

## Manchester City Council Report for Information

**Report to:** Economy Scrutiny Committee – 8 December 2022

**Subject:** Living Wage City Update

**Report of:** Director of Inclusive Economy

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### Summary

This report details Manchester Living Wage Action Group's work to become a Living Wage City, why this is important, and how we intend to continue promoting the real living wage in Manchester.

### Recommendations

The Committee is recommended to:

- (1) note Manchester's approach to increasing the number of residents being paid a real living wage;
  - (2) support the council in using all our levers, including procurement, land ownership, civic influence and place-based lead for health to increase the number of employers paying a real living wage; and
  - (3) support our ambition to increase the number of residents being paid a real living wage by promoting this work through members' own contacts and networks.
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### Wards Affected: All

<b>Environmental Impact Assessment</b> - the impact of the issues addressed in this report on achieving the zero-carbon target for the city
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None
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<b>Equality, Diversity and Inclusion</b> - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments
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Our work to expand the payment of a real living wage in Manchester is targeted at some of those sectors that employ a greater proportion of workers from different protected and disadvantaged groups.
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<b>Manchester Strategy outcomes</b>	<b>Summary of how this report aligns to the OMS/Contribution to the Strategy</b>
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Expanding payment of a real living wage in Manchester is an important part of our work to increase the quality of employment and create a more inclusive and equitable economy.
A highly skilled city: world class and home grown talent sustaining the city's economic success	Expanding payment of a real living wage in Manchester will provide more good quality opportunities that sustain our economic success.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Expanding payment of a real living wage in Manchester will improve outcomes for our lowest paid residents and contribute to tackling poverty in the city.
A liveable and low carbon city: a destination of choice to live, visit, work	None.
A connected city: world class infrastructure and connectivity to drive growth	None.

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

#### **Financial Consequences – Revenue**

None

#### **Financial Consequences – Capital**

None

#### **Contact Officers:**

Name: Angela Harrington  
Position: Director of Inclusive Economy  
Telephone: 07788978809  
E-mail: [angela.harrington@manchester.gov.uk](mailto:angela.harrington@manchester.gov.uk)

Name: Peter Norris  
Position: Strategy and Economic Policy Manager  
Telephone: 07798656012  
E-mail: [peter.norris@manchester.gov.uk](mailto:peter.norris@manchester.gov.uk)

Name: Anissa Kheratkar  
Position: Principal Policy Officer  
Telephone: 077966596808  
E-mail: anissa.kheratkar@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.

- *Manchester Work and Skills Strategy Refresh*, Economy Scrutiny Committee, 10 Feb 2022
- *Work and Health*, Economy Scrutiny Committee, 14 October 2021
- *Tackling Poverty Update*, Economy Scrutiny Committee, 9 Sep 2021
- *Living Wage Accreditation Update*, Resources and Governance Scrutiny Committee, 10 Jan 2019

## **1. Introduction**

- 1.1. Economy Scrutiny Committee have requested a report detailing Manchester's work to become a Living Wage City. This report supports an evidence hearing being held at the same meeting by providing additional information on Manchester's journey to Living Wage City status and next steps towards implementing our newly adopted living wage action plan.

## **2. Background**

- 2.1. In September 2021 Manchester announced our intention to become a Living Wage City. This followed work on Manchester's Family Poverty Strategy which had brought together a group of Manchester employers who shared our concern about poverty, and particularly child poverty, in the city. These employers spent the next 10-12 months developing an action plan that detailed how we would increase the number of residents being paid a real living wage, as well as the number of employers paying a real living wage
- 2.2. Following this work, in October 2022, we were recognised as a Living Wage City by the Living Wage Foundation. This means we can start our work to deliver our action plan over the next three years, supporting our strategic priorities to connect our residents to higher quality and higher paid employment, tackle poverty and reduce inequality and inequity. It also means we are licenced to use relevant branding and communications assets supplied by the Living Wage Foundation.
- 2.3. Economy Scrutiny Committee have received previous updates on our living wage work as part of wider reports looking at employment, poverty and health, however the topic has not been covered previously on its own.
- 2.4. The real living wage, set by the Living Wage Foundation and based on independent advice, is currently set at £10.90 per hour.

## **3. Why becoming a living wage city is important for Manchester**

- 3.1. Some of Manchester's most significant problems are linked closely to poverty, and while worklessness and benefit dependency remain the main drivers of poverty in Manchester, we have seen an increase in in-work poverty in recent years. In-work poverty exists where people's income from employment (plus any benefits) does not adequately cover the basic costs of living that include food, warmth, and shelter. The impact of in-work poverty on individuals and families is, like all forms of poverty, manifested in reduced overall wellbeing, impacts on physical and mental health, educational attainment and other negative outcomes.
- 3.2. Raising household incomes is therefore a strategic priority for the city and is explicitly included in the Work and Skills Strategy, the Making Manchester Fairer Action Plan and will be included in the new Anti-Poverty Strategy. While raising the pay of people who are paid below the living wage is important in itself, we should also acknowledge that it is only a minimum standard and not a target that we should only meet but one which we must exceed.

3.3. Becoming a living wage city is an important step in increasing the number of people in Manchester being paid a living wage, as it means that we have successfully created a plan which the living wage foundation agrees will help us target and increase the number of employers paying the real living wage. Our Living Wage Place status also supports work taking place at a GM level, including city region living wage place accreditation and the GM Mayor’s Good Employment Charter.

**4. Becoming a living wage accredited organisation**

4.1. Organisations wishing to become accredited as living wage employers by the Living Wage Foundation must meet the following criteria:

- Pay a real living wage to all directly employed staff
- Have a plan in place to pay all contractors a real living wage
- Complete an application to the Living Wage Foundation

4.2. The requirement for employers to plan for how they will pay contractors a real living wage allows for the fact that some employers will have contracts in place that they will need to change and update over time as the contract terms expire or reach break points.

4.3. The benefits of accreditation are experienced by both the employer and their employees:

<b>Employer benefits</b>	<b>Employee benefits</b>
Improving the reputation of a business Increase motivation and retention rates of employees Differentiating them from other employees, particularly in recruitment Improving relations between employees and managers	Pay is more accurately related to living costs Increased resilience, allowing employees to save Greater job satisfaction Reduced stress about money

4.4. There is a wider net benefit to public services due to a reduction in financial hardship that can lead individuals and families into other problems such as housing insecurity or poor health.

**5. Developing a Real Living Wage Action Plan for Manchester**

5.1. To become a Living Wage Place, Manchester was required by the Living Wage Foundation to convene a Living Wage action group whose role was to collectively develop a three-year action plan to increase the number of living wage employers in the city.

5.2. The action group was required to be made up of organisations from each of the following categories:

- A local authority

- Anchor institutions (generally large employers linked to place e.g. universities, public sector employers etc)
- Large private sector employers
- Small-to-medium sized private sector employers
- Third sector employers
- An employers' network (e.g. a chamber of commerce or business improvement district)
- Civil society organisation (e.g. a union, faith group or community organisation)
- Citizens UK organiser or leader (if local chapter exists)

5.3. It is also a requirement of the Living Wage Foundation that participating organisations should be accredited living wage employers, or already paying the living wage and on the journey to accreditation.

5.4. In Manchester, the action group comprised senior leaders from anchor institutions and businesses who are living wage employers, who had previously engaged with the Council around social value and who demonstrated their commitment to this agenda through their corporate social responsibility practices. The anchors and businesses targeted to join the group were also those who had influence in their respective sectors.

5.5. In addition, sector champions were appointed based on their area of expertise and their capacity to support the development of the plan. For example, Factory International were appointed communications champion by the action group on the basis of their communications expertise and reach as a major cultural organisation in the city. The group in particular wanted to reach certain sectors where paying a living wage could have the greatest impact, such as hospitality and care.

5.6. The role of action group members is as follows:

- Lead Manchester's plans to become a Living Wage Place
- Lead on the development and implementation of Manchester's Living Wage Place Action Plan
- Set ambitious and achievable living wage targets for the city
- Set ambitious and achievable living wage targets for their respective sectors
- Advocate for the Living Wage and actively promote the living wage through communications activity to their own organisation, supply chain, wider sector and networks and across the city

5.7. The table below lists existing action group members, the sector they represent and where relevant, if they are a sector champion.

<b>Organisation</b>	<b>Role</b>
Manchester City Council	Public sector lead
The University of Manchester	Champion for Education and Public sector
Laing O' Rourke	Construction*

Greater Manchester Chamber of Commerce	Representative body for businesses
Bruntwood	Private Sector Champion (Property)
KPMG	Financial & Professional Services
Manchester International Festival (MIF)	Champion for Creative & Cultural and Communications Lead
Greater Manchester Mental Health NHS Foundation Trust	Health and Social Care
Manchester Community Central	VCSE Champion
Brighter Sound	SME Champion
One Manchester	Housing Champion
Unison	Trade Union Champion
Living Wage Foundation	Accrediting organisation
Citizens UK	Civil society

\*denotes those organisations who are living wage employers but who are working towards accreditation.

- 5.8. To lead the development of the three-year action plan, action group meetings took place on a six-weekly basis over a 10-month period, with the purpose of collectively agreeing targets and actions for inclusion in the action plan. The Living Wage Foundation also joined the action group in their role as partner and critical friend, helping the group to strengthen their targets and reaffirm their commitment to the development and delivery of the action plan.
- 5.9. Manchester also worked with colleagues from Salford City Council, who are further ahead on their living wage journey, to learn lessons and best practice from their experience.

## 6. Manchester's Living Wage Action Plan

- 6.1. Our Living Wage Action Plan sets out ambitious and realistic targets and actions to:
- Increase the number of accredited living wage employers
  - Increase the number of living wage workers
  - Increase the number of people receiving a pay rise as a result of living wage accreditation

### Targets

- 6.2. Targets were based on modelling work undertaken by the City Council's Performance and Research Team using data supplied by the Living Wage Foundation which allowed us to profile current accreditation growth, allowing us to consider the extra accreditations that the group could achieve and giving us an overall target.

6.3. The targets were adopted before the recent large increase in the Real Living Wage to £10.90ph, leading to some concern that many employers would struggle to meet the new real living wage. However, because UK Government has now also announced an increase in the national living wage to £10.42ph, we do not anticipate that this will be as significant an issue.

6.4. This table sets out the targets over the three years from the 2022 baseline:

<b>Metric</b>	<b>2022 Baseline</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
1. increase the number of accredited Living Wage employers whose main base is within Manchester <i>Date of data used for baseline</i>	162 15/03/2022	208	254	300
2. lift above the real Living Wage people employed or contracted by accredited Living Wage employers whose main base is within Manchester <i>Date of data used for baseline</i>	63,908 15/03/2022	82,055	100,202	118,348
3. Number of jobs uplifted to Real living wage from newly accredited Living Wage employers <i>Date of data used for baseline</i>	4,717 18/07/2022	6,056	7,396	8,735
4. increase the proportion of jobs in Manchester employed by accredited Living Wage employers whose main base is within Manchester. <i>Number of jobs in Manchester (BRES 2020 employees)</i>	15.7% 406,000	20.1%	24.4%%	28.8%
<b>Supporting Target</b>				
5. increase the proportion of Manchester residents paid the real Living Wage or above <i>Date of data used for baseline</i>	76.9% 2021 <i>provisional</i>	77.0%	77.2%	77.3%

## **Actions**

6.5. Actions were designed to promote the living wage in target sectors and with target employers, mainly those sectors and employers that would have the greatest impact due to the number of who would be people in scope for an increase in pay. Following best practice from other arears, the Living Wage Action Plan is divided into two sections:

### Strategic Framework

6.6. The Strategic Framework sets out the high-level priorities of the three-year action plan across the four key areas. They are:



- **Demonstrate leadership** - this includes implementing a strong governance structure to oversee the implementation of the plan as well as targets for low paying sectors such as social care and hospitality to increase the number of living wage employers.
- **Spread the word & open dialogue** – the communications strategy to promote and raise awareness of the Real Living Wage city wide to employers and residents.
- **Celebrate** – a high profile launch event in living wage week aimed at promoting the living wage to the city’s high-profile employers who are currently not accredited.
- **Evaluate & Innovate** - this includes collecting data over the three years to monitor the impact of the living wage.

### Living Wage Place Three Year Delivery Plan

- 6.7. The Strategic Framework is underpinned by a three-year delivery plan. The delivery plan which is based on the headings of the strategic framework and sets out in greater detail the key actions and priorities that need to be undertaken to meet the priorities set out in the strategic framework. The plan also includes who from the action group will undertake this activity and the year in which that activity is required to take place.
- 6.8. A key feature of the plan is the focus on low paying sectors. Both the action group and individual action group members have been tasked with supporting these sectors to increase the number of accredited living wage players. As well as supporting the city’s most vulnerable workers who are often women and people from ethnic minority backgrounds who tend to work in low paying sectors; the focus on these sectors will also help the city tackle in-work poverty.

### **Approval and adoption**

- 6.9. Once the targets and actions had been agreed by the action group, a detailed plan was drafted based on guidance and good practice examples provided by the Living Wage Foundation. The draft action plan was shared with the action group and the Living Wage Foundation for comment. This was subsequently finalised and submitted to the Living Wage Foundation at the beginning of the Summer.
- 6.10. The Living Wage Foundation welcomed and approved the three-year action plan making Manchester a Living Wage Place in September this year. Prior to formally granting Manchester Living Wage Place Recognition, all action group members were required to individually sign a license agreement which legally confirmed their commitment to the delivery of the city's three-year action plan.
- 6.11. Manchester’s achievement as a Living Wage Place was officially marked at a civic ceremony at full Council on 5 October 2022, followed by a celebration event held at Manchester Art Gallery on 15 November 2022. The city’s journey to achieving Living Wage Place recognition took approximately 12 months - the expected timescale for a place to gain living wage place recognition.

## **7. Next steps**

- 7.1. The next stage of Manchester's Living Wage journey is to implement the living wage action plan. To kickstart the delivery of the action plan, Year 1 of the action plan has been extracted from the main plan and has been developed into a project plan which sets each of the priorities, which action group members are responsible for delivering them together with the timescales for delivery.
- 7.2. Now that City Policy has completed work to develop the plan in partnership with our action group, implementation will be handed over to the Work and Skills Team who will take over responsibility for delivery. The Director of Inclusive Economy will remain as effective SRO. Meetings of the action group will restart early in the new year.

## **8. Conclusion**

- 8.1. The adoption of Manchester's Living Wage Action Plan and our recognition of becoming a Living Wage Place is an important step towards achieving some of our biggest strategic priorities. The work of the action group over the next three years will help move some of our residents towards and into more highly paid work, and there is a role for the city to play in supporting and promoting this work to ensure its ongoing success.
- 8.2. This work is complemented by other measures we are taking to invest in skills and careers pathways primarily via the city's Work and Skills Strategy, and builds upon the minimum standard established by the real living wage. It also contributes to wider work that we support on the GM Good Employment Charter.

## **9. Recommendations**

- 9.1. The Committee is recommended to:
  - (1) note Manchester's approach to increasing the number of residents being paid a real living wage.
  - (2) support the council in using all our levers, including procurement, land ownership, civic influence and place-based lead for health to increase the number of employers paying a real living wage.
  - (3) support our ambition to increase the number of residents being paid a real living wage by promoting this work through members' own contacts and networks.

## **10. Appendices**

- 10.1. None.