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**Manchester City Council  
Report for Resolution**

**Report to:** Economy Scrutiny Committee – 11 March 2015  
Finance Scrutiny Committee – 12 March 2015

**Subject:** Final Report and Recommendations

**Report of:** Living Wage Task and Finish Group

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**Summary**

This report presents the findings, conclusions and recommendations of the Living Wage Task and Finish Group. The Task and Finish Group carried out an investigation into how the Council can introduce the Living Wage in the Council and Manchester.

**Recommendations:**

1. To recommend that the Council develop a Living Wage Policy, which reflects the findings and conclusions of the Task and Finish Group. To request that the draft policy is submitted to the Economy and Finance scrutiny committees for consideration.

***Manchester City Council as an employer***

2. To recommend that if and when there are any discussions around the pay structure of Council employees, either specific to the Council or in terms of national pay negotiations, the Living Wage is considered within any new pay structures that result.
3. To recommend that – in line with the Council's ambitions for career progression – the Council ensures that its employees on the lowest grade have access to training, learning and development to support them to progress up the pay scale, and to ensure that higher skills result in higher pay.

***Manchester City Council as a procurer and commissioner***

4. To recommend that the Living Wage Policy ensures that contractors do not pass on any increased costs to the Council.

To recommend that the Living Wage Policy, as a baseline, requires the Council to consider the payment of the Living Wage for all contracts as part of the social value element of tender evaluation, and that its weighting is set at a level significant enough to ensure it influences contractor behaviour.

To recommend that the Living Wage Policy also allows the Council to reserve the right to require the payment of the Living Wage in its contracts on a case-

by-case basis, and that all available evidence is used to require all contractors which can afford to pay it to do so.

To ensure the Council has all the information it is entitled to hold on its contractors in respect of pay and conditions; to look at the level of information other councils hold in order to inform this, and monitor the impact of this policy on contractors.

5. To recommend that the Council's approach to the Living Wage is reviewed in time to inform the budget-setting process, and that it considers the payment of the Living Wage to all directly employed staff as the baseline – i.e. that any deviation from this requires explanation.
6. To recommend that the Health and Wellbeing Board consider the Living Wage as part of its focus on working with employers to promote healthy workplaces.

### ***Manchester City Council as an influencer***

7. To recommend that members and officers take more of a leadership role in promoting the core aims of the Council to employers in the city. To recommend that this includes promoting the Living Wage and healthy work principles to organisations at which members and officers represent the Council, such as schools and housing providers.
8. In developing the Policy, to use the term "Manchester Living Wage", provided that this is equal to the Living Wage hourly rate set by the Living Wage Foundation for outside London.

To recommend that officers work with the Executive Member with responsibility for communications to develop a Communications Strategy to promote the Living Wage.

To recommend that the Communications Strategy includes how the Council can signpost organisations to information on introducing the Living Wage, and especially promotes the business case for paying a Living Wage.

To recommend that all current and potential contractors are informed about the priority the Council affords to the Living Wage, and the details of the Living Wage Policy.

To recommend that the work that the Council does to promote social good in the city is better publicised, so that employers and residents understand what the Council stands for.

### ***General***

9. To recommend that these recommendations be submitted to the Economy Scrutiny Committee and the Finance Scrutiny Committee for consideration, and that these committees monitor the progress of all elements of this policy and the implementation of these recommendations.

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**Wards Affected:** All

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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 the officer above. **None**

**Appendices:**

**Appendix 1** – Full text of the Council motion on the Living Wage

**Appendix 2** – Map of percentage of households in Manchester earning less than £20,000 per year

**Appendix 3** – Terms of Reference of the Subgroup

**Appendix 4** – Work Programme of the Subgroup

## **1.0 Introduction**

1.1 In March 2014, the Council carried a motion supporting the principle of introducing a Living Wage for all of the Council's directly and indirectly employed staff, including staff employed by the Council's contractors and sub-contractors, and employees in the city's schools. The full text of the Council motion is attached at Appendix 1.

1.2 The Council agreed to launch a member led Task and Finish Group to oversee the implementation of the Living Wage, and determine:

- if the Council can require contractors to pay a Living Wage on a case-by-case basis for all existing and future contracts;
- whether the Council should apply for accreditation from the Living Wage Foundation; and
- how the Living Wage can be extended out across Greater Manchester

1.3 The Task and Finish Group also agreed from the outset that the introduction of the Living Wage would be done in a way that does not cost the Council any additional funds. The Council has undergone significant budget reductions in recent years and any increase to pay for the Living Wage would have to be found elsewhere, which the Task and Finish Group consider to be unacceptable.

1.4 It was decided that the scrutiny process was the most appropriate means by which to carry out this investigation. The themes of the Task and Finish Group relate to both the Finance Scrutiny Committee, in terms of human resources and procurement, and the Economy Scrutiny Committee, in terms of how to encourage organisations across the city to adopt the living wage and the long term benefits of doing so. It was therefore agreed that the Task and Finish Group would be jointly established by the two committees. Members of the Task and Finish Group were drawn from both committees.

## **2.0 Membership**

2.1 The membership of the Task and Finish Group was:

Councillor Hackett  
Councillor Moore  
Councillor N Murphy  
Councillor Raikes (Chair)  
Councillor Russell  
Councillor Simcock

## **3.0 Objectives**

3.1 The objectives and key lines of enquiry were agreed by the Economy and Finance Scrutiny committees at their August 2014 meetings. The full terms of reference are attached at Appendix 3 to this report.

3.2 The objectives of the Task and Finish Group were:

1. To determine how the Council as an employer and procurer of services can maximise the number of people in the city earning the Living Wage.
2. To develop an understanding of how other authorities have introduced a Living Wage and identify the best model for introducing a Living Wage in Manchester.
3. To develop a step by step plan to implement the Living Wage in all of Manchester's schools, the Council's contractors and sub-contractors as soon as is practicable.
4. To establish a strong social and economic case of the benefits that introducing a Living Wage will bring to the city, which links to the Council's strategic priorities.
5. To ensure that the introduction of a Living Wage will continue to be meaningful in the long term and resilient to changes in national policy and legislation.

#### **4.0 Key Lines of Enquiry**

##### **4.1 The key lines of enquiry identified were:**

1. To gain an understanding of the background in introducing a Living Wage and its applicability in Manchester. To also understand the legal and financial implications of introducing a Living Wage in Manchester.
2. To consider examples of other local authorities who have introduced a Living Wage, and how their models and experiences could be applied in Manchester.
3. To determine what measures need to be taken to introduce a Living Wage in Manchester for the Council's directly and indirectly employed staff.
4. To determine what measures need to be taken to introduce a Living Wage in Manchester for organisations that the Council procures services from and commissions to provide services.
5. To gain an understanding of the wider economic impact on businesses of adopting a Living Wage.
6. To determine how the Council can act to influence other organisations in the city to introduce a Living Wage, including the private, public and third sectors.
7. To determine the legal implications of introducing a Living Wage, with particular reference to contracts for services that the Council procures.

#### **5.0 Meetings**

5.1 The Task and Finish Group held four substantive meetings. The full detail of what it considered at each meeting can be found in the work programme, attached at Appendix 4.

Meeting Date	Focus
Thursday 18 September 2014	Background Best Practice
Wednesday 8 October 2014	Procurement and Commissioning
Wednesday 5 November 2014	Employment Schools
Monday 1 December 2014	Healthy Work Wider Economic Impact Plan for how to implement and the long term impact

## 6.0 What is the Living Wage?

6.1 The Living Wage is an hourly rate set independently and updated annually. The rate is calculated according to the basic cost of living in the UK. Employers choose to pay the Living Wage on a voluntary basis.

6.2 The Living Wage is independently calculated by Loughborough University and the Joseph Rowntree Foundation. It is then set by the Living Wage Foundation, which works with employers to help them introduce the Living Wage. Employers could seek accreditation from the Living Wage Foundation. In November 2014, the current Living Wage for outside London rose to £7.85 per hour.

6.3 Research from New Economy estimated that 47,000 workers in Manchester are paid below the Living Wage (at the time this was £7.65), and the Resolution Foundation show that the majority of those affected by low pay are women, and workers in hotels & restaurants, wholesale & retail and admin & support services.

6.4 The annual increase in the Living Wage cannot exceed more than 2% above average earnings. The possible rise in the Living Wage has been calculated as below, based on potential increases in average earnings:

		2014	2015	2016	2017	2018
<b>Living Wage</b>		£7.85				
<b>If increase in average earnings is 0.5%</b>	0.005		£8.05	£8.25	£8.45	£8.66
<b>If increase in average earnings is 1%</b>	0.01		£8.09	£8.33	£8.58	£8.84
<b>If increase in average earnings is 1.5%</b>	0.015		£8.12	£8.41	£8.70	£9.01

6.5 In order to be accredited as a Living Wage Employer, employers have to commit to paying their employees, including those employed through their contractors, the Living Wage, or commit to an agreed timetable or implementation to do so. Employers also commit to introducing the annual rise in the Living Wage within six months of its announcement.

6.6 In 2008 the Council introduced the Manchester Minimum Wage for all directly employed staff, which it reviews annually. From 2012, it was agreed that the Manchester Minimum Wage would not apply to new starters during their probation period. From April 2014 the Manchester Minimum Wage was equal to the Living

Wage, until the Living Wage was raised in November 2014, and the Personnel Committee in February 2015 agreed to update this to £7.85 – the new Living Wage rate.

## **7.0 Overarching considerations**

*Relevant Objectives:*

- 2. To develop an understanding of how other authorities have introduced a Living Wage and identify the best model for introducing a Living Wage in Manchester*
- 6. To establish a strong social and economic case of the benefits that introducing a Living Wage will bring to the city, which links to the Council's strategic priorities.*

*Relevant Key Lines of Enquiry*

- 1. To gain an understanding of the background in introducing a Living Wage and its applicability in Manchester. To also understand the legal and financial implications of introducing a Living Wage in Manchester.*
- 2. To consider examples of other local authorities who have introduced a Living Wage, and how their models and experiences could be applied in Manchester.*

7.1 The Task and Finish Group spent its first meeting considering the background to the Living Wage, best practice in other organisations, particularly local authorities, and the economic case for introducing the Living Wage. Members of the Group received a considerable amount of background information at its first meeting, including academic papers, policy briefings and guidance.

7.2 The Executive Member for Finance and Human Resources gave his support to the principle of the Living Wage, but given the financial situation of the Council raised concerns around its cost and sustainability. The group agreed that the investigation must work within these limitations.

7.3 A number of guests and expert witnesses attended this meeting and gave their views and advice on the background of the Living Wage and the economic case for it. They were:

- Tom Skinner, Living Wage for Greater Manchester Campaign
- Stephen Overell, New Economy,
- Allan Wort, Equality North West and Benjamin Irvine, Steady State Manchester
- Professor Damien Grimshaw, University of Manchester

7.4 Some of the key points they raised were:

- The Living Wage fits with the strategic priorities of the City, particularly the Family Poverty Strategy, and that this agenda is one of the political priorities of the Deputy Leader.
- As well as those directly receiving higher pay, the Living Wage would have a broader economic impact, as money paid to low earners was more likely to go back into the local economy, as they were more likely to spend it and to live locally.
- That low pay is a particularly bad in Greater Manchester, relative to the UK as a whole – which itself has a problem with low pay relative to other countries.

- Some of the costs of introducing the Living Wage in an organisation would be offset by other benefits, including higher productivity, lower sickness rates and reduced staff turnover – in many cases the benefits outweigh the costs
- Low pay was complex, and all staff benefits should be taken into account in determining the total reward for employees.
- Employers must consider the impact on those above the lowest paid if the lowest paid are brought in line with their salary.

7.5 The Group considered different ways that other local authorities had introduced the Living Wage and what the best model for Manchester would be.

- Salford City Council - Samantha Betts, Head of Workforce Strategy at Salford City Council, attended the meeting and explained that Salford Council had introduced Living Wage as part of a comprehensive job evaluation and restructure, which meant that it was cost neutral. Salford Council also had the Mayor's Employment Charter, with 10 commitments, one of which was paying the Living Wage, which employers in Salford were encouraged to sign up to.
- Islington Council became an accredited Living Wage employer in March 2012, and is a leading example of how this can be done through requiring the payment of a living wage in its contracts.

7.6 The Task and Finish Group conclude that the Council should implement the Living Wage policy as far as it possibly can, using the criteria of accreditation as a guide. 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. At that point, a decision should be made as to whether the Council should seek accreditation. If the decision is to not seek accreditation, the status should be reviewed annually.

#### **Recommendation 1**

To recommend that the Council develop a Living Wage Policy, which reflects the findings and conclusions of the Task and Finish Group. To request that the draft policy is submitted to the Economy and Finance scrutiny committees for consideration.

### **8.0 Manchester City Council as an Employer**

*Relevant Objectives:*

*3. To develop a step by step plan to implement the Living Wage in all of Manchester's schools, the Council's contractors and sub-contractors as soon as is practicable.*

*Relevant Key Lines of Enquiry:*

*1. To gain an understanding of the background in introducing a Living Wage and its applicability in Manchester. To also understand the legal and financial implications of introducing a Living Wage in Manchester.*



*3. To determine what measures need to be taken to introduce a Living Wage in Manchester for the Council's directly and indirectly employed staff.*

8.1 The Task and Finish Group considered the implications and steps the Council would have to take to implement the Living Wage in detail for its own employees.

8.2 Manchester Council's Pay Policy, agreed in 2005, sets out ten locally agreed grades containing a range of Spinal Column Points (SCPs). SCPs correspond to the rates of pay set by the National Joint Council for Local Government Services. Manchester Council has committed to remain within the NJC framework.

8.3 The Group heard evidence from officers and other contributors about the challenges and potential solutions to implementing a living wage for Council employees:

- Moving employees on the lowest wages to a higher grade in order to pay them the Living Wage could in some cases cause disaffection among employees on the higher grades, as their jobs have been rated as distinct using the NJC job evaluation scheme.
- However, this could be circumvented by providing training and development to the employees who were being moved up the scale, so as to ensure their skills were commensurate with the grade they were on.
- Care should be taken with implementation so as to ensure the Council does not leave itself open to equal pay claims.
- In the long term, if the Living Wage increases outstrip the NJC framework, at some point the Council would need to review its pay grades to accommodate the increases in the Living Wage, which is a significant and costly piece of work.
- However, the annual increase in the Living Wage cannot exceed 2% above average earnings, and so any future review of the pay grades could be future-proofed to ensure that the Living Wage is embedded for the long-term.

8.4 The Task and Finish Group also recognised that the main challenge to introducing the Living Wage was the Council's financial circumstances. The Executive Member for Finance and Human Resources has committed to including consideration of the introduction of the Living Wage for City Council employees in the 2015/16 budget setting process.

**Recommendation 2**

To recommend that if and when there are any discussions around the pay structure of Council employees, either specific to the Council or in terms of national pay negotiations, the Living Wage is considered within any new pay structures that result.

**Recommendation 3**

To recommend that – in line with the Council's ambitions for career progression – the Council ensures that its employees on the lowest grade have access to training,

learning and development to support them to progress up the pay scale, and to ensure that higher skills result in higher pay.

## 9.0 Manchester City Council as a procurer and commissioner

### *Relevant Objectives:*

*3. To develop a step by step plan to implement the Living Wage in all of Manchester's schools, the Council's contractors and sub-contractors as soon as is practicable.*

### *Relevant Key Lines of Enquiry:*

*4. To determine what measures need to be taken to introduce a Living Wage in Manchester for organisations that the Council procures services from and commissions to provide services.*

*7. To determine the legal implications of introducing a Living Wage, with particular reference to contracts for services that the Council procures.*

9.1 The Task and Finish Group dedicated its second meeting to considering the best way to introduce the Living Wage to the Council's contractors. The Group discovered that this is an extremely complicated area with complex legal and financial implications.

9.2 The Group heard from the following guests who offered their advice and experience of this:

- Neil Fairlamb, Sport Strategic Lead, explained how the Council had awarded the Community Leisure Contract to an organisation which paid the Manchester Minimum Wage, by agreeing from the outset that the decision would be weighted on various elements beyond cost and service provision. This included a number of Council priorities, including hiring Manchester residents and paying the Manchester Minimum Wage - the contract did not require the organisation to pay the Manchester Minimum Wage, but those that did so received a higher score as part of the social value criteria. This can be enforced by the Council.
- Andy Roberts, Salford City Council, talked about the actions Salford Council had taken since signing up for Living Wage accreditation. Salford Council had received independent legal advice that insisting in contracts that staff must be paid the Living Wage is risky and open to legal challenge under European procurement laws. Salford Council had nevertheless received accreditation by encouraging contractors to pay the Living Wage.
- Dr Aristeia Koukiadaki, of the University of Manchester, and author of a published academic paper on the Living Wage in procurement, explained the position of local government procurement and commissioning within the context of European Law. She said that the ruling of the Ruffert case – which is the main case cited in opposition to Living Wage requirements in contracts – is not supported by wider evidence, and that public authorities in the UK had found ways of going beyond voluntary arrangements with their contractors.

She suggested also that the best chance of a government organisation requiring its contractors to pay the Living Wage was to link it to the performance of the contract, rather than in the tendering or awarding process.

- Matthew Jackson, of the Centre for Local Economic Strategies (CLES), gave an overview of research CLES had carried out on the impact that local authority procurement had on the local economy. He also noted that if the Living Wage was widely adopted, one of the biggest beneficiaries would be the Treasury, but that the Council should look into claiming this back for example through a process similar to City Deals.

9.3 The Group discussed in depth the threat of legal challenge with the officers and experts present:

- The group received advice from the Council's legal representative echoing the advice Salford Council had received: that it was not lawful to require contractors to pay the Living Wage, but it could be encouraged.
- However, officers agreed that the probability of being challenged was abstract and very unlikely: that many of the Council's activities were open to legal challenge; that no other local authorities had been subject to such a challenge; that few contractors would wish to challenge the Council in this way; and that in the worst case scenario, the Council would merely have to re-tender that contract.
- The Group considered this advice, along with academic research and other advice it had received and concluded that it did not believe there was a compelling legal reason that the Council could not require contractors to pay the Living Wage.

9.4 The group discussed in depth the financial implications of requiring a Living Wage of its contractors:

- Officers estimated that – in the hypothetical situation that the Council apply the Living Wage to all contracts immediately, and absorb all of the cost – the worst case scenario would be a cost of £11m.
- This figure was immediately revised down significantly to account for the rise in the National Minimum Wage. It was also acknowledged that some contractors – even in social care – absorb increases in the National Minimum Wage and do not pass these on at all to the Council, and that there should not be an assumption that the Council would absorb any – certainly not all – of the cost incurred by requiring its contractors paying a Living Wage.
- The group re-affirmed that whichever policy it recommends in this area could not cost the Council, but that other authorities have managed to require their contractors to pay a living wage on a case by case basis without incurring the cost themselves, in many if not all of the contracts they require it of (such as in Islington).

9.5 The focus shifted to social care contracts, which tend to involve a lot of low paid staff and are under extreme financial pressure. The Group also noted that social care employees were disproportionately women, and it would be unacceptable draw a distinction in the procurement policy between these types of contracts and potentially unlawful in terms of gender equality.

9.6 The Group considered the financial implications for procurement and commissioning. Members emphasised that the introduction of the Living Wage into contracts should not result in the Council increasing what it spent on contracts.

#### **Recommendation 4**

To recommend that the Living Wage Policy ensures that contractors do not pass on any increased costs to the Council.

To recommend that the Living Wage Policy, as a baseline, requires the Council to consider the payment of the Living Wage for all contracts as part of the social value element of tender evaluation, and that its weighting is set at a level significant enough to ensure it influences contractor behaviour.

To recommend that the Living Wage Policy also allows the Council to reserve the right to require the payment of the Living Wage in its contracts on a case-by-case basis, and that all available evidence is used to require all contractors which can afford to pay it to do so.

To ensure the Council has all the information it's entitled to hold on its contractors in respect of pay and conditions; to look at the level of information other councils hold in order to inform this, and monitor the impact of this policy on contractors.

#### **Recommendation 5**

To recommend that the Council's approach to the Living Wage is reviewed in time to inform the budget-setting process, and that it considers the payment of the Living Wage to all directly employed staff as the baseline – i.e. that any deviation from this requires explanation.

#### **Recommendation 6**

To recommend that the Health and Wellbeing Board consider the Living Wage as part of its focus on working with employers to promote healthy workplaces.

### **10.0 Manchester City Council as an influencer**

*Relevant Objectives:*

*4. To establish a strong social and economic case of the benefits that introducing a Living Wage will bring to the city, which links to the Council's strategic priorities.*

*Relevant Key Lines of Enquiry:*

*5. To gain an understanding of the wider economic impact on businesses of adopting a Living Wage.*

*6. To determine how the Council can act to influence other organisations in the city to introduce a Living Wage, including the private, public and third sectors.*

10.1 A key part of the Group's focus went beyond the direct employees of the Council and its contractors, to how the Council could influence employers across the

city to introduce the Living Wage. The Group concluded that focusing on the financial benefits to the employer was the best way of encouraging more organisations to introduce the Living Wage.

10.2 The Group heard from the following organisations on this:

- Sara Saunby, of Salut Wines, an accredited Living Wage employer. She emphasised the benefits of paying the Living Wage, including loyal, high quality staff, and that the business had not had to compromise in any other areas to accommodate the cost.
- Christian Spence of the Chamber of Commerce, which represented employers from all sectors across Greater Manchester and was also an accredited Living Wage employer. He suggested that a barrier to employers introducing a Living Wage was just as likely to be lack of understanding or ability to pay, rather than unwillingness.

10.3 The Task and Finish Group considered how the Living Wage could be introduced in Manchester's schools. It noted the different types of schools and the different relationships they had with the Council. Schools had control over their own pay scales, so the Group concluded that the Council should continue to encourage them to pay the Living Wage.

10.4 The Group wants the Council and councillors to take more of a leadership role in this, and do more to encourage employers they have links with to pay the Living Wage. This should include schools, housing associations and bodies to which councillors are appointed by the Council. Councillors should be provided with support and guidance on how best to do this.

10.5 Members also identified communications as an area where further work could be done to support councillors and the Council promote the Living Wage as well as communicate to residents the good work of the Council in this and related areas. The Council's website should publicise the Council's position on the Living Wage and provide information to encourage employers to pay the Living Wage.

#### **Recommendation 7**

To recommend that members and officers take more of a leadership role in promoting the core aims of the Council to employers in the city. To recommend that this includes promoting the Living Wage and healthy work principles to organisations at which members and officers represent the Council, such as schools and housing providers.

#### **Recommendation 8**

In developing the Policy, to use the term "Manchester Living Wage", provided that this is equal to the Living Wage hourly rate set by the Living Wage Foundation for outside London.

To recommend that officers work with the Executive Member with responsibility for

communications to develop a Communications Strategy to promote the Living Wage.

To recommend that the Communications Strategy includes how the Council can signpost organisations to information on introducing the Living Wage, and especially promotes the business case for paying a Living Wage.

To recommend that all current and potential contractors are informed about the priority the Council affords to the Living Wage, and the details of the Living Wage Policy.

To recommend that the work that the Council does to promote social good in the city is better publicised, so that employers and residents understand what the Council stands for.

### **Recommendation 9**

To recommend that the work that the Council does to promote social good in the city is better publicised, so that residents understand what the Council stands for, and that this, including promotion of the Living Wage, forms part of the Council's communications strategy.

To recommend that officers explore the best way to promote the Living Wage to other organisations and how the Council can signpost them to information and support.

To recommend that, once the Living Wage Policy is in place, the Council's website includes a section on the Living Wage, which provides information on the Living Wage and signposts organisations to relevant external information.

## **11.0 Conclusions**

11.1 The Task and Finish Group have concluded that promoting the Living Wage in Greater Manchester supports the Council's broader strategic priorities:

- Promoting economic growth and reducing dependency of residents on the public sector are two of the Council's key strategic priorities, and if more residents were paid the Living Wage, this would have direct implications for achieving these priorities.
- In the Community Strategy, the Council articulated the aim of residents being able to reach their full potential in education, skills and employment. Neither of these priorities can be achieved without residents accessing employment that is paid fairly.
- The Greater Manchester Strategy includes the aim of supporting more Greater Manchester residents into good quality, sustained work through a variety of measures.

11.2 The investigation carried out by the Living Wage Task and Finish Group has highlighted both the benefits and challenges of introducing a Living Wage as widely as possible across the City. The benefits go much further those who receive higher pay directly, and extend to employers, who experience benefits such as higher

retention and lower sickness levels, and the wider economy in some of the most deprived neighbourhoods in the City.<sup>1</sup> The Group has outlined – based on the evidence of experts and the experience of local authorities elsewhere – how the risk of a legal challenge of requiring a Living Wage of contractors could be mitigated.

11.3 The Group acknowledges and commends the significant and difficult steps already taken by the Council. In particular the commitment by the Executive Member for Finance and Human Resources to pay the new Living Wage rate, during a time of extreme financial pressures, demonstrates a firm endorsement to the principle of the Living Wage. The initial introduction of the Manchester Minimum Wage was a significant step by a local authority at that time. The Executive Member for Culture and Leisure's prioritisation of the Living wage in the Council's Community Leisure Contract was a significant step forward for the Council. More broadly, officers of the Council have also been highly innovative in their corporate procurement practices in recent years, and have worked to find ways to build ethical considerations into contracts.

11.4 To meet its strategic objectives, the Group recommends the Council should pursue an ambitious but realistic Living Wage policy. Members of the Group consider this investigation to be the starting point, and have identified a way forward for the Council.

#### **Recommendation 10**

To recommend that these recommendations be submitted to the Economy Scrutiny Committee and the Finance Scrutiny Committee for consideration, and that these committees monitor the progress of all elements of this policy and the implementation of these recommendations.

### **12.0 Acknowledgements**

The Living Wage Task and Finish Group would like to thank the following people for their advice and support during its investigation:

Professor Damian Grimshaw, University of Manchester  
Tom Skinner, Living Wage for Greater Manchester Campaign  
Allan Wort, Equality North West  
Matthew Jackson, Centre for Local Economic Strategies  
Benjamin Irvine, Steady State Manchester  
Stephen Overell, New Economy  
Samantha Betts, Head of Workforce Strategy, Salford Council  
Andy Roberts, Salford Council  
Dr Aristeia Koukiadaki, University of Manchester  
Sara Saunby, Salut  
Christian Spence, Chamber of Commerce  
Maurice Barnes, Steady State Manchester  
Nixon Tod, Living Wage for Greater Manchester Campaign

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<sup>1</sup> To illustrate this a map of the percentage of households with less than £20,000 income per year is attached at appendix 2.

John Clegg, Unite  
Cllr Andy Hull, Executive Member for Finance and Performance at Islington Council  
Zoe Gilbert, and officers from Islington Council

Councillor Flanagan, Executive Member for Finance and Human Resources  
Councillor S Murphy, Deputy Leader of the Council  
Councillor Hyde, Assistant Executive Member for Finance and Human Resources

Angela Harrington, Head of Regeneration  
David Houlston, Principal Regeneration Officer  
Eleanor Fort, Scrutiny Support Officer

### **13.0 Resources**

The Task and Finish Group used the following resources as part of its investigation, in addition to the reports provided at its meeting:

- The far-reaching implications of the Laval Quartet: the case of the UK Living Wage
- Living Wage Foundation implementation guide
- Living Wage Foundation: Living Wage and EU procurement law – key points
- New Economy Briefing: Raising Floors
- Steady State Manchester & Equality North West: In place of pay inequality
- National Assembly for Wales Research Paper: The living wage – questions and answers
- Islington Council case study
- Islington Council guidance for commissioning staff
- Islington Council presentation on the living wage
- Living wage and the role of local government, Centre for Local Economic Strategies.



## Appendix 1 –

### The full text of the Council motion passed on 26 March 2014:

This Council recognises:

- that tackling in-work poverty is a high priority for Manchester, given that many families don't earn enough to have a decent quality of life, despite working full-time and receiving in-work benefits
- that the many Manchester residents who are stuck in cycles of unemployment and low-paid work make a substantial contribution to the city's prosperity
- that earning a Living Wage would help some of the poorest workers in the city deal with the unprecedented pressures on their incomes; and that the non-London Living Wage rate, endorsed by the Living Wage Foundation, applies to Manchester
- that many businesses – large and small and across many sectors – pay a Living Wage to their staff, and the Council commends them for doing so
- that there are many advantages to paying a Living Wage – many businesses report higher retention, and higher quality of staff and work
- that across the country many local authorities have been able to pay a Living Wage, and have overcome the legal and financial obstacles of becoming accredited by the Living Wage Foundation
- that in paying staff first the Manchester Minimum Wage from 2009, and then the Living Wage from this year, the most challenging steps have already been taken
- that more can be done to help the low paid: such as requiring it of, or commending it to, contractors, sub-contractors, agency workers, school staff and employers in the wider economy

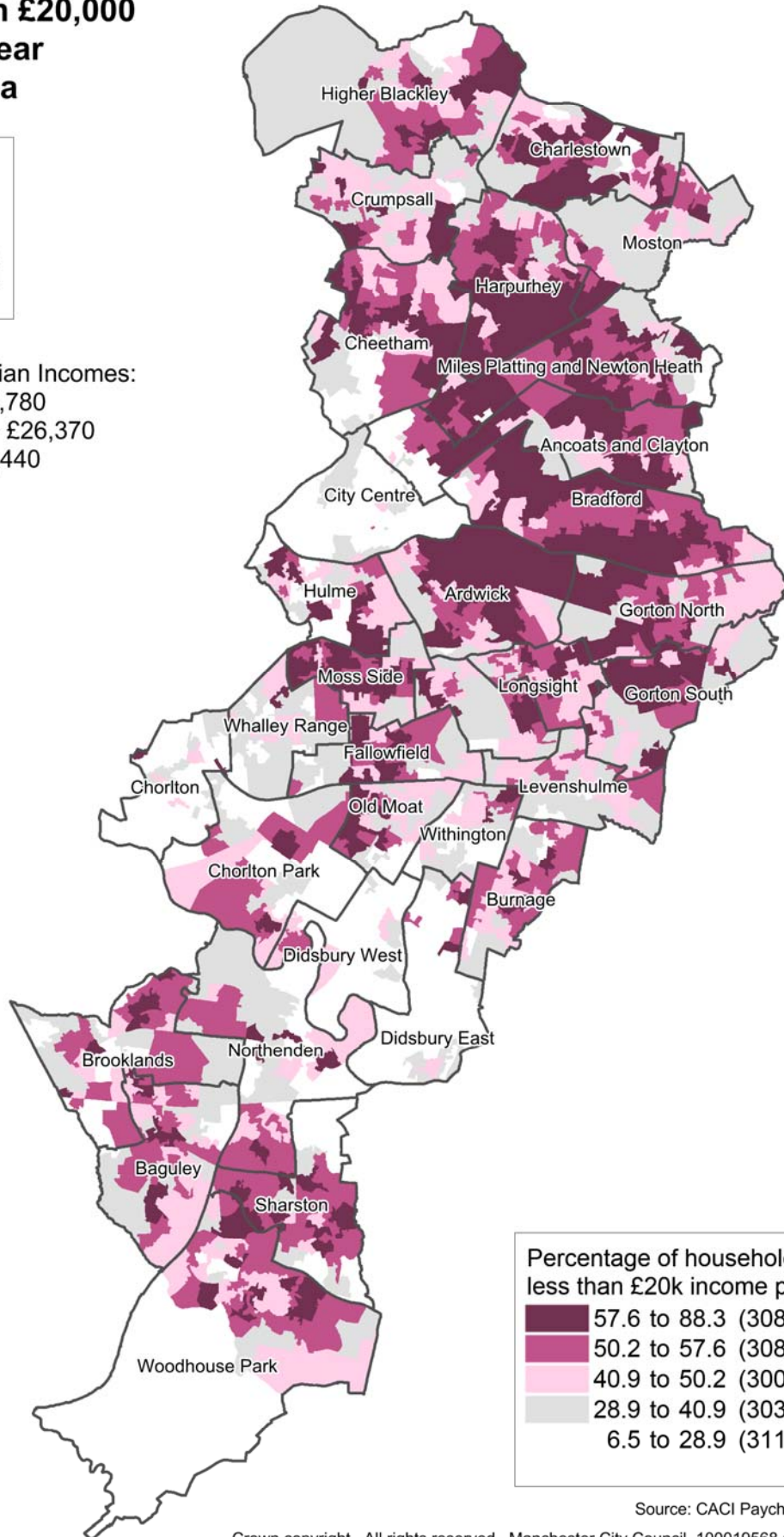
Therefore, this Council:

- 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
- will ask all those it contracts and sub-contracts, now and in future (including agency workers and school staff) whether they currently pay a Living Wage and if they are willing to do so
- will launch a member-led task and finish group to oversee the implementation of the Living Wage as far as possible, and to investigate:
  - if the Council can require contractors to pay a Living Wage on a case-by-case basis for all existing and future contracts;
  - whether the Council should apply for accreditation from the Living Wage Foundation; and
  - how the Living Wage can be extended out across Greater Manchester.
- will ensure the terms of implementing a Living Wage are negotiated through the recognised trade union(s)
- encourages members to urge the partner organisations they engage with – such as schools, colleges and housing associations – to pay the Living Wage
- will annually publish the most detailed statistics possible on low-paid staff who the Council directly employs, contracts, sub-contracts, hires as agency staff and school staff; and on low pay in general across Manchester and Greater Manchester.

### Percentage of households with less than £20,000 income per year by output area



Comparators Median Incomes:  
 Manchester = £23,780  
 Grtr Manchester = £26,370  
 North West = £26,440



57.6 to 88.3	(308)
50.2 to 57.6	(308)
40.9 to 50.2	(300)
28.9 to 40.9	(303)
6.5 to 28.9	(311)

Source: CACI Paycheck 2013

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MCC (H/studies/financial inclusion/maps/paycheck map)

### Appendix 3

Title	<b>Living Wage Task and Finish Group</b>
Membership	Councillors Hackett, Moore, N Murphy, Raikes (Chair), Russell, Simcock
Lead Executive Members	Councillor Sue Murphy Councillor John Flanagan
Strategic Directors	Richard Paver, City Treasurer Geoff Little, Deputy Director (People) Eddie Smith, Strategic Director Strategic Development
Lead Officers	Angela Harrington, Head of Regeneration David Houliston, Principal Policy Officer, Regeneration Ian Brown, Head of Corporate Procurement Sharon Kemp, Assistant Chief Executive (People)
Contact officer	Eleanor Fort – Scrutiny Support Team Leader (Acting)
Objectives	<p>Following the resolution by the Council at its meeting on 26 March 2014 to introduce a Living Wage for all of the Council's directly and indirectly employed staff and to promote its introduction across the city, the objectives of this task and finish group are:</p> <ol style="list-style-type: none"> <li>1. To determine how the Council as an employer and procurer of services can maximise the number of people in the city earning the Living Wage.</li> <li>2. To develop an understanding of how other authorities have introduced a Living Wage and identify the best model for introducing a Living Wage in Manchester.</li> <li>3. To develop a step by step plan to implement the Living Wage in all of Manchester's schools, the Council's contractors and sub-contractors as soon as is practicable.</li> <li>4. To establish a strong social and economic case of the benefits that introducing a Living Wage will bring to the city, which links to the Council's strategic priorities.</li> <li>5. To ensure that the introduction of a Living Wage will continue to be meaningful in the long term and resilient to changes in national policy and legislation.</li> </ol>
Key Lines of Enquiry	<ol style="list-style-type: none"> <li>1. To gain an understanding of the background in introducing a Living Wage and its applicability in Manchester. To also understand the legal and financial implications of introducing a Living Wage in Manchester.</li> <li>2. To consider examples of other local authorities who have introduced a Living Wage, and how their models and experiences could be applied in Manchester.</li> <li>3. To determine what measures need to be taken to introduce</li> </ol>

	<p>a Living Wage in Manchester for the Council’s directly and indirectly employed staff.</p> <p>4. To determine what measures need to be taken to introduce a Living Wage in Manchester for organisations that the Council procures services from and commissions to provide services.</p> <p>5. To gain an understanding of the wider economic impact on businesses of adopting a Living Wage.</p> <p>6. To determine how the Council can act to influence other organisations in the city to introduce a Living Wage, including the private, public and third sectors.</p> <p>7. To determine the legal implications of introducing a Living Wage, with particular reference to contracts for services that the Council procures.</p>
Operation	<p>This task and finish group will report its findings to the Economy Scrutiny Committee and Finance Scrutiny Committee by submitting minutes to the committees. The task and finish groups final report will be submitted to the committees, which will be asked to endorse its recommendations.</p>
Access to Information	<p>Meetings of the task and finish group will be open to members of the media and public except where information which is confidential or exempt from publication is being considered.</p> <p>Papers for the task and finish group will be made available to members of the media and public on the Council’s website and the main entrance to the Town Hall except where information which is confidential or exempt from publication is being considered.</p>
Schedule of Meetings	<p>To hold three substantive meetings in September, October and November 2014. To hold one additional meeting in January to agree the final report.</p>
Commissioned	<p>July 2014</p>

**Appendix 4**

**Economy Scrutiny Committee and Finance Scrutiny Committee  
Living Wage Task and Finish Group  
Final Work Programme**

<b>Meeting 1 – Thursday 18 September 2014, 11.00 am, Scrutiny Committee Room</b>				
Deadline for reports: Tuesday 9 September 2014				
Item	Purpose	Lead Executive Member	Lead Officer	Comments
Background	<p>To receive an overview of the background in introducing a living wage and its applicability in Manchester.</p> <p>To include up to date information from the Centre for Local Economic Strategies (CLES) on their monitoring of the impact that the Council’s procurement has in the city. To include information on whether organisations the Council procures from pay their staff a living wage, if available.</p> <p>To invite:</p> <ul style="list-style-type: none"> <li>• Tom Skinner, Living Wage 4 Manchester Campaign</li> <li>• John Holden/Stephen Overell of New Economy</li> <li>• Allan Wort, Equality North West / Benjamin Irvine, Steady State Manchester</li> <li>• Professor Damien Grimshaw, University of Manchester (invited to all meetings of the Task and Finish Group)</li> </ul> <p>To request that guests provide a presentation or briefing note to the Task and Finish Group on how a living wage should be implemented and the economic case for a living wage.</p>	<p>Councillor Sue Murphy</p> <p>Councillor John Flanagan</p>	<p>Angela Harrington</p> <p>David Houlston</p> <p>Ian Brown</p>	
Best Practice	To consider examples of other local authorities who have introduced a living wage.	Councillor Sue	Angela Harrington	To invite representative

	<p>To consider:</p> <ul style="list-style-type: none"> <li>• The different models that other local authorities have introduced</li> <li>• Their successes and failures</li> <li>• Which model would work best for Manchester, and how Manchester can learn from their experiences</li> <li>• The position of Greater Manchester’s other local authorities and public sector organisations</li> </ul> <p>To consult with:</p> <ul style="list-style-type: none"> <li>• all other Greater Manchester Councils about their own position</li> <li>• other exemplar authorities, (specifically Islington)</li> <li>• the Living Wage Foundation, and</li> <li>• relevant trade unions.</li> </ul> <p>To invite Samantha Betts, Head of Workforce Strategy at Salford Council to the meeting to provide a presentation or a briefing note to the group on how Salford Council has implemented the living wage.</p>	Murphy Councillor John Flanagan	David Houliston	from Salford Council.
Terms of Reference and Work Programme	To note the task and finish group’s terms of reference and agree its work programme.	N/A	Eleanor Fort	

**Meeting 2 – Wednesday 8 October, 11.00am, Committee Room 4**

Deadline for reports: Tuesday 30 September 2014

Item	Purpose	Lead Executive Member	Lead Officer	Comments
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Procurement and commissioning	<p>To consider in detail what steps would need to be taken to ensure that all organisations that the Council procures services from or commissions to provide services pay all staff a living wage.</p> <p>To consider the legal and financial implications of introducing a living wage for organisations that the Council procures or commissions services from.</p> <p>To consider the costs of introduction in different types of organisations. To also consider the scope for the Council and other bodies to meet the costs of introducing the living wage without having to reduce service levels.</p> <p>To consider how the best practice discussed at the first meeting can be applied in Manchester.</p> <p>To invite:</p> <ul style="list-style-type: none"> <li>• Matthew Jackson, of the Centre for Local Economic Strategies (CLES), who has led on the detailed research that CLES has carried out on the living wage.</li> <li>• Dr Aristeia Koukiadaki, University of Manchester</li> <li>• Andy Roberts, of Salford City Council.</li> <li>• All attendees from the first meeting.</li> </ul>	Councillor John Flanagan	Ian Brown Hazel Summers  Liz Treacy Clare Huxley	
Work Programme	To agree the work programme.	N/A	Eleanor Fort	

**Meeting 3 – Wednesday 5 November, 11.00am, Committee Room 4**

Deadline for reports: Monday 27 October 2014

Item	Purpose	Lead Executive Member	Lead Officer	Comments
Employment	To consider:	Councillor	Angela	

	<ul style="list-style-type: none"> <li>• Implications for Manchester City Council as an employer</li> <li>• Implications if Manchester City Council were to become an accredited living wage employer</li> <li>• The impact of the Mayor’s Employment Standards Charter in Salford</li> </ul>	Sue Murphy Councillor	Harrington David Houliston Pat Fetherstone e	
Schools	To consider employees of schools, both maintained by the local authority and academies/free schools. To understand what the Council’s role is in the context of schools’ employees; the different types of school and what steps would need to be taken to introduce a living wage in the city’s schools.	Councillor Sheila Newman	John Edwards Angela Harrington David Houliston Danielle Garside	To also invite the Chair of the Young People and Children Scrutiny Committee
Work Programme	To agree the work programme.	N/A	Eleanor Fort	

<b>Meeting 4 – Monday 1 December 2014, 11.00am, Committee Room 4</b>				
Deadline for reports: 21 November 2014				
Item	Purpose	Lead Executive Member	Lead Officer	Comments
Healthy Work	To consider the links of the living wage to the Health and Wellbeing Board’s objective on healthy work	Councillor Paul Andrews	David Regan Jenny Osborne	To invite the Chair of the Health Scrutiny Committee
Wider economic impact	To establish what social and economic benefits introducing a living wage in Manchester would bring to the city, and how this links to the Council’s strategic priorities.  To consider how the Council can influence organisations in the city to introduce a living wage.	Councillor Sue Murphy	Angela Harrington David Houliston	



	<p>To include how to do this in private, public and third sector, and the different methods that would be most effective in each.</p> <p>To consider the wider economic issues that organisations will need to consider when introducing the living wage, such as reduced profit and the impact on businesses.</p> <p>To invite:</p> <ul style="list-style-type: none"> <li>• Mike Wild, Macc</li> <li>• Representatives from housing associations</li> <li>• Representative from the Chamber of Commerce</li> <li>• Private sector organisations including businesses from the leisure, tourism and/or catering industries</li> <li>• New Economy</li> </ul>			
Agency workers	To receive a briefing note on the Council's use of agency workers	Councillor John Flanagan	Pat Fetherstone	
Plan and long term impact	<p>Based on discussions in this and previous meetings, to establish a draft plan of the next steps that need to be taken to implement this policy.</p> <p>To establish measures to ensure that Manchester's living wage will continued to be maintained and fit for purpose in the long term, and resilient to changes in national and local policy and legislation.</p>	Councillor John Flanagan Councillor Sue Murphy	Angela Harrington David Houliston Sharon Kemp Ian Brown	
Work Programme	To agree the work programme.	N/A	Eleanor Fort	

**Meeting 5 – Tuesday 3 March 2015, 2.00pm, Committee Room 4**

Item	Purpose	Lead	Lead Officer	Comments
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		Executive Member		
Final Report	To agree the final report and recommendations of the Task and Finish Group.	Councillor Sue Murphy Councillor John Flanagan	Eleanor Fort	

To invite Professor Damien Grimshaw, Director of the European Work and Employment Research Centre at the University of Manchester to all meetings of the Task and Finish Group.