



The Voluntary and Community Sector and the Living Wage – Briefing for the Living Wage Task and Finish Group

Firstly, it's important to remember that the UK Living Wage Campaign is a voluntary sector initiative. In Manchester, Macc has been working to promote this for a number of years following the work done by the Joseph Rowntree Foundation on calculating Minimum Income Standard for the UK. The creation of the Living Wage Foundation and Living Wage Employer mark in 2011 provided a means of showing commitment to the campaign and a standard model for employers to follow. (Macc is a Living Wage Employer, having completed accreditation in 2012.)

Information about the Voluntary and Community sector in Manchester

Figures from Macc's State of the Sector survey published in 2013.

- 3,093 community and voluntary organisations, co-operatives and social enterprises in Manchester
- Total income of the sector was £477 million
- Medium and large organisations receive 95% of the total sector income
- 1,987 organisations are micro (with an annual income under £10 thousand)
- There are 94,300 volunteers in the sector
- Volunteers give 370,000 hours each week
- The contribution of volunteers in the sector is valued at £332 million each year
- The sector employs 12,400 full time equivalent paid staff

Collectively, the voluntary and community sector is a major employer.

- The figure of 12400 FTE masks a sector in which part time jobs are more common than other sectors. The sector also tends to employ a higher proportion of women, people from BME communities and people with disabilities.
- The sector as a whole has significantly lower pay multiples than both the private and public sectors.
- Nationally there has been a 9% drop in the numbers of people who work in the voluntary and community sector in the last 2 years. This is accelerating as cuts to public budgets impact on the sector's income.

We have categorised organisations broadly by their annual turnover:

- **Large** – annual income in excess of £1m per year. These tend to be organisations which are heavily involved in contracted service provision in areas such as social care. Often these are national organisations, local branches of national organisations or ones which operate across a number of areas of Greater Manchester / the North West. There are around 170 groups in this category.
- **Medium** – annual income of £100K to £1m. Generally these organisations have a number of funding streams – a mixture of grants and contracts and employ a small staff team. Mostly these are locally grown organisations and their income fluctuates from one year to the next. There are around 400 such groups in Manchester.
- **Small** – annual income of £10K to £100K. These groups tend to work with a range of grants and income generation
- **Micro** – annual income below £10K. Around two thirds of the total number of groups in the sector is this category. They usually have no employed staff at all, being entirely run by volunteers. Many of these groups are set up by a few local people and generally last as long as those individuals remain

active (there is a natural 'churn' of small groups) Some grow into bigger organisations but it is very rare for an organisation, once it has done so, to be able to go back to being an entirely voluntary group.

Many of the leading local organisations for particular communities of identity (e.g. well-known local BME groups) or who work around a particular theme (e.g. young people or mental health) fall into the 'medium' or 'small' category – they are reliant on a level of income from grants and / or contracts to maintain services and are often working with people who could not afford to pay for the services they deliver.

Living Wage in Manchester

It's fairly self-evident that voluntary sector organisations would all aspire to pay Living Wage as a minimum. Most organisations are working to address issues of poverty and inequality – hardly surprising that they would wish to behave in the same way that they expect other organisations in all sectors to do. The benefits of paying Living Wage as a sensible employer are also well understood:

- Better performance and engagement
- Reduced turnover and absenteeism
- Improved morale and motivation
- Relatively small increase in wage budgets

The main barrier is the same as any other sector faces: cost. But the factors behind this are perhaps not quite the same reasons as other for employers....

- **"Overheads must be no more than X%"**. It is frequently the case that funders and commissioners believe that voluntary and community groups running costs are "too high"¹ and that there is scope for reducing them. Quite often an arbitrary percentage is used to determine what is acceptable. Overheads include functions such as cleaning, caretaking, catering costs, etc. so the constant pressure on overheads makes it difficult to ensure staff and subcontractors are paid Living Wage.
- **Supplier management** - The Living Wage accreditation process requires organisations to provide evidence that not only directly employed staff but also suppliers' staff are paid Living Wage. In addition to the financial pressures, it is an additional complexity to require this of subcontractors. As one CEO said to me "it's out of my control & less easy to convince someone else"
- **Contract values** – this is of course the biggest issue and particularly in the social care arena. Living Wage Foundation run a specific campaign on this issue <http://www.livingwage.org.uk/social-care-campaign> The position of one local organisation sums up the dilemma for organisations well: "We refuse to pay less than the Living Wage. In the end if commissioners/partners won't pay enough for service we don't do it."² However, it's important to recognise that some organisations (in all sectors) which aspire to pay Living Wage have not taken this line, believing that it's better ensure their beneficiaries get the best possible service even if it means that staff cannot be paid the Living Wage. It is worth remembering that the Charity Commission has expressly and repeatedly advised organisations that they must not use charitable funds to subsidise contracts. This also highlights an unintended consequence of the inconsistent approach to Living Wage across GM authorities: a number of voluntary organisations work across different local authorities, therefore if Manchester City Council was to adopt a Living Wage for its contractors, this could be very hard for an organisation to manage internally if staff doing the same job, but in other areas got paid less - indeed they could be subject to challenge.

In the current funding climate, of course, adopting Living Wage would be yet another pressure on these organisations which have had several years of increasing demand and decreasing funding. Many organisations are already relying on reserves to keep services open and staff have reduced their hours / salaries as a means of managing budget cuts.

¹ We have frequently raised the issue that this is largely because commissioners seldom have a background in running an organisation nor any awareness of the overheads within their own organisation. For example, how many City Council commissioners based in the Town Hall Extension know the annual cleaning bill for the office they work in?

² Interestingly, the organisation concerned was not actually an accredited Living Wage Employer – but they are now looking into it. Perhaps another factor is that organisations are not aware that this is a step they can take relatively easily, if the costs are not a barrier for them?

Pay Multiples

Macc's view is that alongside the Living Wage campaign it is also important to analyse pay multiples within organisations. We believe that an organisation with a high pay multiple should at least have a good explanation if it claims not to be able to afford to pay Living Wage. There is, for example, a campaign to challenge Premiership football clubs in London to ensure that security and cleaning staff are paid at least a Living Wage <http://www.fairnessinfootball.org.uk/>

Macc has worked with the Pay Compare initiative <http://www.paycompare.org.uk/> to encourage voluntary and community groups to register their pay multiple on their website. At our suggestion, the site now rewards registrants with a Pay Compare Mark, invites them to state whether they are also a Living Wage employer and asks them to state which sector they belong to. Macc is one of a (small) number of voluntary and community sector organisations registered on this site. We have committed to maintaining this and our Living Wage status in our Social Responsibility policy. We have also published³ the policy as a means of encouraging other voluntary and community groups to do the same.

It is our view that these are steps which organisations can take as part of a broader Social Value approach and which could be recognised by Manchester City Council and other commissioners in their social value monitoring of tenders and funding applications.

Internships and Apprenticeships

This often gets overlooked in Living Wage discussions. It should be a fundamental principle that interns and apprentices are paid a Living Wage. At present the National Minimum Wage for an apprentice is £2.73 per hour – it's self-evident that this making it even harder for people to enter the job market. There is starting to be a movement away from unpaid internships.

There has been some uptake of apprenticeship scheme in the voluntary and community sector although we do not have any local data on this nor the pay rates of apprentices. We do know anecdotally that some organisations have been put off hosting apprentices because of a lack of capacity to provide the support and administration required. (We're working with a partner agency to explore the possibility of providing a service to undertake this.)

During 2014 Macc worked with the University of Manchester on a summer internship scheme for students to be placed with local voluntary and community organisations: paid by the University at a Living Wage rate. This was one of the first of its kind in the country and it is hoped the exercise can be repeated in 2015.

Related articles

- **Charities and fair pay** - <http://www.theguardian.com/voluntary-sector-network/2014/aug/01/charities-the-living-wage-fair-pay-paying-up>
- **Charities and Living Wage** – including commentary from NCVO <http://www.theguardian.com/voluntary-sector-network/poll/2014/jun/24/voluntary-sector-network-blog-finance>
- **Workforce analysis** – this is a national research paper from 2009 but broadly indicates the kind of contrast between pay and employment in the public, private and voluntary sectors http://www.ncvo.org.uk/images/documents/policy_and_research/voluntary_sector_workforce/Briefingpaper40.pdf

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³ <http://www.macc.org.uk/sites/macc.org.uk/files/Social%20Responsibility.pdf>