



23 November 2016

**Notes from presentation to the APPG on Poverty by Tess Lanning, Head of Business Development at Living Wage Foundation:**

5.6 million people in the UK earn less than the wage they need to live on. The Living Wage is £8.75 and in London it's £9.45. No one is rich on the Living Wage but it is calculated to cover essentials such accommodation, heating, food and transport, and to cover other ordinary living costs such as birthday presents or to give parents the option of opening a savings account for children.

One of the aims of the Living Wage Foundation (LWF) is to convince MPs to promote the Living Wage to employers in their constituencies. LWF works with businesses in challenging sectors of the low-pay economy, such as retail and hospitality. LWF view the Government-led National Living Wage (introduced this year) as an important milestone towards closing the gap between pay and living costs but note that it is not calculated on the cost of living, excludes those under the age of 25 and is not London-weighted.

The 'real' Living Wage applies to all employees over the age of 18 and includes London weighting. Crucially it is calculated on the costs of living and is reassessed annually. Existing LWF employers are concentrated in higher paying sectors; 14% in banking and financial services. Companies such as HSBC and KPMG led the way in implementing the Living Wage. This reflects origins of the Living Wage campaign, launched in 2001 by Citizens UK in support of city workers such as cleaners, caterers and security guards who marched in east London to highlight the low pay they received. The ethos of the LWF is that a hard day's work deserves a fair day's pay.

A variety of employers are now on board - not least a butcher, a baker, and a candlestick maker. Football clubs have signed up and the first Living Wage football match was recently played. Sadly the first government department to be a certified Living Wage employer - the Department for Energy and Climate Change - has been abolished. Living Wage businesses include Brewdog, Ikea and Oliver Bonas. Implementing Living Wage was a £25 million decision for Ikea demonstrating the confidence such a large employer has in the scheme.

When a company decides to pay staff a real living wage it leads to a number of improvements, as evidenced in the [Living Wage Foundation's Good Jobs in Retail Toolkit](#). The Toolkit draws on research from MIT management professor Zeynep Ton. It is part of the DWP-sponsored [UK Futures Programme](#), examining higher skilled jobs in low-paying sectors. Business improvements include better staff motivation and lower turnover and are most dramatic in lower paying sectors. Brewdog launched in 2007 and became a Living Wage employer in 2014. Before Living Wage was introduced the company's Shoreditch bar had a 240% staff turnover. Brewdog abolished zero hour contracts and now their average employee contract is 32 hours per week with staff turnover at a fraction of what it was.



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Key lessons from an employment model based on 'operational excellence with investment in staff' include:

1. Cutting costs from every part of the business except staff; standardising routines, cutting waste etc.
2. Cross training staff so they can work across different areas of the business.  
Empowering staff to feed into business-improvement processes
3. Operate with slack - err on the side of over-staffing so staff can operate at the highest level *and* still engage fully with customers

Is there a trade-off? This research suggests retailers should try to do slightly less; make a simpler offer to their customers in order to reduce operational complexity.

The Living Wage Foundation is involved in a new piece of research examining other benchmarks of best practice in business beyond their core issue of pay.

#### **Minutes from Living Wage presentation discussion:**

Tommy Sheppard MP, former owner of The Stand comedy club in Glasgow and Living Wage employer, noted the commercial advantage that being a living wage employer generates. Such organisations are perceived as good employers and Living Wage accreditation is an indicator that yours is a 'premium' offer. Such employers can ask staff to take on more responsibility. There is also a feel-good factor for consumers. Living Wage is an important issue in the arts sector where non-payment remains all too common. Support for the real Living Wage should be stepped up Her Majesty's Government across the civil service, as the Scottish Government has done via the [Scottish Business Pledge](#).

Tess Lanning said that Ikea has been explicit in linking their decision to pay Living Wage as an investment in their staff and the company is using the opportunity to carry out research into productivity and skills. Tess reiterated that the government's National Living Wage not based on the cost of living whereas real living wage is. The differences will become more apparent next year when the annual uprating of the Living Wage comes into effect. However, the government's introduction of their own National Living Wage has been a bittersweet recognition of importance of the LWF campaign.

Kevin Hollinrake MP said that the LWF has put pressure on the government to move forward on the issue of low pay. All parties are looking to end up at the LWF rate as a baseline for pay. Nonetheless, there is a need to be cautious about job losses.

Tess Lanning responded to a question from Kate Green MP about the potential to scale up the LWF campaign. Currently 3000 employers have signed up with several big names on board in multiple sectors. The step change occurs with employers with bigger reach, such as Ikea. LWF has been more successive with smaller workforces to date. Both public and political pressure make a difference. The LWF would love to see more of the football sector



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and tech sector paying the Living Wage - Google is currently on board but not Facebook. The Scottish Government has successfully integrated Living Wage demands into their procurement process.

The Earl of Listowel highlighted low pay in child-care and social care more widely. This remains a particularly challenging low-pay sector and there are fears about where future early years funding will come from. What arguments can be put to the early years sector which, he suggested, too often focuses on premises over staff investment? We must care for the carers. He also noted that Job Centres should be Living Wage employers.

Tess Lanning said that child and social care remain the most challenging sectors. The research into retail has been useful for sector specific recommendations but the campaign is looking to be doing more with other sectors including adult education. Lots of local authorities are involved in the LWF accreditation procedure; for many LAs everyone except the social care providers are paid the Living Wage because services are commissioned at too low a cost by councils. LWF argue that there is a funding gap but some LAs and care providers are closer than others to achieving decent pay and work practices and lessons can be learned from them.

Kevin Hollinrake MP noted the discrepancy between companies like Google receiving the Living Wage kitemark but not necessarily paying what is perceived to be their fair share of tax. There is a relatively new [Fair Tax Mark](#) campaign. There are further mechanisms that companies could be encouraged to introduce that could improve the lives of employees, such as hardship funds.