

**MANCHESTER CITY COUNCIL
REPORT FOR RESOLUTION**

REPORT TO: Personnel Committee

REPORT OF: City Treasurer and Head of Corporate Personnell

DATE: 19 November 2008

SUBJECT: Manchester Minimum Wage

PURPOSE OF REPORT:

To propose the establishment of a "Manchester Minimum Wage".

RECOMMENDATIONS:

The Committee is recommended to:

1. Approve the establishment of a Manchester Minimum Wage for all City Council employees - equivalent to SCP6 (£12,299 per annum FTE);
2. Note that the City Council will hold discussions with other public sector partner organisations to encourage adoption of the Manchester Minimum Wage.

FINANCIAL CONSEQUENCES FOR THE REVENUE BUDGET

There are currently 851 employees (284 Full Time Equivalents) employed on Spinal Column Points 4 and 5 of the National Pay Scales. Moving these employees to Spinal Column Point 6 will result in an overall increase in salary costs of circa £87,000 per annum, inclusive of salary related on-costs. These costs can be contained within Directorate staffing budgets.

FINANCIAL CONSEQUENCES FOR THE CAPITAL BUDGET

None

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BACKGROUND DOCUMENTS

None

WARDS AFFECTED

All

IMPLICATIONS FOR:

ANTI POVERTY	EQUAL OPPORTUNITIES	ENVIRONMENT	EMPLOYMENT
Yes	No	No	Yes

1. INTRODUCTION

- 1.1 The National Minimum Wage is set as an hourly rate of £5.73 and is a statutory minimum payment to be made by all employers in the United Kingdom.
- 1.2 The National Joint Council for Local Government Services (NJC) has a range of nationally agreed salary spinal column points (SCPs) ranging from SCP 4 to SCP 49 (£11,961 - £41,083).
- 1.3 The Manchester Pay Policy, established in 2005, has ten locally agreed grades containing a range of SCPs. The entry level is set at Grade 1, which comprises SCP 4 to 7. SCPs 1, 2 and 3 have previously been deleted nationally from the pay spine in recognition of the NJC trades unions' ongoing aim to raise the minimum platform. The current objective, included in the trades unions' outstanding pay claim for 2008, is a minimum rate of £6.75 per hour.

2. BACKGROUND

- 2.1 The City Council has successfully led the regeneration of the City which has included the creation of 75,000 new jobs over the last ten years and a growing economy. It is important that the economic benefits of that success are shared by all residents in the City. In a forecasted period of economic downturn any increases in prices in key areas and limitations on credit will impact disproportionately on the low paid.
- 2.2 In the recent past the disproportionate impact of 'costs of living' was mitigated by the Low Pay Supplement, introduced in 1987 as part of the City Council's Low Pay Initiative, however this was phased out with effect from 2002.
- 2.3 A growing number of public, voluntary and leading private companies have considered this issue and adopted a locally determined minimum wage rate, including:-
 - PricewaterhouseCooper
 - Barclays
 - Westway Development Trust
 - KPMG
 - Greater London Authority
 - The Big Issue
 - Child Poverty Action Group
 - Queen Mary University of London
- 2.4 They have, in many cases, based their decision on the growing evidence that eliminating low pay is beneficial for the local economy and also for themselves as employers. Research has also shown that where pay falls below a living wage level it detracts from the quality of life and has a detrimental effect on the whole community. There is also evidence to show that better paid workers will boost the local economy by spending extra money in their local economy.

- 2.5 A report from the TUC confirms that wage levels have been shown to have a direct impact on all aspects of well being, most obviously health, sport and leisure activities and educational achievement. The adoption of such a policy will therefore support the Council's Community Plan objectives of increasing employment and tackling poverty and specifically child poverty.
- 2.6 The overall annual staff turnover figure within the City Council at Grade 1 (SCPs 4-7) currently stands at 15.5%, however, at SCPs 4 and 5 the turnover figure is running considerably higher at 25%. Turnover represents a significant cost to employers in recruitment and training and induction costs. The average cost for replacing a manual or craft worker being estimated at around £2,000.
- 2.7 A similar policy introduced by KPMG resulted in a drop in turnover and absenteeism by 50% and in Barclays in reduction from 30% to 4%. Both organisations reported increased customer satisfaction and a more motivated workforce.

3. PROPOSAL

- 3.1 Following extensive discussions with the trade unions, it is proposed that a Manchester Minimum Wage of £6.74 per hour be established. This would be equivalent to SCP 6 (£12,299 per annum) within the Grade 1 salary range.
- 3.2 A new minimum wage would assist the City Council in attracting and retaining employees, thereby reducing the impact of staff turnover, including the costs-time, expense and impact on services - of replacing staff within SCPs 4 and 5.
- 3.3 The Manchester Minimum Wage would also form part of a proposed package of overarching local terms and conditions of service to support the attraction and retention of motivated staff together with the development of new and different approaches to improved service delivery. These will ensure economy, efficiency and effectiveness whilst simultaneously maintaining fair and transparent reward systems.
- 3.4 The City Council has a recruitment policy that supports residents' applications at entry level and it is envisaged that the new wage will be pioneered across employers in the City as an exemplar.
- 3.5 The City Council is keen to build and maintain strong networks of support both internally and externally and to forge effective partnerships with external agencies, voluntary and statutory, and key stakeholders for the continuous improvement of services. Propagation of a minimum wage will also assist with achieving the Community Strategy vision for 2015 in helping to improve the quality of life for residents by supporting continued economic growth.

4. IMPLEMENTATION

4.1 Should this proposal be approved:-

4.1.1 All City Council employees currently paid on SCP 4 and 5 will be migrated to SCP 6 (£12,299 pro rata). This will be effected at the earliest opportunity, envisaged to be January 2009, however there will be no backdating.

4.1.2 With effect from 1 January 2009, all new starters to the City Council within the Grade 1 salary range will be appointed to SCP 6 (£12,299 per annum).

4.2 Additionally, further discussions will take place with the trade unions at the conclusion of the implementation of the National Job Evaluation Scheme (scheduled to be complete by March 2009) in order to undertake an Equality Impact Assessment on the impact of the new Job Evaluation arrangements on the City Council workforce. These discussions will be reported back to the local Joint Consultative Committee and any proposed adjustments to the City Council's Pay and Grading Policy will be subject to approval by this Committee.

4.3 It is also recommended that the City Council will hold discussions with other public sector organisations to encourage adoption of the Manchester Minimum Wage.

5. IMPLICATIONS FOR ANTI POVERTY

5.1 The introduction of a Manchester Minimum Wage will help to mitigate the effects of the economic downturn and rising inflation for low paid workers

6. IMPLICATIONS FOR EMPLOYMENT

6.1 A new minimum wage would assist the Council in attracting and retaining employees in jobs which currently experience a high rate of staff turnover and, together with the ongoing Skills Pledge, will link strategies for continuous personal improvement and development with the drive to achieve corporate standards and goals.