

Manchester City Council Report for Information

Report to: Resources and Governance Scrutiny Committee - 18 June 2019
Executive - 26 June 2019
Personnel Committee - 26 June 2019

Subject: Living Wage Accreditation

Report of: City Treasurer (Deputy Chief Executive)

Summary

This report provides an update on the report to Resources and Governance Committee in January 2019 regarding the Living Wage and the work that has been undertaken to assess the implications for the Council in considering potential accreditation as a Living Wage Employer. A detailed analysis of the Council's procurement and commissioning arrangements has been undertaken to support a successful application to the Living Wage Foundation to become accredited. Work has also been undertaken to understand the potential implications, financial and otherwise, of accreditation. The views of the Committee are being sought in advance of a formal decision to progress with accreditation via the Council's Executive and Council.

Recommendations

Resources and Governance Scrutiny Committee are asked to note and comment on this report which seeks approval for the Council to apply for accreditation as a living wage employer with the Living Wage Foundation.

The Personnel Committee and the Executive each recommend to the Council that Manchester City Council applies for accreditation with the Living Wage Foundation.

Wards Affected: all

Alignment to the Our Manchester Strategy Outcomes (if applicable)

| Manchester Strategy outcomes | Summary of how this report aligns to the Our Manchester Strategy |
|---|--|
| A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities | Accreditation as a Living Wage Employer and promotion of the real Living Wage to partners and suppliers across the city will support various strands of the Our Manchester strategy. In particular, this will support the development of a truly progressive and equitable city where lower paid |
| 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 | residents and workers receive improved pay to ensure they are able to benefit from the city's economic success. |
| 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 | |

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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.

Report to Resources and Governance Scrutiny Committee, 10 January 2019: *Living Wage Accreditation Update*

Report to Economy Scrutiny Committee, 11 March 2015: *Final Report and Recommendations of the Living Wage Task and Finish Group*

Report to Economy Scrutiny Committee, 30 September 2015: *Draft Living Wage Policy*

Manchester City Council Ethical Procurement Policy

1. Background and Context

- 1.1. Resources and Governance Committee received a report in January 2019 setting out the progress that has been made since the development of the Council's Living Wage Policy in 2015 and the potential implications of becoming an accredited Living Wage employer. Since that report, a Living Wage Accreditation Working Group has been established comprising officers from Finance, Human Resources and Organisational Development, Procurement and Commissioning, Communications, Legal Services and Policy. The group have liaised with the Living Wage Foundation to gain a fuller understanding of the process and have produced a Living Wage Implementation Plan to guide the preparation work.
- 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 is reviewed annually each November, with a current rate of £9 an hour outside of London.
- 1.3. A range of local authorities have now achieved formal accreditation as 'living wage employers'. In order to achieve this accreditation employers must:
 - Pay all directly employed staff the 'real' Living Wage
 - Pay regular third party contracted staff - such as cleaners and catering staff - the 'real' Living Wage. However, if it is not possible to move to the 'real' Living Wage straight away, this can be implemented in a phased approach by moving the contracts to Living Wage when possible. Each contract is included as a milestone in the Licence Agreement with the City Council.
- 1.4. This report summarises the recent work that has been completed to prepare the organisation for potential Living Wage accreditation and sets out the implications of accreditation in relation to workforce and budgets, procurement and commissioning and communications. Discussions are also taking place with Manchester Health and Care Commissioning (MHCC).

2. Manchester City Council as an employer

- 2.1. The nationally agreed 2019/20 pay award, implementation of which was endorsed by the Personnel Committee on 12th December 2018, has taken the minimum rate of pay for directly employed staff to £9.51 per hour¹ from 1st April 2019. This falls significantly above the current *real* Living Wage rate (£9 per hour, as announced in November 2018) and the statutory National Living Wage of £8.21 per hour from April 2019 which was announced by the Chancellor as part of the Autumn Budget 2018. The City Council's hourly minimum has been applied to agency staff and the agreed pay scale commended to schools across the city. The costs of implementing the pay award were factored into the Council's 2019/20 budget.

¹ Based on a 35 hour week.

- 2.2. Becoming Living Wage accredited requires the Council to ensure that its minimum rate of pay is at least equivalent to real Living Wage rate. The new rate is announced every November and accredited organisations have until 1st April the following year to implement the increases. This timescale is in line with existing processes and the Personnel Committee and Council would need to approve this as part of the annual Pay Award and associated Pay Policy Statement. Financial modelling of future rates of the real Living Wage have been undertaken, but it is impossible to predict the exact rate until it is revealed in November. For this reason, becoming accredited would create a degree of uncertainty about the overall increases in staff budgets beyond 2019/20 and whether this would remain in line with existing predictions. As noted above, the current minimum rate of pay is 51p above the Living Wage rate.
- 2.3. The Council is currently able to demonstrate that it is paying the real Living Wage to all directly employed staff and has a robust approval process in place to apply the increase on an annual basis ahead of the 1st April deadline.

3. Manchester City Council as a procurer and commissioner

- 3.1. Through its procurement policies and procedures the Council has been commending payment of the Manchester Living Wage (currently £9.00 per hour - the same rate as the real Living Wage) to its contractors and suppliers since 2016 and this is referenced in the Council's Ethical Procurement Policy. This means that the Council already has data to support the accreditation process. In addition, the Council has worked with the Centre for Local Economic Strategies (CLES) for over a decade on their 'Power of Procurement: towards Progressive Procurement' reports and an annual survey of the top 300 suppliers which now includes questions about the payment of the real Living Wage.
- 3.2. As referred to in the January report to Resources and Governance Committee, whilst the approach is intended to support a decent standard of living for individuals and their families, it recognises that paying the *real* Living Wage can be good for businesses as well and contribute towards a thriving community. There is a growing body of evidence demonstrating the business benefits of becoming a Living Wage employer. These are reported by the Living Wage Foundation and include increased retention and motivation of staff; improvements in recruitment and employee relations, and improvement in the wellbeing of individuals, as well as having a positive impact on an organisation's reputation.
- 3.3. A full review of contracts has been undertaken by the Living Wage Working Group to ascertain how many of the Council's contractors have committed to paying the real Living Wage.
- 3.4. The analysis of the City Council's contracts has been broken down into:
- i. Contracts that are already paying the Manchester Living Wage;
 - ii. Future commitment to the Manchester Living Wage.

- 3.5. Overall the value of the City Council's contracts, including framework arrangements, total around £0.5bn, the majority (c£0.3bn) are contracts where the suppliers committed to paying the Manchester Living Wage as part of their tender and fall into category (i) above.
- 3.6. Contracts included within the category of "future commitments to the Manchester Living Wage" include new requirements that have not been put to the market before and contracts that were let before Manchester Living Wage response was part of the tender process. The details of these contracts are currently being finalised and there may be some that will be compliant on further investigation.
- 3.7. For completeness, the City Council has also provided a list of payments which are considered out of scope and includes allowances for foster care and adoption, services provided under grant (which are not part of procurement processes) and allowances to individuals for personal budgets.
- 3.8. In line with the requirements of accreditation, a clear plan will be put into place to review the contracts which are categorised as a future commitment to the Living Wage and these will be addressed on an ongoing basis as they become due for renewal.
- 3.9. The Living Wage Foundation are fully aware of some of the challenges that certain sectors, particularly Social Care related services, are facing and the funding pressures on local authorities. They are committed to working with local authorities in a pragmatic way for these arrangements as they come up for renewal or review. The Council already sets aside funding to meet requirements of increases in the National Living Wage. However, it is estimated that for Manchester's residential and nursing care contracts there may be a requirement for further employer spending of around £3m to take all staff to the level of the *real* Living Wage.
- 3.10. The feedback to date from the Living Wage Foundation has been positive and there is a good working relationship with the Foundation who will support the City Council through the process.

4. Manchester City Council as an influencer

- 4.1. Accreditation as a Living Wage employer and promotion of the real Living Wage to partners and suppliers across the city will support various strands of the Our Manchester Strategy. In particular it will support the development of a '*Progressive and Equitable*' city where residents benefit from our economic success. The Our Manchester Strategy contains a specific high level ambition to "Ensure everybody is paid at least a real living wage".
- 4.2. The Council would be joining a number of other high profile employers in the city and city region, including the University of Manchester who recently became the 500th Living Wage accredited organisation.
- 4.3. The Greater Manchester Living Wage Campaign is a local campaigning organisation which aims to create a 'Living Wage Zone' in Greater Manchester. The Campaign is part of Greater Manchester Poverty Action (GMPA) which is a

not-for-profit organisation that works to address poverty across the city region. The Council works closely with GMPA on the implementation of the Manchester Family Poverty Strategy and is one of their 'Principal Partners'.

- 4.4. There will be an opportunity for the Council to promote the standard during Living Wage week in November 2019 during which the new rate will be announced. The Living Wage Foundation logo and branding can also be used on digital and hard copy communication materials.
- 4.5. A plan will be developed to raise awareness of, and celebrate, the accreditation amongst a wide range of audiences including: staff; residents; suppliers and employers.
- 4.6. Consideration of a supplier's payment of the living wage is embedded within the Council's procurement processes and a proactive approach will continue to be taken to commend suppliers and contractors to pay the Living Wage. This will be taken into account as part of the assessment of Social Value within the tendering process. The City Council will use its influence, where possible, to recommend that other Manchester organisations, partners and organisations implement Living Wage policies and commit to becoming Living Wage employers.

5. Conclusion

- 5.1. Accreditation as a Living Wage Employer would be a positive next step flowing from the development of the Council's Living Wage Policy in 2015. As an accredited employer, the Council would have increased credibility in commending this rate of pay to its partners across the city which would support the aims of the Living Wage Foundation and the Our Manchester Strategy.
- 5.2. Work over recent years and the evidence gathered during the past few months has shown that the Council is in a strong position to successfully meet the initial accreditation threshold. Although there is no immediate cost to accreditation, there are some potential medium and long term financial considerations, both in terms of continuing to assure this rate of pay to directly employed staff and, in some cases, reflecting the impact on commissioning budgets to enable the real Living Wage rate to be paid.
- 5.3. The Council will need to be prepared to mitigate the risks associated with these challenges and will need to work with contractors to identify how they can be compliant but without passing additional costs onto the Council. Where cost does pose a significant barrier to compliance, the Living Wage Foundation will work with us to develop a pragmatic way forward.

6. Recommendations

- 6.1. The recommendations appear at the front of this report.

Appendix A - Minimum Wage Rates

| Pay Rate | Definition of Cohort | Hourly Pay (2019/20) | Review Approach | Apprentice Rate (20-19/20) |
|--|--|------------------------------------|---|----------------------------|
| National Minimum Wage (Statutory) | Workers aged 21 and over | £7.70 | Recommended by the Low Pay Commission within a remit to raise pay as high as possible without damaging employment prospects. | £3.90 ² |
| | Workers aged 18 to 20 | £6.15 | | |
| | Workers under the age of 18 | £4.35 | | |
| National Living Wage (Statutory) | Workers over 25 | £8.21 | Recommended by the Low Pay Commission. The Government has set a target for it to reach 60 per cent of median earnings by 2020. The Commission's remit is to make recommendations that reach the target, subject to 'sustained economic growth'. | N/A |
| 'Real' Living Wage (Living Wage Foundation)³ | All workers (a higher rate is applicable for London) | £9.00 (announced November 2018) | This is an aspirational wage which is announced every November by the Living Wage Foundation. The 'real' Living Wage is a voluntary rate of pay set by the resolution foundation based on the real cost of living; what people need to meet their basic everyday needs. | N/A |
| Manchester Living Wage⁴ (Local) | Commended via contracts and to partners | £9.00 (as of April 2019) | 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 'real' Living Wage at the time. | £9.00 |
| Lowest pay for directly employed staff | All directly employed staff, agency staff and commended to schools | £9.51 ⁵ | | £9.51 |

² 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.

³ The rate is set each November with organisations allowed 6 months to comply. The current 'real' Living Wage rate of £9.00 was announced in November 2018.

⁴ Previously known as the Manchester Minimum Wage - this will be at least equivalent to the real Living Wage of £9.

⁵ 51p greater than the Manchester Living Wage / Foundation Living Wage reflective of nationally agreed NJC pay award.