

The Living Wage and Local Authorities

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Summary

This is a briefing on the Living Wage and how it relates to local government.

The briefing covers:

- A 'what, why, who and where' of the Living Wage
- An update on the Living Wage and Local Authorities
- A short comment on where next for the Living Wage

The briefing may be of use to all councillors and council officers working to tackle poverty and reduce inequality in their areas. It may be of particular interest to those who are working on local authority pay and procurement.

Briefing in full

A 'what, why, who and where' of the Living Wage

What is the Living Wage?

The Living Wage in London is currently £8.55 per hour. Everywhere else in the UK it is currently £7.45 per hour. It is set independently by the Living Wage Unit of the Greater London Authority for London and by the Centre for Research in Social Policy at Loughborough University for the rest of the UK. It is updated annually in Living Wage Week in November. Detail on the methodology used to calculate the Living Wage, which is based explicitly on the actual cost of living, is available [here](#) for London and [here](#) for the rest of the UK. Unlike the National Minimum Wage (currently set at £6.19/hour), the Living Wage is not a statutory requirement but a voluntary undertaking.

To be accredited as an official Living Wage Employer (of which there were 96 in the UK as of 5 November 2012, listed [here](#)), an organisation must satisfy four basic criteria:

- pay all of its own staff at least the Living Wage;

- commit that within six months of the annual uprating of the Living Wage, its pay rates will be updated accordingly;
- demonstrate progress towards requiring any contractors it has to do the same;
- and have a plan in place to work with any remaining contractors to get them too to pay the Living Wage.

Research from accountancy firm KPMG (available [here](#)) suggests that one in five workers in the UK – some 4.82 million people – are paid less than the Living Wage, with research from Trust for London (available [here](#)) suggesting that 580,000 of them are in London.

Why pay the Living Wage?

The basic argument for the Living Wage is that no-one should do a hard day's work for less than they can live on. It is intended to recognise the dignity of work and the importance for individuals, families and society of people being able to earn a living. The idea is rooted in notions of contribution, reciprocity and community.

For employees, the Living Wage means no longer having to work multiple jobs, getting some sleep and being able to provide for and spend time with their family. For employers, it means higher staff morale, better quality work, improved rates of retention, lower rates of sickness and absence, and reputational gain. For local authorities, it can mean more money being spent by local employees in the local economy.

Who is behind the Living Wage?

[Citizens UK](#) launched the modern Living Wage campaign in the UK in 2001 with parents in East London. Today it is a national movement. [The Living Wage Foundation](#), which is part of Citizens UK, is responsible for promoting, supporting and administering the formal accreditation of Living Wage Employers. Once accredited, organisations can display and use the Living Wage Employer's Mark.

The leaders and senior politicians of all the three main political parties have spoken in favour of the Living Wage.

Where has the Living Wage had an effect?

Citizens UK argue that over the past decade 45,000 families have been lifted out of working poverty as a direct result of the Living Wage, which in that time has put over £210 million of increased wages into the pockets of low-paid workers. This progress has been made in a number of areas. The campaign has so far been particularly successful with the Mayor of London and the Greater London Authority, The City, hospitals and universities. Securing London 2012 as the first ever Living Wage Olympic and Paralympic Games was a notable success. Recently, the Department for Work and Pensions also agreed to move to the Living Wage. Now the campaign

is active on numerous fronts, including other government departments in Whitehall, schools, charities, faith institutions, supermarkets and other retailers, hospitality and hotels, increasingly local authorities and housing associations, and soon football clubs.

The Living Wage and Local Authorities

The Living Wage in local government so far

There are currently 11 local authorities in the UK that are fully accredited as Living Wage Employers. All are run by Labour councils. A growing number of other local authorities in England, Scotland and Wales are now undergoing the accreditation process.

Problems and solutions for the Living Wage in local government

Cost

Local government has been cut hard in central government's ongoing austerity drive, leaving council coffers increasingly bare. The prospect of taking on significant extra cost in terms of the wage bill is therefore understandably a daunting one, especially when the Living Wage rises annually by a varying amount. Adopting the Living Wage unavoidably incurs some extra cost for local authorities, with the bill being much higher in those councils that currently employ a large number of staff directly on less than the Living Wage. No-one else is going to pick up the bill for those councils to increase their own staff's pay. However, where the number of directly employed staff below the Living Wage is already low, the additional cost can be minimal. Going Living Wage does not have to break the bank.

Contractors

One of the operating principles of the Living Wage is that layers of contracting and subcontracting should not absolve an employer of responsibility for the working conditions of those who, in the end, are working on their behalf. That is to say that out of sight, in employment terms, should not mean out of mind.

When it comes to moving contractors to the Living Wage, there is a negotiation to be had as to who picks up the bill: the council or the contractor. Such negotiations are easier at a contract break point but are possible mid-contract too, even with very long contracts. There are now precedents for major council contractors responsible for cleaning, catering, grounds maintenance and security moving to the Living Wage and absorbing it at no increased cost to the council as a result of assertive negotiation by council representatives. This shifts the burden from the public sector to the private sector (doubly so if it also removes the need for workers to receive tax credits). It should not therefore be assumed that any additional costs for contractors complying with the Living Wage are necessarily to be borne by the council.

Procurement

For years, local authority members have asked officers to drive down costs in drawing up contracts. This has often been achieved by contractors placing downwards pressure on their own staff's wages. Cost effectiveness is clearly still vital, but the Living Wage introduces an additional consideration, namely ensuring that the people working on a council's behalf are properly remunerated.

The law

There is some concern that requiring contractors to pay their staff a Living Wage is open to litigation as a potential violation of the European Union's Posted Workers Directive. Lawyers' opinions vary on this matter. But a legally sound approach to enshrining the Living Wage into a local authority's procurement policy is possible, provided it is done on a nuanced, case-by-case basis. The London Boroughs of Islington and Lewisham – the first two local authorities in the UK to receive accreditation as Living Wage Employers – have each adopted such an approach with 100 per cent success in terms of building the Living Wage into all new contracts. There have been no cases in the UK of legal challenges against councils on the basis of the Living Wage.

In-sourcing

There are examples of where, by bringing a previously out-sourced service back in-house, a council has been able to increase staff pay to the Living Wage at no extra cost to the taxpayer by cutting out expensive management costs.

Cross-boundary services

Some contractors deliver services to more than one council. This raises the potential problem of equivalent (or identical) staff potentially being paid more for their work in one local authority area than the same work in another. Cross-border collaboration on the Living Wage by councils is one way to approach this. But variation need not preclude progress: the perfect should not become the enemy of the good.

Social care

Social care merits special mention because it is probably the area of local authority business where Living Wage compliance is hardest to achieve. Our country's current social care industry is wholly predicated on a low-pay business model. Most of the costs of a social care contract are staff costs. Increasing carers' wages is therefore genuinely problematic and may require both cross-border collaboration and time.

Comment

Where next for the Living Wage and local government?

Local authorities going Living Wage can change the lives of the people who cook our children's school meals, staff our gyms and swimming pools, and keep our offices safe and clean. They work hard. They should be able to live, not just survive. But to get there will require a new and more assertive approach to the alleviation of poverty through employment and procurement policy. Above all, it will take political will and clear leadership on the part of council leaders who want to deliver on the promise of fairness in tough times. For those councils which are leading the way and have already become Living Wage Employers, the opportunity presents itself to show real civic leadership and exert influence outside their authority by persuading other employers in their area to follow suit.

A caveat

If the Living Wage campaign was until now a child, then with Living Wage Week in November 2012 it reached adolescence. This matters because it means it is no longer readily controlled by Citizens UK who have raised it since inception. With ever-increasing numbers of groups campaigning for the Living Wage, from student unions to trade unions to political parties, and with more and more organisations across the public, private and voluntary sectors adopting the Living Wage, the campaign now has a life of its own, independently of Citizens UK who remain its primary advocate.

Two potential dangers must be avoided then, if the campaign is not to become a victim of its own success. The first is the prospect of different Living Wage rates being conjured up in different places all across the country, leading down a road towards regional pay. This happened with the equivalent of the Living Wage campaign in the United States, to its detriment. The second is that a crucial aspect of the campaign might get lost amid the enthusiasm, namely the communitarian element, as opposed to the egalitarian part. The campaign, as led by Citizens UK, has been 'bottom up': cleaners and security guards themselves have been at its forefront, arguing with their bosses for a decent day's pay. It has been politics *with* the people, not just *for* them. In the rush by those concerned with social justice to introduce the Living Wage in their workplaces, it would be unfortunate if the campaign took on a more paternalistic, less relational aspect, with well meaning managers doing it for their staff, but not doing it with them.

For more information about this, or any other LGiU member briefing, please contact Janet Sillett, Briefings Manager, on janet.sillett@lgiu.org.uk