various factors such as staff turnover, any NJC pay award, the ratio of low to high earners, the rates for the National Minimum Wage and the “Living Wage” at the time.	£7.95***

\* Applicable to apprentices aged 16 to 18 and those aged 19 and over who are in their first year. All other apprentices are entitled to the National Minimum Wage for their age.

\*\* This rate will apply from 1 April 2017 and replace the current rate of £7.20

\*\*\* Paid at SCP 6 as a “new starter induction and training rate” for new employees and apprentices at levels 1-3 who have yet to complete their framework qualification.

1.4 On 26 March 2014, the Council passed a resolution stating that it supports the principle of both introducing and maintaining a Living Wage for all of the Council’s directly employed staff, and of this being a requirement in contracts and sub-contracts, including agency workers and school staff. Based on this, a member-led Task & Finish Group was convened. The Task & Finish Group reported on its findings in March 2015 to the Council’s Finance and Economy scrutiny committees with these findings informing the development of a Living Wage Policy Statement considered by the Economy Scrutiny Committee in September 2015.

1.5 The Policy Statement included three objectives of relevance to the City Council’s role as an employer:

- 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.
- 1.6 In April 2016 the City adopted a new Strategy for the next 10 years: The Our Manchester Strategy. The Strategy includes fifteen high level aims, including an aim to 'Ensure everybody is paid at least a real living wage'. This aim is supported by a commitment to work with employers across the City to support the payment of a living wage.
- 1.7 The recommendations within this report take account of both the Living Wage Policy Statement and the Our Manchester Strategy.
- 2.0 The Case for Change**
- 2.1 The Council's proposed Pay Policy Statement for 2017/18 which features elsewhere on the agenda proposes a continued commitment to using the Manchester Minimum Wage to support families and individuals and underpin a thriving economy. The proposals contained within this report will result in a differential between the Manchester Minimum Wage and the National Minimum Wage of £1.50 per hour, 49p greater than the differential in the year of its introduction. The proposals will also result in a differential between the Manchester Minimum Wage and National Living Wage of 95p per hour. The Pay Policy Statement also sets out a continued commitment to reviewing the level of the Manchester Minimum Wage on at least an annual basis, taking into consideration factors such as staff turnover, the NJC pay award, the ratio of low to high earners, the rate for the National Minimum Wage, the rates of the National Living Wage and UK Living Wage at the time and the Council's Living Wage Policy Statement.
- 2.2 Consideration of the Manchester Minimum Wage is set within the context of continuing rises in the cost of living, the challenging employment market locally and nationally and the Council's continued commitment to economic

growth in general and the fair reward and recognition of a motivated workforce in particular. The reviewed Manchester Minimum Wage is intended to underline Manchester's commitment to being an employer of choice. Studies also suggest that increases in salary for low paid employees has a positive impact on productivity and flexibility in the face of organisational changes, both from employer and employee perspectives.

- 2.3 It is clear that, since its implementation, the Manchester Minimum Wage has been a success for the organisation. It was envisaged that it would be a way to improve staff turnover resulting in better staff retention, and reduced recruitment and training costs. The annual staff turnover for Grade 1 employees in 2008 prior to the introduction of the Manchester Minimum Wage was 15.5% with turnover of employees on SCP 4 and 5 at 25%. Since the introduction of the Manchester Minimum Wage, annual natural turnover has improved at lower grades, and for the period December 2015 to November 2016 was 11.33% at Grade 1 which, while significantly reduced, is still higher than the organisational average of 5.64%. Further increasing the Manchester Minimum Wage should assist the Council in attracting and retaining employees in jobs which continue to experience a high rate of staff turnover and, together with work to deliver the organisation's new People Strategy, Our People, connect activity to support personal improvement and development with the drive to achieve corporate standards and goals. This work includes a particular focus on understanding the experiences and perceptions of the organisation's staff in relation to personal development and maximising opportunities here including through the use of the new Apprenticeship Levy.
- 2.4 A revised Manchester Minimum Wage will also support the Council's priorities with regard to growth and the reduction of worklessness across the City, as well as the authority's aspiration to be both an employer of choice and an organisation which embodies its own commitments to fairness in employment, with applicants from residents encouraged for entry level positions. The Council will continue to build and maintain strong networks and forge effective partnerships with employers across the City in the public, private and third sectors with the objective of both supporting the growth of Manchester and the prosperity of its residents. It will also proactively monitor the percentage of the City's workforce paid at least the Living Wage rate to track its progress in this areas.

### **3.0 Proposal**

- 3.1 The proposal contained in this report continues the principle that any increase to the Manchester Minimum Wage should not compromise the integrity of the existing pay structure and is based on a consideration of the legal and financial implications as well as the economic and employment context. It is therefore proposed that any increases in the Manchester Minimum Wage and other affected SCPs continue to be implemented through stand-alone, non-consolidated pay increases. It is proposed that the existing non-consolidated payments currently applied to SCPs 7 to 11 be increased and additional non-consolidated payments be introduced at SCP 12 to retain an appropriate pay differential between salary levels. The proposed uplift to salaries is outlined in

the table below. The proposed salaries also take account of the nationally agreed pay award for 2017/18 for local government employees noted above.

**Current/proposed pay structure**

Grade	SCP	Current Annual Salary	Equivalent Hourly Rate	Proposed Annual Salary	Equivalent Hourly Rate
1	6	£14,514	£7.95	£15,014	£8.23
	7 (MMW)	£15,055	£8.25	£15,420	£8.45
2	8	£15,274	£8.37	£15,639	£8.57
	9	£15,384	£8.43	£15,749	£8.63
	10	£15,493	£8.49	£15,858	£8.69
	11	£15,603	£8.55	£15,968	£8.75
3	12	£15,823	£8.67	£16,187	£8.87

- 3.2 The approach of newly appointed employees (with the exception of apprentices at levels 1-3) moving to SCP 7, the Manchester Minimum Wage, once they have had a successful competency review (approximately 6 months after their start date) would continue. Apprentices at levels 1-3 would continue to remain on the New Starter Induction & Training Rate (SCP 6), which is more than double the national minimum rate of pay for apprentices, until the completion of their framework qualification.
- 3.3 The use of non-consolidated supplements has the advantage of leaving the NJC pay spine intact and maintains the integrity of the existing job evaluation scheme. In addition it is the most practicable way of implementing and reviewing changes to the Manchester Minimum Wage, in line with the annual Pay Policy Statement, whilst allowing the Council to factor in any agreed national pay awards. The potential implications of the National Minimum Wage for the NJC pay spine in the longer term have been identified at a national level and the Council is participating in work underway by the LGA to consider future options to ensure the long term stability and sustainability of a national pay spine.
- 3.4 If there are any adjustments to the national pay spine the non-consolidated element of pay at these SCPs will be adjusted if required to retain the total pay package and differentials as outlined within this report.
- 3.5 The proposed value of the revised Manchester Minimum Wage is equal to the UK Living wage. Therefore, in line with the Council's Living Wage Policy Statement the rate of pay will be referred to as the Manchester Living Wage.

**4.0 Implementation**

- 4.1 Should the proposal in this report be accepted, all City Council employees currently paid on SCPs 7 to 12 will receive the increase to their hourly rate required to pay the new Manchester Minimum Wage from 1<sup>st</sup> April 2017 in tandem with the increases to pay agreed at a national level along the full NJC pay spine.



- 4.2 The Manchester Minimum Wage will continue to be reviewed annually in line with the commitment in the Pay Policy Statement, taking account of various factors such as staff turnover; any agreed NJC pay award; the ratio of low to high earners; the rate for the National Minimum Wage, the National Living Wage, the Living Wage Foundation's UK Living Wage and the Council's Living Wage Policy Statement.
- 4.3 The Manchester Minimum Wage will continue to be commended to both schools and contractors in line with the engagement strategies outlined in previous reports. However, the Council is unable to compel schools to adopt the Manchester Minimum Wage. The Governing Body or Academy Trust holds ultimate discretion over pay and the Council can only offer advice and highlight the risks e.g. equal pay risks to Community and Voluntary Controlled Schools.
- 4.4 Given that there is no change to the underlying Manchester Minimum Wage policy, the equality analysis undertaken for the previous report to this committee relating to the Manchester Minimum Wage remains valid. It is therefore not proposed to carry out a full Equality Impact Assessment at this time.

## **5.0 Comments from Trade Unions**

- 5.1 TBC

## **6.0 Comments from the Deputy Chief Executive (People, Policy & Reform)**

- 6.1 The Manchester Minimum Wage is a central element of the Council's commitment to supporting its staff as a fair employer and a demonstrable example of the organisation's work to support the Our Manchester Strategy. The approach described in this report sets out the most appropriate method of applying an increase to this rate of pay whilst retaining the integrity of the Council's pay line.

## **7.0 Conclusion**

- 7.1 The organisation has a stated commitment to ensuring all employers across the City are paid at least a real living wage. The proposals set out in this report support this commitment through both the Council's practical actions as a major employer in the City and commissioner of Services and through the example it sets to others.
- 7.2 The cost of implementing any changes to the Manchester Minimum Wage will be accounted for in the revenue budget proposals for 2017/18.
- 7.3 The Manchester Minimum Wage will continue to be reviewed on at least an annual basis.