

EXETER CITY COUNCIL**SCRUTINY COMMITTEE – ECONOMY
30 MAY 2013****EXECUTIVE
18 JUNE 2013****LOW AVERAGE EARNINGS IN EXETER****1 PURPOSE OF THE REPORT**

- 1.1 The purpose of this paper is to raise to Members' attention the issue of low wages across Exeter and the potential impact this has on both the local economy and citizens across the City. It further provides comparative data with which to gauge Exeter's current position and the degree of deviation that exists from national and other South West authority levels.
- 1.2 It does not attempt to provide solutions at this stage, but simply requests that Members consider the potential importance of this.

2 BACKGROUND

- 2.1 Before looking specifically at the data, it is important that a number of terms are defined in order to aid understanding and clarity. The two key descriptors that tend to be used when considering wage related data are those of minimum wage and the living wage. These are the baselines against which wage levels tend to be compared.

Minimum Wage

- 2.2 The minimum wage was introduced in 1999 and requires employers to pay employees a minimum wage.
- 2.3 In 1999 the adult rate started at £3.60 per hour and since then has increased every October. The rates vary for different ages. As of October 2012 the rates were as follows:
- 21 or over = £6.19
 - 18 – 20 = £4.98
 - 16 – 17 = £3.68
 - Apprenticeships = £2.65 (wage can be as low as £2.65, regardless of age, dependent on how much the employer wishes to pay).

Living Wage

- 2.4 The living wage is defined as a wage that can meet the basic needs to maintain a safe, decent standard of living and have the ability to save for future needs and goals. This is based on a person working 40 hours a week with no additional income.
- 2.5 The living wage is calculated at £7.45 per hour.

3 COMPARISONS

- 3.1 The following tables show the hourly pay differences which exist between different places for full and part time employees across both South West districts and nationally.
- 3.2 To put these in context it is useful to remember that there are 85,000 employees in Exeter, of which 57,000 are full time and 28,000 are part time. The calculations that support these tables use these figures to gauge the likely impact on employee numbers.
- 3.3 The data is broken down into percentile bands and indicates the % of lowest paid employees and the hourly rate paid.

Full Time

| | 10% | 20% | 25% |
|-----------------|-------|-------|-------|
| Exeter | £6.75 | £8.04 | £8.34 |
| Plymouth | £6.97 | £7.87 | £8.29 |
| Bristol | £7.09 | £8.53 | £9.11 |
| South West | £7.00 | £8.19 | £8.77 |
| England & Wales | £7.11 | £8.45 | £9.06 |

The above table illustrates that approximately 6,000 (57,000 x 10%) full time workers in Exeter are working for no more than £6.75 an hour, under the living wage (£7.45). Compared to other locations in our region and nationally it is apparent that wages in Exeter are generally less than other like authorities.

Part Time

| | 10% | 20% | 40% |
|-----------------|-------|-------|-------|
| Exeter | £5.93 | £6.15 | £6.90 |
| Plymouth | £5.93 | £6.09 | £6.72 |
| Bristol | £5.93 | £6.35 | £7.31 |
| South West | £5.94 | £6.26 | £7.19 |
| England & Wales | £5.93 | £6.22 | £7.23 |

The figures above show that part time hourly wages are significantly lower than full time wages and show that up to 5,500 part time employees could be receiving less than the minimum wage and 40% less than the living wage.

- 3.4 Further analysis shows that the hourly rate for male employees (full and part time combined) in Exeter is higher than the rate paid for female employees; the lowest 10% of males being paid £6.37 per hour in comparison to £6.09 per hour for females. The rates of pay in both instances are generally lower than those paid in other areas.
- 3.5 The following tables show the median full time workers' average hourly wage % of growth since 2002 and the average annual pay growth in comparison to other areas.

Hourly

| Date | Exeter | Plymouth | Bristol | South West | England & Wales |
|-----------------|-------------|-------------|-------------|-------------|-----------------|
| 2002 (£) | 8.51 | 8.58 | 9.43 | 9.08 | 9.86 |
| 2012 (£) | 10.77 | 11.60 | 12.46 | 12.00 | 12.91 |
| Growth % | 26.6 | 35.2 | 32.1 | 32.1 | 30.9 |

Again this table illustrates that the % growth over the last 10 years has been less than other comparable locations.

Annual

| Date | Exeter | Plymouth | Bristol | South West | England & Wales |
|-----------------|-------------|-------------|-------------|-------------|-----------------|
| 2002 (£) | 18,200 | 18,400 | 19,800 | 19,300 | 20,600 |
| 2012 (£) | 22,100 | 24,000 | 25,500 | 25,000 | 26,600 |
| Growth % | 21.4 | 30.4 | 28.8 | 29.5 | 29.1 |

Total salary levels for the median full time worker in annual terms again has not risen in line with other comparable areas or the national figures.

4 ISSUES

- 4.1 The figures in the tables show that, for Exeter, average earnings, whether hourly or annual, are the lowest (or almost lowest) of all the places listed; below the regional and national averages.
- 4.2 For the median average annual earnings, Exeter is £4,500 below the average for England & Wales. The next worst is Plymouth at £2,600 below, then Bristol which is £1,100 below.
- 4.3 Part time hourly wages are significantly lower than full time wages; this is likely to be explained in some part by more young people working part time roles (so receiving the lower minimum wage rate).
- 4.4 From an economic perspective, businesses in the City are already concerned about the ability to attract the top employees. While earnings will only play a part in this it is likely to be a significant part - if the same role is available in another part of the country, with a higher salary, employees are likely to look elsewhere.

5 CONCLUSION

- 5.1 The above data clearly illustrates that since 2002 Exeter has failed to keep wage levels comparable with other similar areas across the South West and nationally. In addition the rate of growth of salaries between 2002 and 2012 is below that achieved within the rest of the South West and nationally.
- 5.2 The potential impact of benefit reforms may well further impact on individual living standards and therefore the need to create a growing economy with appropriate wage levels will become more important.

6 RECOMMENDED

6.1 In light of the above data, Scrutiny Committee and Executive Committee Members are recommended to:

- a) note the contents of this report and the potential impact on citizens and the wider economy;
- b) to consider mechanisms that would provide the means to ensure that the City strives to achieve higher wage levels;

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Local Government (Access to Information) Act 1985 (as amended)

Background papers used in compiling this report:

None

22 May 2013