

Manchester City Council Report for Resolution

Committee: Personnel Committee - 15 November 2017

Subject: Manchester Minimum Wage Update

Report of: Chief Executive

Summary

To inform Personnel Committee of the increase to the UK 'Living Wage' (as set by the Living Wage Foundation), and how this will inform the Council's annual review of the Manchester Minimum Wage.

Recommendations:

The Committee is asked to:

1. Note the increase to the UK Living Wage, to £8.75 per hour.
 2. To agree that the Manchester Minimum Wage will be updated as part of the annual review of Manchester's Pay Policy Statement and cognisant of the UK Living Wage, and that the revised rate be implemented with effect from 1 April 2018.
 3. To note that a separate report will be considered by the Council's Personnel Committee in the New Year detailing the values of non-consolidated payments to be added to Spinal Column Points in order to pay the revised Manchester Minimum Wage, and to preserve pay differentials of adjacent Spinal Column Points.
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Wards Affected: All

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

Increasing the hourly rate in accordance with the report through the application of non-consolidated supplements to staff pay is estimated to cost an additional approximately £435k per annum inclusive of national insurance and superannuation on-costs. Provision has been made for this increase within the 2018/19 budget. This estimated cost makes the assumption that no national pay award is agreed and

implemented from April 2018 and will reduce proportionally net of the impact of any pay award as and when implemented.

Financial Consequences – Capital

None

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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.

- Personnel Committee report: 8 March 2017 – *Manchester Minimum Wage*
- Economy Scrutiny Committee report : 08 November 2017 - *Manchester's Living Wage*

1. Background

- 1.1 The National Living Wage (NLW) was introduced by the Government with effect from April 2016, and is calculated according to what the market can bear. The current NLW is £7.50 per hour for workers aged over 25.
- 1.2 The calculation of the UK ('real') Living Wage is undertaken by the Resolution Foundation (within the auspices of the Living Wage 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. The rate for the UK Living Wage has recently (as at 6th November 2017) been uplifted to £8.75 per hour, excluding London.
- 1.3 The Manchester Minimum Wage was first introduced in 2009 and since April 2014 the Council has referenced the UK Living Wage (as set out in 1.2, above) in its deliberations when considering the Manchester Minimum Wage level. The current Manchester Minimum Wage is equivalent to £8.45 per hour, which corresponds to the UK Living Wage for 2016/17.
- 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, as well as for agency workers and school staff. Subsequently a Living Wage Policy Statement was commended to the Council 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 the Our Manchester Strategy, which includes 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 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.

2. Proposed Future Action

- 2.1 It is proposed that the current approach of newly appointed employees on Grade 1 (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) should 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.
- 2.2 It is important 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 Spinal Column Points should continue to be implemented through stand-alone, non-consolidated pay increases, to retain an appropriate pay differential between salary levels.
- 2.3 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. Resultant changes to salaries will therefore take account of any nationally agreed pay award for local government employees, which is anticipated in 2018, with the value of non-consolidated supplements adjusted accordingly to maintain at least the same overall pay package.
- 2.4 Aligning the hourly rate for SCP7 to the new UK Living Wage rate, and increasing rates to adjacent SCP's through the application of non-consolidated supplements to staff pay is estimated to cost an additional full year cost of approximately £435k per annum inclusive of national insurance and superannuation on-costs and before the application of any nationally agreed pay award. Provision has been made for this increase within the 2018/19 budget.
- 2.5 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.

3. Comments from Trade Unions

TBC

4. Comments from the Director of HROD

- 4.1 The ongoing commitment to the Manchester Minimum Wage is a central element of the Council's determination to support its staff and the Our Manchester Strategy.

5. Conclusion

- 5.1 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 reaffirm 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.
- 5.2 The cost of implementing any changes to the Manchester Minimum Wage has been accounted for in the revenue budget.
- 5.3 A further report will be brought to the Council's Personnel Committee in the New Year detailing the values of the non-consolidated payment to be added to Spinal Column Points in order to pay a revised Manchester Minimum Wage, and any non-consolidated payments made to adjacent Spinal Column Points, to preserve pay differentials.
- 5.4 The Manchester Minimum Wage will continue to be reviewed on at least an annual basis.