

**Manchester City Council
Report for Resolution**

Report to: Personnel Committee – 7 March 2018
Subject: Manchester Minimum Wage 2018/19
Report of: Chief Executive

Summary:

The report presents 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, cognisant of the Our Manchester Strategy aim to 'Ensure everybody is paid at least a real living wage and the Council's Living Wage Policy Statement.

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 £8.75 per hour, with the increase being made through the application of a non-consolidated payment to SCP 7. This would be an increase of 30p per hour to the current Manchester Minimum Wage.
2. An amendment of the existing non-consolidated increases to the hourly rates of SCPs 7 to 12, and the addition of non-consolidated payments to SCP 13 and SCP 14 to retain an appropriate pay differential between salary levels. The details of these payments are set out in paragraph 3.1 of this report.
3. That the values in recommendations 1 and 2 above are implemented with effect from 1 April 2018, and that these values are adjusted following the agreement and implementation of an NJC Pay Award for 2018/19 to retain, at a minimum, this level of remuneration.
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 Living Wage Policy Statement and in support of the aims of the Our Manchester Strategy.

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

Financial Consequences – Revenue

Within Manchester City Council's non-schools workforce there are currently circa 1,304 staff employed in posts whose current rate of pay falls between SCPs 6 and 14, equivalent to 715 Full Time Equivalents (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 £435k per annum inclusive of national insurance and superannuation on-costs. Provision has been made for this increase within the 2018/19 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 £360k per annum, which would need to be met from existing schools' budgets.

These costs do not take account of any nationally agreed pay award which, if agreed, would reduce the level of non consolidated supplements required.

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 of 08 February 2017 – *Pay Policy Statement*
- Personnel Committee report of 08 March 2017 – *Manchester Minimum Wage*
- Economy Scrutiny Committee report: 08 November 2017 - *Manchester's Living Wage*
- Personnel Committee report of 15 November 2017 - *Manchester Minimum Wage Update*

1.0 Background & Introduction

- 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 and will increase to £7.83 from April 2018.
- 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 good and service; housing costs; Council Tax; travel costs; and childcare costs. 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. As reported to this Committee in November, the rate for the UK Living Wage was uplifted (as at 06 November 2017) to £8.75 per hour, outside of London.
- 1.3 In the context of a national minimum rate of pay (the 'National Minimum Wage') and prior to the introduction of the NLW and prominence of the UK Living Wage, 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 2017, and the rate amended to £8.45 (£15,420 per annum) at SCP 7 with a 'New Starter Induction & Training Rate' at SCP 6 of £8.23 per hour (£15,014 per annum). In addition, further non-consolidated payments were applied in 2017 to SCPs 8 to 12 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.
- 1.3 The table below summarises the different rates of pay variously described as "living" or "minimum" rates of pay. The statutory rates of pay are those that will apply from 1 April 2018, the others are those currently in operation.

Pay Rate	Definition of Cohort	Hourly Pay	Review Approach	Apprentice Rate
National Minimum Wage (Statutory)	Workers aged 21 and over	£7.38	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.	£3.70*
	Workers aged 18 to 20	£5.90		
	Workers under the age of 18	£4.20		

Pay Rate	Definition of Cohort	Hourly Pay	Review Approach	Apprentice Rate
National Living Wage (Statutory)	Workers over 25	£7.83	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
UK Living Wage (Living Wage Foundation)	All workers (higher rate for London)	£8.75	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
Current Manchester Minimum Wage (Local)	All employees following completion of their probationary period or apprenticeship	£8.45	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.	£8.23**

* 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.

** 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 apprenticeship standard.

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 Living Wage Policy Statement was agreed in September 2015. The adopted statement demonstrates the Council’s commitment to provide a Living Wage as an employer, and as an influencer and to address low pay amongst the city’s residents and those working within the city.

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 2018/19 which features elsewhere on the agenda proposes a continued commitment to using the Manchester Minimum Wage to support families and individuals, underpin a thriving economy and support the Council's commitment to inclusive growth and social value priorities. The proposals contained within this report will result in a differential between the Manchester Minimum Wage and the National Minimum Wage of 92 pence per hour. The proposals will also result in an equal status between the Manchester Minimum Wage and UK Living Wage at £8.75 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 as a core element of the Our People Strategy. 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 2016 to November 2017 was 11.16% at Grade 1 which, while significantly reduced, is still higher than the organisational average of 6.19%. 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 People Strategy, Our People, support the organisation's commitment to enabling the development of all employees.
- 2.4 A revised Manchester Minimum Wage will also support the Council's priorities with regard to inclusive 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 12 be increased and additional non-consolidated payments be introduced up to SCP 14 to retain an appropriate pay differential between salary levels. SCP 6 which is the 'new starter and training induction rate' scale point will remain unchanged pending the agreement of a national pay award. The proposed uplift to salaries is outlined in the table below.

Current/proposed pay structure

Grade	SCP	Current Annual Salary	Equivalent Hourly Rate	Proposed Annual Salary	Equivalent Hourly Rate
1	6	£15,014	£8.23	N/A	N/A
	7 (MMW)	£15,420	£8.45	£15,968	£8.75
2	8	£15,639	£8.57	£16,187	£8.87
	9	£15,749	£8.63	£16,296	£8.93
	10	£15,858	£8.69	£16,406	£8.99
	11	£15,968	£8.75	£16,515	£9.05
3	12	£16,187	£8.84	£16,734	£9.17
	13	£16,491	£9.04	£16,844	£9.23
	14	£16,781	£9.20	£16,953	£9.29

- 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 apprenticeship standard.
- 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.
- 3.4 The proposed changes to salaries set out in the table above do not take into account the local government pay award offer for 2018/19 which has not yet been agreed. As and when the pay award is agreed and implemented, the non consolidated element of pay at these SCPs will be adjusted if required to retain at least the total pay package and differentials as outlined within this report. Discussions are ongoing at a national level around how to 'future proof' the local government pay spine in the context of the National Living Wage and, once agreed these proposals will need to be taken into account in future reviews of the Manchester Minimum Wage.
- 3.5 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.
- 3.6 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 14 will receive the increase to their hourly rate required to pay the new Manchester Minimum Wage from 1st April 2018.
- 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 Foundations 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 To Follow

6.0 Comments from The Director Of HROD

- 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 has been accounted for in the revenue budget proposals for 2018/19.

- 7.3 The Manchester Minimum Wage will continue to be reviewed on at least an annual basis.