

**Manchester City Council  
Report for Information**

**Report to:** Resources and Governance Scrutiny Committee – 10 January 2019

**Subject:** Living Wage Accreditation Update

**Report of:** City Treasurer

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**Summary**

This report provides an overview of background information for the Council in considering potential accreditation as a living wage employer.

**Recommendations**

Members are asked to note and comment on this report.

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**Wards Affected:** All

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**Alignment to the Our Manchester Strategy Outcomes (if applicable):**

<b>Manchester Strategy outcomes</b>	<b>Summary of how this report aligns to the Our Manchester Strategy</b>
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 <i>livable</i> and <i>equitable</i> City where residents benefit from our <i>economic success</i> which, in turn, will support <i>sustainability</i> .
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	

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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 Economy Scrutiny Committee, 11 March 2015: *Final Report and Recommendations of the Living Wage Task & 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. The City Council has, for a number of years, recognised and encouraged the need for a minimum level of pay, not only for its own staff but also for the business community in general. 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.
- 1.2. 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 truly livable and equitable City where residents benefit from our economic success and which, in turn, supports sustainability.
- 1.3. There is an opportunity for the City Council to become Living Wage accredited, which may encourage others to adopt this standard, and this report outlines the process and considerations.

## **2. National Context: The 'Real' Living Wage**

- 2.1. The real Living Wage is a voluntary rate of pay announced annually by the Living Wage Foundation and is based on an independent assessment of the real cost of living based on a number of indicators, including goods and services, which represent what people need to meet their basic everyday needs. This is distinct from the National Living Wage which is, in essence, a statutory minimum rate for workers age 25 and over and the National Minimum Wage, a statutory minimum rate of pay for workers age 21 and over. The table appended summarises the various minimum pay rates.
- 2.2. The 'real' Living Wage has grown in prominence over recent years and a range of local authorities including Birmingham, Cardiff and Salford 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
- 2.3. If it is not possible to move these staff members 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 Foundation.

## Manchester Context

- 2.4. The Council developed a formal Living Wage Policy in September 2015, following work by a Task and Finish Group of Members from across the Resources and Governance and Economy Scrutiny Committees. The overarching objective of the Policy is set out below:

*The aim of this policy is to ensure that Manchester City Council employees, current and potential contractors and suppliers, and Manchester based employers are fully aware of the City Council's commitment to the Living Wage. The City Council firmly believes that increasing the number of people being paid at least the Living Wage will make a significant contribution to supporting residents out of poverty and reducing dependence on in work benefits. The City Council is also committed to the responsible management of its resources and is clear that the payment of the Living Wage by its suppliers and contractors must not result in any increased costs.*

- 2.5. In developing the Policy, Members noted the strong historic work in this area, including through the development of the Manchester Minimum Wage in 2009 as a locally agreed minimum rate of pay commended to suppliers and partners which had, in recent years, been aligned with the real Living Wage level.

- 2.6. The following points from the City Council's Living Wage Policy are worthy of note:

- The Manchester Minimum Wage will be renamed the *Manchester Living Wage* as long as its value remains at least equal to the real Living Wage;
- All Manchester City Council employees (with the exception of new starters on probation and apprentices) will be paid at least the Manchester Living Wage. The Manchester Living 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 (now known as the real Living Wage);
- Existing suppliers and contractors will be encouraged to implement the Living Wage without any increased cost to the City Council;
- The requirement to pay the Living Wage in tenders will be assessed on a case-by-case basis;
- Payment of the Living Wage will be embedded within the 'social value' element of relevant tender evaluations.

- 2.7. At the time of writing the Policy, Members agreed that the Council should implement the Living Wage as far as it possibly could, using the criteria of accreditation as a guide. Members recommended that, once the Council has the strongest possible policy for Manchester's low wage residents, the Council should determine whether this would meet the criteria for accreditation, and make a judgement as to whether the Council would be able to remain accredited over a reasonable period of time.

- 2.8. Since the development of the Living Wage Policy directly employed Council staff have continued to be paid at least the 'real' living wage and this rate of pay has been strongly commended to partners and our suppliers in line with the Council's Ethical Procurement Policy.
- 2.9. The organisation's commitment in this area has been further demonstrated in October 2017 when the Council signed UNISON's Ethical Care Charter which included a commitment to pay workers in the Care Sector the 'real' Living Wage. In 2018/19 provision was made within the commissioning budget for Homecare in support of this to assure payment of the real Living Wage to staff employed by providers here in-line with the Council's ethical care charter commitment.
- 2.10. The Council is also reviewing the other construction related national agreements, where relevant, and working towards the Unite Construction Charter which will commit the organisation to pay workers in this sector at the real Living Wage rate as a minimum, with proposals to be presented to Council in January.

### **3. Considerations in Becoming a Living Wage Accredited Employer**

#### **The Employed Workforce**

- 3.1. Implementation of the 2019/20 pay award, as agreed by Personnel Committee, will take the minimum rate of pay for directly employed staff to £9.51 per hour<sup>1</sup>, which falls significantly above the current real Living Wage rate (£9 per hour as announced in November 2018) and the National Living Wage of £8.21 per hour from April 2019 which was announced as part of the Autumn Budget 2018. This hourly minimum will also be applied to agency staff and commended to Schools across the City. The costs of implementing the pay award are already factored into the Council's 2019/20 budget.
- 3.2. The Council's standard 35 hour working week means, in effect, the hourly pay rate for staff in Manchester in April will be 51p per hour greater than the majority of local authorities, which operate a standard 37 hour working week and would see an hourly rate of pay of £9.00 per hour as opposed to Manchester's £9.51. In future years, it is possible that the nationally agreed minimum rate of pay for local authority staff will fall below the real Living Wage rate, the degree and speed with which this will happen within individual local authorities will be influenced by the standard working week adopted. Should the position here shift it would be necessary to fund supplements to the lowest pay points as has been done previously in order for the Council to continue to pay the real Living Wage rate, in line with its policy commitment.
- 3.3. In terms of the employed workforce there are no significant short-term issues which would likely impact real Living Wage accreditation. However, whilst financial modeling of the future rate of the real Living Wage does take place, it is hard to predict this to any degree of certainty. Therefore, in taking any

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<sup>1</sup> Based on a 35 hour week.

decision there would, inevitably, be some degree of uncertainty about the potential future costs in terms of staff budgets beyond 2019/20.

### **The Commissioned Workforce**

- 3.4. As noted above, the Council does not need to assure real Living Wage payment via contracts from day one in order to achieve accreditation, but it must set out a clear plan to achieving this, usually over a three year period. This aligns with legal advice previously received that it would not be lawful to 'impose' a minimum level of pay across all contractual arrangements *en masse*, but rather that any change here should be considered and implemented on a case-by-case basis and particularly as contracts come up for review.
- 3.5. Therefore, if the Council is to seek accreditation a programme of contract review would be needed, linked to re-tendering timescales. Through this process the Council would need to work with its providers to, in as much as possible, assure payment of the real living wage to those engaged to work on areas where the City Council has contracted out the service provision to a third party. This would build on a number of areas where assurances are already in place in line with the Council's Ethical Procurement Policy. The Living Wage Foundation would work closely with the Council here, and recognises that in some sectors, particularly Social Care related services, there are sometimes broader issues of the market that provide a challenge and that local solutions may not be readily achievable in the short term. - There may well be significant financial challenges here it it will be important that the approach to contract review is effectively phased and prioritised.
- 3.6. Officers met with representatives from the Living Wage Foundation in December and are currently in the process of providing information on current key contracts as a basis for further discussions should the Council seek to progress towards formal accreditation. Once complete, and the implications fully understood including potential financial considerations, officers will bring forward proposals for Member approval.

## **4. Conclusion**

- 4.1. Accreditation as a Living Wage employer would be a potential 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 both support the aims of the Living Wage Foundation and the City's Our Manchester Strategy.
- 4.2. Based on work over recent years the Council is in a strong position to successfully meet the initial accreditation threshold. However, it will be important that before making any commitment here, thought is given to the potential medium and long term financial consequences, 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. The Council will continue to commend the living wage and work with contractors to identify how they can meet such costs.

- 4.3. It will also be important that the views of our key partners, in particular those in the health and social care system, are taken into account given the interconnection of both workforce and commissioning arrangements here.
- 4.4. Officers will continue discussions with the Living Wage Foundation over the coming weeks in relation to potential accreditation with a view to bringing forwards any proposals by the new financial year.
- 4.5. Comments on the detail provided above are welcome.

## **5. Recommendations**

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