

Cabinet

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Contact

Paula Thornton 020 7525 4395 or Virginia Wynn-Jones 020 7525 7055
Or email: paula.thornton@southwark.gov.uk; Everton.roberts@southwark.gov.uk
Webpage: www.southwark.gov.uk

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Local action towards a Living Wage

A report on Southwark's London Living
Wage Symposium



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“A fair day’s
work deserves a
fair day’s pay”

Foreword

Councillor Johnson Situ, Cabinet Member for Business, Employment and Culture, Southwark Council

As part of our council's vision to create a fairer future for all in Southwark, we've committed to paying the London Living Wage and encouraging others to do the same. The Living Wage is important to us because we believe a "fair day's work deserves a fair day's pay", we see the impact of low wages across our residents' lives. People in low paid employment can struggle in maintaining healthy diets, heating their homes properly and living fulfilled lives. That's why the council has successfully implemented a Living Wage pay policy for people directly employed by the council and is committed to doing the same throughout our supply chain.



Whilst we are proud of our achievements, we recognise our residents can't afford for us to be complacent. To address this, we organised a successful Living Wage Symposium to examine the wider context of the Living Wage and the challenges of implementing an effective Living Wage policy for businesses. The symposium allowed people from across different disciplines to collaborate on potential solutions to the challenges of paying the Living Wage.

This report represents the learning from the symposium and the council's commitment to using our role as a community leader by encouraging and supporting other local businesses to pay the London Living Wage.

Professor Peter Fleming, Professor of Business and Society at City University, London and Chair of the London Living Wage Symposium

Formulating and delivering a real living wage has become one of the most important challenges facing business and society in the United Kingdom today. Following the 2008 financial crisis, low paid work has come to define employment in many communities today, with rising living costs far outstripping income growth. This is detrimental not only to low wage earners but society as a whole, since it reduces the talent pool, undermines faith in the economy and creates a wider atmosphere of desperation.

Southwark Council are to be warmly congratulated for organising the London Living Wage Symposium. The event, held at House of Commons, brought together a variety of stakeholders, including businesses in the hospitality industry, affordable accommodation advocates and economists. It seems to me that a clear consensus was reached regarding the need for concerted action by businesses, labour organisations and local government. In particular, the negative effects of ultra low waged work was seen to be interconnected with other troubling trends; related to personal debt, a disenfranchised youth, accommodation poverty, gender issues and broader questions around equality and social justice. A real living wage is one – but a central – part of fostering fairer and more inclusive society today.

One conclusion from the symposium resounds in my mind: no city can hope to be socially and economically sustainable if it relies on an unsustainable employment model. Moreover, the worrying trends we have been witnessing over the past few years are no longer confined to lower socio-economic groups but increasingly the middle class, which is slowly being hollowed out by corrosive living standards and income stagnation. I believe the symposium was an extremely positive development since it opened up this crucial issue for considerate and progressive debate among a number of important stakeholders. This, and future forums, will be vital for providing a workable template that will hopefully end the unnecessary and damaging wage insecurity that is currently beleaguering the wonderful city of London and communities beyond. In this respect, this initiative by Southwark Council is a leading light in envisaging a type of economy that is truly for the betterment of all.

Introduction

Over the last few years there has been much research and commentary on the impact of the Living Wage. And over recent months, with the introduction of the new National Living Wage, this debate has taken on fresh impetus.

Southwark Council has been an accredited Living Wage employer since 2012, ensuring Living Wage is paid to all staff, including those employed by contractors. The council has gone further, taking a leadership role through local programmes to promote the take up of the Living Wage. But we, and others, want to do more. In order to do so we recognise the need to further explore the complex issues surrounding wage policy, to inform effective local action to support payment of the London Living Wage.

To bring together key voices in the Living Wage debate in London, Southwark Council organised a Living Wage Symposium, held at the House of Commons on 2 March 2016. Over 50 people attended from employers, business groups, local government, trade unions, community groups, charities and think tanks to debate some of the key issues around the Living Wage and to identify tangible steps to help different organisations implement a London Living Wage policy.

The symposium set out to debate three core issues, specifically in the London context:

- The relationship between the Living Wage, benefits system and housing
- The challenges for business in paying the living wage and the benefits and costs of paying the Living Wage
- The employee's perspective, which is often excluded from the discourse.

The symposium was hosted by Helen Hayes, MP for Dulwich and West Norwood, and chaired by Professor Peter Fleming of City University, London. On the panel were:

- Councillor Ian Wingfield, Deputy Leader and Cabinet Member for Employment, Business and Culture of Southwark Council
- Sarah Vero, Director, Living Wage Foundation
- Jennifer O'Donnell, Founder and Director, Jane Jefferson Cleaning
- Ben Southwood, Head of Research, the Adam Smith Institute
- Anne Golden, Regional Vice President and London General Manager, Morgan's Hotel Group
- Jessica Studdert, Deputy Director, New Local Government Network
- John Bibby, Policy Officer, Shelter

This short report is intended for all those interested in how living wage policy and campaigns can work effectively at national and local levels. It sets out the key messages from the debate, grouped by themes. It also proposes a set of recommendations for government, local authorities, businesses, employees and consumers to help develop approaches to the Living Wage that deliver benefit for all.

Direct quotes used in this report are drawn from symposium panel members and delegates.

Throughout the report the 'Living Wage' is used to mean the voluntary Living Wage of £9.40 per hour in London and £8.25 per hour outside London as set by the Living Wage Foundation. The 'National Living Wage' is used for the statutory rate of £7.20 per hour introduced from April 2016 for employees aged over 25. The 'National Minimum Wage' refers to the pre-April 2016 statutory minimum wage levels ranging from £6.70 per hour to £3.30 per hour, which are still paid to employees under the age of 25.

Unpicking the benefits and costs of the London Living Wage

Employees and the Living Wage

For many employees, the London Living Wage alleviates household financial pressures and leads to greater satisfaction in the workplace. Independent research, commissioned by the Living Wage Foundation, has found that 75% of employees reported increases in work quality as a result of receiving the Living Wage¹. 50% of employees felt that the Living Wage had made them more willing to implement changes in their working practices; enabled them to require fewer concessions to effect change; and made them more likely to adopt changes more quickly.

“When I spoke to one of my employees about what they love about the living wage their response was “for my customers I go the extra mile.”

But despite the obvious benefits of an increase in income, implementing a living wage policy that ensures that employees benefit is a challenge. The rapid and continuous increase in housing costs in particular can reduce the impact of the London Living Wage for those in the private rented sector (PRS).

“2.7m people in London live in the private rented sector, in fact one in four families with children live in PRS. The median rent for a two bed property in London is over £17,000 a year; which, if you were a single earner living in London and earning the London Living Wage, it would take all of your after tax earnings from the Living Wage.”

Paying the Living Wage can influence the choices made by employees over their working patterns when adjustments to their benefits are taken into account. This can add to the challenge of implementing a change in pay policy that is fair and beneficial to all employees. In implementing the Living Wage both employers and employees have had to think about working patterns and impacts on benefit entitlements.

“The Living Wage allows people to choose how they work... I have an employee who chose to go part time so she can maintain benefit claims. We worked out that she had a £100 increase on working part time. It’s all linked to housing costs and housing benefits.”

The complexity of in-work benefits therefore makes it difficult for researchers and policy makers to determine the impact of the Living Wage on household income. Importantly, the Living Wage can contribute towards a person’s financial resilience and independence as they become less reliant on in-work benefits and, consequently, further changes to the system would be less likely to affect them.

“For the people who are the very poorest, moving from the National Minimum Wage to the London Living Wage may not help them as much as you think; because of the tapers and changes to benefits that kick in if your earnings increase. It’s incredibly complex and differs from household to household. That said earning the London Living Wage may cushion people from future welfare changes.”

¹ www.economist.com/news/britain/21631137-more-companies-find-paying-living-wage-makes-sense-honest-living

Younger employees who are under 25 face particular challenges as they are not entitled to the new National Living Wage. Younger people also face other challenges with the proposed changes to housing benefit entitlement for younger people. From next year, people under the age of 21 will no longer be entitled to housing benefit. For those who aren't able to live with parents, this will have a significant impact on their household income exacerbated by a lower minimum wage for younger people.

“The minimum wage, being less than the London Living Wage, is not enough to live on. Unless a young person has no responsibilities, children or dependents and lives at home with a supportive, financially stable family, their living costs are the same as someone a few years older. It's completely prohibitive to their career development, to earn so much less. For apprentices, who can be on as little £3.30 per hour, this problem is exacerbated even further. The young person just can't get by if they accept that kind of work, no matter how good an opportunity it might be from a career development point of view, they are left with no choice but to decline a job offer. The crazy rents in Southwark and London are the final straw.”

Employers recognise these challenges and are also aware of the potential trade-off between non-financial benefits that employees may be offered such as free training, meals, discounts and travel, and increases in direct wages. Engaging employees in the conversation is key.

“I think that there is a danger that employers will be benchmarked purely on the wages that they supply, when we think about all the hidden benefits that lots of different employers or sectors offer their employees it would be easy to have one company to pay the London Living Wage but their employees may not be as well off as a total package of employee benefits. There has to be a way to encompass the London Living Wage into a wider benchmark for what it is like to be a good employer.”

Employers and the Living Wage

Many employers have seen the positive impacts of implementing a Living Wage policy. Research² has shown that productivity increases and human resource costs, such as recruitment and training, decrease. Independent research commissioned by the Living Wage Foundation has found that in London more than 80% of employers believe that the Living Wage had enhanced the quality of their staff's work, while absenteeism had fallen by approximately 25%. Two thirds of employers also reported a significant positive impact on recruitment and retention within their organisation. 70% of employers felt that the Living Wage had increased consumer awareness of their organisation's commitment to be an ethical employer.

“The benefits of paying the Living Wage are significant. I've seen big savings in time and cost. Recruitment, initial and ongoing training. I get a much better quality and quantity of candidates that come to me and we don't have to spend loads of time training them. The administration is significantly reduced. Also sickness and unauthorised absences reduce significantly.”

2 www.economist.com/news/britain/21631137-more-companies-find-paying-living-wage-makes-sense-honest-living

For employers, the financial cost of paying for the London Living Wage is the most challenging aspect of the policy; businesses are overwhelmingly in support of the principle of the London Living Wage as it means that their staff are more likely to be able to live closer to work and be more productive. Focus is shifting to the practical implications of implementing a living wage policy.



“People are viewing low pay in a very different way; people are saying how can we sit down and work out how to tackle this, how can we find practical pathways rather than seeing it as a policy issue. It’s now being seen as a very practical issue where people can make changes.”

Some key cost barriers remain, particularly in labour intensive sectors, where pay tends to be lowest; changes in hourly rate to lower paid staff can have a knock-on effect on pay throughout the organisation.

“If you think of a typical shift for a worker, if they are working for eight hours and paid National Minimum Wage and if we were to introduce London Living Wage; it’s not just bringing in people who are below that level [...], but we then have to increase the wages of those who supervise them and then in turn increase the wages of managers of the supervisory level. So it has a far more reaching consequence and is something that would cost the industry a lot of money.”

But recent policy changes encouraging a higher wage economy may help unlock some sectors that have typically been seen as particularly challenging for the Living Wage campaign.

“Retail is in a very different place to three or four years ago when people were saying ‘that’s a nice idea but we could never afford it. Now people are saying ‘we want to do it, how can we afford it?’”

Other barriers to raising pay exist within the structure of the labour market. In particular the agency model of employment, where agencies sub-contract to self-employed staff to divest themselves of costly employment obligations, and 'zero hours' contracts where labour costs are kept to a minimum through ultra-flexible working hours. In sectors where these models are commonplace, this can put Living Wage employers at a significant price disadvantage.



“Delivering on fair pay has been one of my biggest challenges, and the reason for that is I'm operating in a black and grey market. Cash in hand is rife in the cleaning industry. People are set up as self-employed and agencies sub-contract the work to the cleaner, that means that they don't give the cleaner any rights [...] Sometimes people will think that they are paying their cleaner a living wage through going through an agency but if you haven't got any stability how can you survive?”

However, businesses that lead the way in implementing Living Wage in particular sectors can also set themselves apart and gain a competitive edge. This can be driven by consumer choice at individual customer levels or in the business to business field by becoming a supplier to a Living Wage accredited client.

“One year ago we asked all of our customers if they'd like to be transferred to the London Living Wage rate and 30% of our customers said that they'd come over immediately, and within around three months we've started to see that half of new business enquiries came from London Living Wage customers and now that is around four out of five. This is a choice that consumers are making.”

“It started with the financial and legal sector in London; they were paying their in-house catering and cleaners the London Living Wage. Then the FM [facilities management] companies started coming to us and saying, 'what we can see is where we have franchises where people are paid the London Living Wage, we are seeing the benefits. People are a lot happier, there is lower staff turnover, how can we work with you to get more?’”

Productivity and the Living Wage

Wages are directly linked to productivity. Increases in productivity (the relationship between inputs and outputs in an economy) over time generally result in wage growth and, vice versa, investment in higher skilled, higher paid jobs usually leads to increases in productivity. However, since the 2008 crisis and subsequent recessions, economic growth has become separated from productivity in the UK; while GDP has increased, income and productivity levels have barely recovered. This has led to debate over the nature of an economy where workers do not see or feel the benefits of growth in their pay packets. This 'productivity puzzle' has been written and talked about a lot in recent months, and it is widely recognised that until there is a rise in productivity, further growth will be constrained and the impact of Britain's economic growth will not deliver its full potential.

“The point of optimism is productivity, no one has a strong idea of why there is a 'productivity puzzle'... most research has shown that the reason why wages have peaked over the last few years is because productivity has stalled. Future productivity should go into future wages, so hopefully this will be a driving force.”

Part of the challenge lies in encouraging employers to incentivise and value workers' productivity through increased pay, where businesses are not accustomed to doing so.

“The issue of the Living Wage cuts to the heart of how we recognise, award and value hard work in our society. And sometimes we are good at capturing value and sometimes we aren't. Some sectors are good at capturing value and some sectors are less good. Areas like retail, tourism and leisure are particularly bad and lower paid. [...] so I think we need to think about different sectors [...] and how incentives work in different sectors. We understand how incentives work in banking and other industries and it's probably no different in lower wage sectors.”

One solution to increasing productivity may lie in raising the skills of the workforce. Linking the skills agenda to productivity, and hence pay, can be explored at national and local levels. In London, where skills provision and funding is under review, there is an immediate opportunity to move the agenda on to raising productivity when engaging businesses with demand-led skills programmes.

“Looking at how we can link skills provision in, there's lots of evidence that in particular smaller SMEs [small and medium enterprises] and employers fear paying more money and don't see the value it will bring to their workforce; if you can align paying the Living Wage with raising productivity on a firm by firm or organisation basis that could be more powerful... the crucial thing in terms of making the argument on an individual business basis is something that local authorities could play a really strong role in.”

The role of national and local government and regulations

Since the introduction of a National Minimum Wage in 1999, central government has had a direct role in the low pay debate. Alongside this, decisions made across a range of other policy areas affect people's take-home incomes, how pay is negotiated, the cost of living and the cost of employment to businesses, all of which directly or indirectly influences wage levels across the economy. The advantages and disadvantages of being paid or paying the London Living Wage are therefore linked to legislative and policy measures that can act as push and pulls for both employers and employees. Understanding the context of the rules and regulations which individuals and businesses operate within is important to understand how businesses, who want to pay the London Living Wage, can do so and staff can understand the implications of the London Living Wage to their household income.

The introduction of the higher minimum wage level of £7.20, known as the National Living Wage, is a substantial shift from the previous approach to setting the minimum wage level and brings the definition of what makes a living wage firmly into the domain of national political debate. For some commentators this is a risk.

“The Living Wage has been taken out of the hands of independent technocrats and has been turned into a political football. [...] When the Low Pay Commission were setting the National Minimum Wage its rises were intentionally defined by economic circumstances and by what they thought would not lead to unemployment [...]. Now that it's become more of a political issue, people will campaign on 'we will raise the National Minimum Wage more than they will'. And already the OBR [Office for Budget Responsibility] thinks that the April 2016 rise will lead to 60,000 fewer jobs and these will be distributed at the lower end of the labour market and lower skilled jobs. I worry about a politically charged National Minimum Wage.”

However, for the present the London Living Wage remains voluntary and aspirational, setting a message about what a minimum decent pay level should be in London.

“National Minimum Wage hasn't kept up with the real cost of living, I think that it's right that the government needed to do something to address this [...] the National Minimum Wage is worth far less now than when it was first introduced. I think its right that the government says that there needs to be a strong National Minimum Wage and it needs to be enough to live on.”

And as the new National Living Wage goes some way to closing the gap between the mandatory minimum wage and the London Living Wage, this will have an impact both on employees and employers.

“A higher minimum wage makes the Living Wage more affordable [...] we've made progress by working with employers who see themselves as leaders.”

But affordability barriers remain, particularly for smaller businesses. Government business regulations do not always encourage smaller businesses to be 'good' employers, smaller businesses can feel hamstrung by different rules and regulations and unable to afford to provide the employment benefits that they would want to.

VAT rates have also worked against a lot of businesses, as VAT is not paid on profit but turnover, and for a lot of smaller businesses their largest outgoing is their wage bill.

“It’s very, very tough. As a small business you are treated exactly the same as a big business. I want to be an employer and not an agency, but the costs associated with that are high. Sick pay is a huge threat to my business, if I have two or three employees on long term sick at the same time I could go out of business. Also VAT thresholds on turnover not on profit is a problem for high cost businesses.”

The relationship between different factors that influence in-work poverty, including pay, employment conditions, benefits and the cost of living are complex. And at times it can feel that public policy is at odds with what different policy makers aim to achieve. For example, successive rounds of legislation have created conditions for the growth of agency working and zero-hours contracts as a way of achieving a flexible labour market, incentivising job creation and reducing out of work benefits. However this approach may not necessarily help the government achieve wider aims for a high wage, high productivity economy.

“We need to think about how our welfare system creates different incentives and disincentives... Working Tax Credits solved a problem at the time, to link benefits to being in work. But now we have an in-work poverty issue and public perceptions on poverty that need to be tackled... we have a system where the Treasury’s vision is of a high wage, low welfare economy but we also have the Department for Work and Pensions (DWP) system which is about getting people any work, it doesn’t matter about wages. We have to look at the whole system and the way they work together.”

“The Treasury is missing out on a lot of money from the self-employment agency model.”

And for the wider economy, the cumulative impacts of policy and legislative changes on business culture can be significant.



“Particularly in the last eight years there’s been a retrenchment, a short termism, thinking about the bottom line... lots of businesses have retrenched in different ways and then it’s hard to make the argument to lift your eyes over the horizon to invest in staff... The challenge for the UK is it doesn’t have to be like this. The average German worker is nearly 30% more productive than the average British worker and low wage sectors like retail are more productive in other countries. Linking the value you can get to paying staff the Living Wage to productivity and skills is critical.”

Policy makers will also need to consider how to manage the impact of ever increasing housing costs for those outside of the social sector. And with ‘pay to stay’ proposals in the Housing and Planning Act, people may become affected who were previously protected from steep increases in rents.

“We are seeing businesses, particularly in London, start to lobby against the high cost of housing in London... I think that reflects the fact that London won’t operate properly as a place to raise a family or as a place to do business if people can’t afford to live here or if people are travelling for too long, or the cost of commuting is too high.”

The role of local government

The role of local government in influencing pay locally is less clearly defined but councils can be highly effective in promoting Living Wage with employers at the local level.

“The local role and local arguments can be more compelling. The Living Wage Foundation shows that a stronger grassroots flavour and shape to campaigning can build quite a compelling argument. We can talk about national legislation and its role, but when you are making an argument about how money is earned and spent in local economies that can be more powerful in terms of taking that ethical argument and bringing it into practical focus.”



Local government has had some success in implementing living wage pay policies for directly employed staff and staff within their supply chains. 13 of 33 London boroughs are accredited London Living Wage Employers. Some authorities have had success in implementing business rate subsidy programmes, where small businesses would receive a discount on their business rates if they become accredited Living Wage Employers. Other authorities have used business forums and Business Improvement Districts to get the message to local businesses about the London Living Wage. In Southwark, the council has developed the Southwark Apprenticeship Standard which promotes London Living Wage as a core element of a good quality apprenticeship.

“[Adopting the London Living Wage is] a really big statement about the extent to which the council values the people who work for us, but we are also able to extend that to contractors who work for the council as well. [We need to] see ourselves as a big employer and a big spender in the local area and we have the ability to lead by example and make a big difference.”

Small businesses are by far the largest group of employers in London and they also face the greatest barriers to paying London Living Wage. In response, Southwark Council has developed SEEDS (Southwark Employment and Enterprise Development Scheme), a programme where a local small business is supported to give young Southwark residents one year job opportunities or apprenticeships that are paid at the London Living Wage. Businesses receive a subsidy to help pay the London Living Wage, as well as being offered mentoring and support to help their business grow.

“Typically start-up businesses struggle to pay the National Minimum Wage, but they are potentially the biggest job creators in the economy. There are challenges for people who are trying to grow their business too rapidly increasing wages without some sort of compensatory scheme, such as Southwark’s SEEDS programme.”

As local government gain more responsibilities regarding adult skills provision, there will be a growing role for councils to convene conversations about what local employers need in order to increase productivity in their workforce. Local authorities will need to continue building relationships with businesses to ensure strong links between adult education providers and employers, so they can provide their residents with the skills needed for well paid career paths.

“At the moment our skills system is very qualifications-led and not employer or demand focused. Employers, through business forums and local conversations, need to be articulating what skills requirements they have. This is very different, this needs to be linked to what skills providers are putting on. Linking this up locally will meet the requirements, present and future.”

Involving the right stakeholders

Employers, policy makers, employees and consumers all have a role to play in the implementation of the London Living Wage.

“If we are going to tackle the problems that are affecting vulnerable people living in in-work poverty we need to look at things in the round, because if housing costs are rising exponentially employers can't be expected to keep picking up that cost.”

Dialogue between business and policy makers

Moving from the principle of a 'living wage', which is generally accepted as desirable, to the practicalities of implementation, requires genuine dialogue between policy makers and business. This is particularly true in low-wage sectors, where the challenges can be greater.

“We believe that if we are consulted with we can get there. Nobody in the industry, who I've spoken to, is saying that we don't want to be part of this. I think it's about listening to all of our issues and letting us come to the table and be part of the discussion.”

“Employers aren't the enemy here... we need a joined up approach that involves employers.”

Encouraging customers' influence on businesses

There has been a recent shift in the way that the London Living Wage has been implemented; it is not only sectors that already pay their employees a higher wage that are seeking to become accredited. Examining the way in which consumer habits are influencing the take up of Living Wage can be beneficial to businesses looking to implement it themselves.

“Nationwide have done some YouGov polling and they found that 85% of consumers said that they would prefer to shop with a London Living Wage employer. We also know that in professional services, graduates want to go and work for London Living Wage employers and they see that as something that, even though they aren't probably going to be earning the Living Wage, it's actually impacting on people throughout the company and how they feel about their employer and workforce.”

“Consumers are coming to me because I pay the London Living Wage and I'm a recognised Living Wage Foundation service provider... the customer can choose the rate.”

Building business to business relationships

Businesses from various sectors are encouraged to work together to implement the London Living Wage. The Living Wage Foundation has been helping different organisations link up with each other to help each other overcome challenges and find innovative solutions to difficulties in implementing a living wage policy.

Similarly, business to business sales can grow between Living Wage accredited companies as procurement policies change for Living Wage accredited organisations. For example, the accreditation of councils has seen a change in traditionally low-wage sectors, such as facilities management and domiciliary care, as providers have been asked to come up with solutions that mean that their staff are paid the Living Wage within existing contractual budgets.

“We are encouraging businesses to work with other Living Wage employers and we’ve seen some of our larger accredited employers are sourcing things like tea and coffee from smaller bespoke companies that pay the London Living Wage, making them a market leader.”

“It can be top down, where contracts are tendered on the basis of Living Wage. Or it can be bottom up where contractors can tender with two options.”

Joining up government departments

As discussed previously, there can be apparent contradictions between policy objectives across government departments relating to cost of living, wages, benefits, the labour market and productivity, which add to the complexity of implementing a London Living Wage.

“The patchwork of policies will always leave out lots of people as we are not looking at their final outcomes but just looking at individual interactions in society and missing so much of what is important.”

Dialogue between employers and employees

Many larger employees consult with staff to ensure that their employee benefits are what staff want, this is seen as good practice and should continue. Staff should be consulted on the benefits they receive and how they are valued alongside their wages.

“There is a danger that in trying to be a good employer you are trying to please everyone... employees need to be asked what they would value.”

While the Living Wage is supported by trade unions, in sectors where unions do not have significant membership, forums for facilitating dialogue with employees need to be created as part of the process.

“In the private sector there are fewer trade unions and less representation; when there is a strong union we will work with them but we’ve recognised that some places will not have this and in these cases we’ve worked directly with employees.”

While the Living Wage Foundation and others have succeeded in engaging with employees who are already paid the Living Wage to reflect upon their experiences and celebrate the Living Wage, it is widely recognised that the low-paid employee’s voice is often missing from debates on pay. One of the objectives of the symposium was to hear directly from employees who were earning below the Living Wage or who had experienced directly the difference it can make; regrettably, in this aspect we were unsuccessful. Despite great efforts from the council and partners to find people affected by low pay willing to take part, it was evident that it is incredibly difficult for employees who are not paid the Living Wage to speak up publicly about their situation. The very nature of being in low paid work, for many, means that time is precious and cannot be devoted to campaigning for higher wages. In addition, employment can be precarious, which adds to the element of fear of speaking out about their employer. While no surprise, this once again highlights a significant challenge for the Living Wage campaign in sectors where trade union membership is uncommon.

Recommendations

The following recommendations are based on the insights, set out in this report, captured over the course of the symposium. One of the recurring themes of the debate was the emphasis on the complexity and range of circumstances any one individual or business might face when addressing the Living Wage; we cannot therefore hope to assemble solutions for every issue raised in these pages. Nor is it within the scope of this report to look beyond what was discussed on the day or into the wider landscape of current and forthcoming policy concerning the economy, welfare reform or housing. We would encourage anyone with an interest in reading more about the Living Wage debate to start with the extensive work done by the Living Wage Foundation, the Resolution Foundation and others on the subject.

Our recommendations below contribute to that wider debate. We hope they can lead to purposeful conversations and practical action at all levels, as we seek to develop higher wage, higher skill economies that work for all.

For national government

Join up policy making: The symposium highlighted the breadth of policy areas that affect the implementation and impact of the Living Wage for businesses and workers. Often there is significant tension between different policy outcomes. Drawing departments together in support of the objective of a high wage, high skill, high productivity, high tax and low welfare economy is a substantial challenge, but one that must be addressed.

Reduce the barriers to business: Specific barriers holding back employers from moving to a higher wage model include undercutting by agency and zero hours employers, and the tax and regulatory costs particularly affecting small businesses. Addressing these issues is directly within the gift of government and could make a substantial difference in the ability of smaller businesses, and businesses in low-pay sectors, to make the move to the Living Wage.

For local government

Celebrate good business practice in their local area and lead by example by becoming a Living Wage accredited employer: Clearly the first step for any local authority in support of the Living Wage is to become accredited with the Living Wage Foundation. This sets a local example and also influences their local economy through the payment of the Living Wage under externally procured contracts. Local authorities are also well positioned to convene influential local businesses in dialogue over pay, and to celebrate good practice where it takes place locally.

Make local arguments for pay and productivity: As part of their regular conversations with local businesses, local authorities can use their role as a community leader to convene and engage with businesses at grassroots levels to better understand the associations between productivity and pay. In particular, helping smaller businesses understand how they can gain more value from their workforce through a Living Wage policy.

Align local skills provision with the productivity agenda: Local authorities have a growing role in ensuring that further and higher education provision is linked to employer needs and demand. In particular local authorities have the opportunity to influence skills provision towards higher skill, higher pay career outcomes and to support relationships between skills providers and employers to drive workforce up-skilling, in support of a locally led agenda on higher productivity and pay.

Join up pay campaigns with other local cost of living issues, including housing: In parts of the country, most significantly in London, the issue of pay is but one part of a wider cost of living crisis for many people. Local authorities are ideally placed to work with local partners to understand the impacts of low pay, benefit and housing changes on residents. This knowledge may then be brought to bear on local stakeholder conversations and on the commissioning of services and support to mitigate impacts.

For business

Engage in the policy debate on pay and cost of living at national / regional / local level: The symposium clearly highlighted the benefit of dialogue between businesses and policy makers and the need to create more spaces where this can take place. Many businesses may perceive that they are trapped in a low-pay business model by economic forces outside their control and feel unable to engage with policy debates taking place in other spheres. Local and national business networks, local authorities, the Living Wage Foundation and others provide forums for open dialogue on pay and related issues. Taking the opportunity to engage with debate on pay and communicating the challenges business face in setting Living Wage pay policies can only encourage a more collaborative approach to pay policy and business regulations, and help expose businesses to potential solutions to what they may perceive as their low pay trap.



Consider links between skills, wages and productivity: One solution to increasing productivity, and hence enabling a higher wage economy, may lie in raising the skills of the workforce. Individual businesses will already be looking towards improving their productivity levels and should also be considering what this means for the skills requirements of their current and potential workforce. Additionally, businesses should consider whether a change in pay policy may in itself help drive productivity increases, given the available evidence to suggest that it can do so.

Get involved in the skills provision agenda to represent business needs: It has been recognised that where higher level and specialist skills are concerned, potential employees do not always have the right skills to match emerging business demand. Increasingly, the skills offer will be shaped locally, meaning that local organisations will gain more responsibility in having conversations with employers about the skills need of their business and ensuring that local further and higher education institutions make provision for this need. Business will have a key role in speaking up about their skills requirements in order to collaborate on any future skills provision.

Open dialogue with employees over pay and wider work benefits: Implementing a change in pay policy that benefits all employees is a challenge to business. Many businesses offer a variety of staff benefits (for example travel, lunches and discounts) that are valued by some staff but also represent a cost to the business. In order to assess the potential benefits in adopting a Living Wage pay policy, employers should consult staff on how to increase pay in the context of the wider benefits on offer, recognising that all employees face different individual and family circumstances, which will affect differently how they value in-kind benefits and increases in direct wages.

Recommendations

Find out how others have implemented a Living Wage policy:

Leaders in sectors previously seen as impregnable to the Living Wage, such as retail, hospitality and domestic cleaning are now showing how it can be achieved and setting themselves apart from competitors. Business to business communication is encouraged and facilitated by the Living Wage Foundation. Any business that is aligned in principle but uncertain about the practicalities of becoming a Living Wage employer should be reassured that there will be someone who has done it before to explain how it can be achieved.

For employees

Engage in dialogue with employers about pay and benefits:

To implement a good pay policy, employers need to hear what it is that their employees value in their pay and benefits and how they want to be rewarded for their hard work. Of course some employers are better than others at listening and, particularly in sectors with low union membership, the risk of speaking up can be very real. Trade unions and local grassroots organisations like London Citizens can support employees to engage in the wider debate on pay and open a dialogue with their employers around the Living Wage.

Make pay policy an issue across the organisation:

Higher paid employees can also influence low pay practices within organisations by lending their voice to support the Living Wage for lower paid colleagues and making pay a key corporate responsibility issue. This can extend to making personal choices about where to work, for those in higher-skilled positions for whom the choice is available.

For consumers

Make low pay a consumer choice: Working conditions in other countries have been a consumer cause with some success, influencing corporate practice in fashion, agriculture consumer electronics and other sectors. The symposium highlighted a growing movement making low pay a consumer issue in the UK. The Living Wage Foundation is taking steps to make consumer choices to use Living Wage businesses easier with a map linking to all Living Wage employers across the UK.

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