

Living Wage

An independent evaluation of Trust for London's Living Wage special initiative

Key findings

- A step change in the living wage campaign was achieved. The number of employers committing to paying a living wage averaged 10 per annum in the first decade of the campaign. This increased to over 300 additional employers in 2013 and over 500 in 2014. The UK total in October 2014 was around 1,000.
- It is estimated this generated £49 million in additional wages for 23,000 low-paid workers (by September 2013). Since this date the number of accredited employers has more than doubled, meaning the gains have significantly increased.
- Community organising laid solid foundations for the living wage campaign and is critical in mobilising individuals to engage in activity. It was also integral to securing support from the Mayor of London and the Leader of the Labour Party.
- However, it was the creation of the Living Wage Foundation which delivered the step change. It was vital infrastructure, providing a platform to support the mainstreaming of the living wage and a process to formally accredit employers.
- The concept of the living wage has become mainstream, with considerable media coverage gained and support from a wide range of organisations. This greater public awareness has been important in engaging and accrediting employers and has been aided by the launch of an annual Living Wage Week.
- The economic downturn may actually have helped the campaign. Increasing in-work poverty and the rising cost of living created greater awareness of the problem of low pay and an appetite for solutions such as the living wage.
- Employers are not yet swayed by the (bottom line) business case, but see alternative 'soft' business benefits such as improved staff morale and better relationships with employees.
- Few accredited employers reported any significant challenges to accreditation. Affordability remains the main challenge particularly in sectors where low pay is a core part of the business model, and where progress has been difficult.
- The nature of the sector matters and there is a need to be flexible to this. In industries where low pay is significant (such as retail) and where profits are low (such as social care) a more gradual and stepped approach may be needed.
- Employers increasingly believe in the reputational benefits offered through living wage status. This has resulted in a change in campaigning. Originally the focus was on the reputational risk of not paying a living wage. This has now shifted to emphasising reputational benefits.
- Ethically conscious customers are starting to pay attention to living wage accreditation. Around two-thirds of accredited employers thought it was a very or quite important reason for accrediting.

Background

In 2001 London Citizens (now Citizens UK) launched a campaign for a living wage. This is an hourly rate calculated according to the basic cost of living. A voluntary commitment made by an employer, which is uprated annually. In 2013 it was £8.80 in London and £7.65 in the rest of the UK.

During the first decade an average of ten employers committed to paying a living wage each year. However, having adopted the living wage, there was no formal mechanism to ensure employers maintained their commitment.

The Living Wage special initiative

In 2009 Trust for London launched a special initiative which aimed to deliver a 'step change' in the number of employers signing up to the living wage and an increase in the numbers of low-paid workers benefiting. It developed as a result of the Trust's concern about the growing level of in-work poverty and an attempt to tackle this.

The work took place between 2009 and 2013 with the Trust investing around £1 million over this period. The core elements of the initiative were:

- Awareness raising and campaign work by London Citizens, with a focus on key sectors: retail/hospitality, public (particularly local authorities) and higher education.
- Creation of a new body to accredit employers and to monitor on-going compliance (this led to the creation of the Living Wage Foundation).
- Research on different aspects of the living wage including assessing the costs and benefits to employers and workers of being paid a living wage.

The initiative was overseen by an advisory group representing a broad range of stakeholders, including employer bodies, trade unions, the Greater London Authority and London Councils, to help advise on the overall strategy of the initiative.

Achievements

At the start of the initiative around 100 employers had made some form of commitment to paying a living wage. Eleven new employer commitments were secured in the first year of the special initiative, followed by a handful in the second year.

It was the third year with the creation of the accrediting body (the Living Wage Foundation) that there was a step-change (around 100 formally accredited employers), followed by even faster progress in the final year (more than 300 additional employers accredited). This was more rapid in the subsequent year with more than 500 additional employers accrediting, reaching a total of around 1,000 across the UK by October 2014.

A large-scale survey^[1] of accredited living wage employers, undertaken by Queen Mary, University of London concluded that nationally almost 23,000 low-paid workers benefited as a result of their employer accrediting. It estimated this generated £49 million in additional wages for these low-paid workers. These findings would suggest that around 12,000 workers in London received a wage increase, benefiting them by £25 million.

[1] <http://bit.ly/1sXbeFb>

This estimation is based on 359 employers being accredited by September 2013. As the number accredited has reached around 1,000, the gains in number of employees benefitting, as well as the increase in wages, will be significantly higher.

Progress in the target sectors (retail/hospitality, public and higher education) was a challenge. Progress was made with local authorities and higher education institutions (about 20% of employers accredited). However, only 4% of employers who signed up to the living wage were in the retail and hospitality sectors, and of these most were small or micro-sized.

A further significant achievement is that the concept of the living wage has become mainstream, with considerable media coverage gained and support from a wide range of organisations and political leaders. One of the main contributions of London Citizens appears to have been putting the living wage on the radar of the Labour Party and in keeping it on the Mayor's agenda. Overall, this greater public awareness has been important in engaging and accrediting employers.

Employer's reasons for accrediting

Based on a survey of accredited employers, the main reasons for employers signing up to the living wage relate to moral arguments. 'It felt like the right thing to do' was a very important reason for 88% of employers; and having a fit with a company's commitment to addressing its Corporate Social Responsibility strategy was very important for 66%.

When looking at 'business case' arguments, only the impact on staff morale and retention made it to the top five of very important reasons to sign up for accreditation. A belief that living wage accreditation might increase productivity or might appeal to customers is less likely to be a very important reason for signing up. Employers are not yet swayed by the (bottom line) business case, but see alternative 'soft' business benefits such as improving staff morale and having better relationships with employees.

Key factors in encouraging employers to pay a living wage

- A senior, internal champion who feels sufficiently passionate about the living wage to drive it through the organisation.
- Raising awareness about in-work poverty and the impact this can have on those living on low wages. Providing personal testimonies of low-paid workers direct to employers.
- The potential 'fit' with an employer's pre-existing commitment to address Corporate Social Responsibility or inequalities.
- Peer pressure. When one key employer accredits, others in the same sector tend to follow.
- Where introducing the living wage involves significant financial impact, a gradual introduction of the living wage can enable accreditation.

Challenges to employers accrediting

Few accredited employers reported any significant challenges to accreditation. Affordability ('the increased wage cost' and 'future rises in the living wage') remains the main challenge reported by employers, although affordability is only very important for about a quarter of employers. About half of employers quote affordability concerns as a very or quite important challenge. It is likely that affordability is a greater concern for those employers who have not signed up, particularly in sectors where low pay is a core part of the business model.

Other barriers to accrediting were seen as low: the length of the accreditation process (6% of employers scored this as very important); whether the living wage was seen as political (6%); concerns about legal challenges (4%); and the accreditation fee (2%).

Sector-specific issues

The nature of the sector matters. Campaigners may need to explicitly acknowledge that it is more challenging for a large retail or hospitality employer to commit to the living wage and adopt more flexible approaches to these sectors.

The Living Wage Foundation has already done so implicitly in the case of local authorities, by allowing for a gradual transition towards full living wage compliance as and when contracts come up for renewal. InterContinental Hotels made a public commitment to becoming a living wage employer over a five-year period. A breakthrough in the retail and hospitality sector may require making this more gradual and stepped approach more explicitly acceptable.

There are also lessons which are specific to certain sectors. For example, reasons for accreditation in the higher education (HE) sector include:

- A (perceived) higher proportion of idealistic and liberal people working in HE.
- The presence of a student body offering a ready pool of campaigners.
- Low-paid workers (primarily cleaners) on the same premises as the campaigners (students) facilitating networking and joint strategising.
- A strong tradition of comparison between institutions.

The role of community organising

Evidence suggests the community organising methodology employed by London Citizens makes a difference to the effectiveness of the campaign. It was also felt to be particularly important in helping to secure support from both the Mayor of London and the Leader of the Labour Party as vocal advocates for the campaign. There are a number of reasons for this:

First, the personal contact between the campaign organisers and their members appear to be an important driver in keeping individuals involved.

Secondly, the ability to keep individuals involved matters because it enables London Citizens to mobilise large groups of people to attend assemblies or undertake actions. In the words of community organising, it gives them the 'power' to put pressure on duty-bearers and hold them to account.

Thirdly, their network gives them good access to individuals directly affected by low pay. This enables London Citizens to be more passionate and credible spokespeople than traditional campaigners and allows for personal testimonials – both of which are referenced by employers as important strengths of the process.

Accreditation created the step-change

The establishment of the Living Wage Foundation, more than anything else, triggered the step-change in terms of the number of employers reached, and in the depth of the commitment of individual employers (a formal, binding commitment to implementation).

Community organising over the course of a decade laid solid foundations for the living wage campaign. But it was the Living Wage Foundation which was the vital infrastructure, providing a platform to support the mainstreaming of the living wage and a process to formally accredit employers. This added credibility and ultimately delivered the step-change. It also created an important revenue stream (employers pay a fee to accredit) which allows for the future financial sustainability of the campaign.

The employer's survey found that the accreditation process and the Living Wage Foundation are important facilitators, but interestingly it is the credibility of accreditation (very important for 62%) rather than the fact that there is a clear process (very important for 33%) that seems the main factor. It is highly unlikely the Living Wage Foundation would have been established had it not been for Trust for London's special initiative.

From reputational risk to reputational benefit

Although in theory there were always potential PR benefits to being a living wage employer, few if any employers advertised their living wage status in the first decade of the campaign. The special initiative, and in particular the launch of the Living Wage Foundation, saw a gradual shift in focus away from the reputational risk (stick) approach towards a reputational benefit (carrot) approach, which was apparent to employers. In the final employer survey the risk of negative PR for not accrediting was very important only for 2% of employers.

Employers appear increasingly keen to showcase their living wage status. At the start of the initiative few employers appeared particularly keen to publicly advertise their living wage status. By 2012 about 30% of accredited employers referred to their accreditation on their website. By 2013 this positive trend had continued, with two-thirds of employers reporting that they advertised the living wage logo on their website. Less than one in ten (8%) had not advertised their living wage accreditation in any way.

Employers increasingly believe in the reputational benefits offered through living wage status. A further indicator of this is that around 40% of accredited employers have actively encouraged other employers to sign up for accreditation.

Challenges

The special initiative began at the start of the economic downturn and during a period of cuts and austerity. Despite the obvious financial challenges created by this (such as public sector pay freezes and low wage growth), the downturn may actually have helped the campaign. Increasing in-work poverty and the rising cost of living created greater awareness of the problem of low pay and an appetite for solutions such as the living wage.

However, some significant challenges remain. The Living Wage Foundation has not yet been able to achieve a break-through in sectors where low wages are a fundamental part of the business model, such as retail, hospitality and social care. Progress is being made in these sectors but not yet at the pace originally envisaged. This means that an element of campaigning remains necessary. Affordability remains the main barrier to introducing the living wage in these sectors. Further funding from Trust for London and the Joseph Rowntree Foundation has been secured to focus on these sectors.

In retail, outreach to employers in the ‘ethical’ business niche may be a way forward, given early anecdotal evidence that ethically conscious customers are starting to pay attention to living wage accreditation. Only 25% of employers accredited because they thought it was very important in trying to appeal to customers. However, 77% thought it was very or quite important.

Building the evidence base around consumer interest in living wage services may need to become an important role for the Living Wage Foundation, including helping accredited employers develop marketing materials and strategies aimed at capturing this consumer interest.

Methodology

Cambridge Policy Consultants undertook an independent evaluation to assess the impacts and effectiveness of the Living Wage special initiative. There were interviews and surveys of employers (living wage accredited and unaccredited) and key stakeholders during the four-year evaluation with interim reports produced annually. In 2013 an online survey of over 50 accredited employers was conducted, data from which is highlighted in the key findings.

Trust for London

www.trustforlondon.org.uk

Trust for London is the largest independent charitable foundation funding work which tackles poverty and inequality in the capital. Annually, it provides about £7 million in grants and at any one point is supporting some 400 organisations.

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Cambridge Policy Consultants specialises in social and economic policy. It covers a range of policy fields and offers expertise in supporting service improvement, organisational change, evaluation and research.

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The full report can be downloaded from:

www.trustforlondon.org.uk/research/publication/living-wage-evaluation-of-special-initiative