



The Living Wage:  
Core principles and  
global perspectives

## About ACCA

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants. It offers business relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

ACCA supports its **188,000** members and **480,000** students in **178** countries, helping them to develop successful careers in accounting and business, with the skills required by employers. ACCA works through a network of **100** offices and centres and more than **7,110** Approved Employers worldwide, who provide high standards of employee learning and development. Through its public interest remit, ACCA promotes appropriate regulation of accounting and conducts relevant research to ensure accountancy continues to grow in reputation and influence.

Founded in 1904, ACCA has consistently held unique core values: opportunity, diversity, innovation, integrity and accountability. It believes that accountants bring value to economies in all stages of development and seek to develop capacity in the profession and encourage the adoption of global standards. ACCA's core values are aligned to the needs of employers in all sectors and it ensures that, through its range of qualifications, it prepares accountants for business. ACCA seeks to open up the profession to people of all backgrounds and remove artificial barriers, innovating its qualifications and delivery to meet the diverse needs of trainee professionals and their employers.

In June 2016 ACCA formed a strategic alliance with Chartered Accountants Australia and New Zealand (CA ANZ). The alliance represents the voice of 788,000 members and future professional accountants around the world, who share the commitment to uphold the highest ethical, professional and technical standards.

More information is available at: [www.accaglobal.com](http://www.accaglobal.com)

## About the Living Wage Foundation

The Living Wage Foundation is the organisation at the heart of the UK's independent movement of businesses, organisations and people that campaign for the simple idea that a hard day's work deserves a fair day's pay.

Established in 2011, the Living Wage Foundation celebrates and recognises the leadership of responsible employers who choose to go further than the minimum wage by offering accreditation to employers that pay the real Living Wage by awarding the Living Wage Employer Mark.

The real Living Wage rates are based on the cost of living and are independently calculated every year based on the best available evidence about living standards in London and the UK. The Living Wage rates are currently £8.45 per hour in the UK and £9.75 per hour in London.

To become accredited all employers must pay all directly employed staff the independently-calculated Living Wage and have a plan in place for all contracted staff. There are nearly 3000 organisations signed up with the Living Wage Foundation as accredited Living Wage Employers and it has lifted the pay of at least 120,000 employees.

Every year, the Living Wage Foundation announces the Living Wage rates in November during Living Wage Week, a UK-wide celebration of the Living Wage movement. It also provides advice and support to employers and service providers implementing the Living Wage rates. This includes best practice guides, case studies from leading employers, model procurement frameworks and access to specialist legal and HR advice.

The Living Wage Foundation is an initiative of Citizens UK and it receives guidance and advice from the Living Wage Foundation Advisory Council.



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This report presents current thinking around the world related to the setting and application of a Living Wage.

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In today's world, corporate success and brand values are increasingly dependent on intangible assets. For some businesses, intellectual capital may underpin future revenues. For most, their corporate reputation is a vital asset – one that has become particularly vulnerable in an era when bad news stories can spread around the world in seconds.

At the same time, interest in social equity is growing. Ethical investors, consumers and other stakeholders are becoming more critical of organisations that break or even bend the rules. Businesses are expected to pay their fair share of taxes, treat the environment with care and respect the rights and needs of their employees. The last includes paying a decent wage.

ACCA considers the Living Wage to be an important ethical and business issue. That's why, in the UK, we are accredited as a Living Wage employer. Established and developing economies are all affected by the issue. International businesses with long supply chains are deeply embedded in multiple economies, and the wages they and their suppliers pay have a huge impact on many lives.

As a global organisation, ACCA is well placed to encourage international discussion on the Living Wage, bringing together interested parties around the world to share their views. Open discussion is important, not least because this is a complex area. The Living Wage in any country needs to reflect the local society and local expectations. Global brands may have limited ability to control wages further down their supply chains. Employers, particularly smaller ones that may feel most vulnerable to rising costs, need to identify the benefits of implementing a Living Wage.

ACCA is keen to play a part in encouraging debate. The general principles set out in this report stem from a global consultation process. They are designed to enable maximum support and to be used when policymakers, employers and other stakeholders are discussing how to establish and set a Living Wage for their jurisdiction. They aim to provide a firm foundation on which to build consensus about what constitutes a level of pay sufficient to enable a decent life and full participation in society to support the growth of stronger economies and healthier societies.

**Helen Brand OBE**  
**Chief executive**  
ACCA



The concept of a 'Living Wage' - that people should earn enough to maintain a dignified standard of living – has gained increasing prominence around the world as a way to tackle the growing problem of in-work poverty.

To contribute to this debate, ACCA and the Living Wage Foundation undertook a major consultation exercise with participants from civil society, business and governments around the world to explore the concept of a Living Wage.

We are grateful to all roundtable participants who gave up their time and expressed their views so openly. The support of major companies in organising the events around the world was particularly valuable. This helped ensure that the views of, and challenges faced by employers were freely shared.

There are inevitably challenges in developing consensus on what constitutes a Living Wage and how it should be applied, but the results of the roundtable discussions show that many areas of common thinking do exist, despite

differing contexts and types of economy. We hope that the principles developed here will provide a robust basis for discussion on how to develop Living Wages around the world.

This is one of two reports produced by ACCA and the Living Wage Foundation to understand global perspectives on the Living Wage. There is huge scope for further research to better understand the economic and social impacts of the Living Wage. For example, what are the views of investors towards companies that pay a Living Wage to their employees and throughout their supply chains? What is the impact of paying a Living Wage on local and global economies? How does the Living Wage affect different employees in different contexts?

We hope that these papers will stimulate debate and action and ultimately encourage more employers around the world to embrace the Living Wage. The more momentum can be generated, the more individuals and their families around the world will be able to live decent and fulfilling lives.

**Katherine Chapman**  
**Director**  
Living Wage Foundation

The concept of a Living Wage is now established around the world.

The concept of a Living Wage is now established around the world. Campaign groups, governments and others are increasingly interested in its ability to address in-work poverty and help lower paid workers – wherever they may be – to lead decent lives and participate fully in their communities.

Recognising not only this growing interest but also the many challenges involved in developing common thinking around a Living Wage, ACCA and the Living Wage Foundation came together to conduct a global piece of research. This resulted in the report *Living Wage: A global overview of initiatives and regulations*, giving an overview of Living Wage developments globally, and identifying legal frameworks that have evolved to support the Living Wage lobby.

This report presents a snapshot of current thinking around the world, and is based on discussions during seven roundtable events (in Brussels, Hong Kong, Kampala, London, New York, Shanghai and Johannesburg) held between February and August 2015. Participants in the roundtables represented a broad spectrum of business and society, including employers, worker representatives, academics, campaign groups and other parties interested in the Living Wage concept. They were posed eight common questions, designed to elicit their views on a range of issues related to the setting and application of a Living Wage around the world.

## **PRINCIPLES PROPOSED**

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On the basis of the views expressed in these discussions, and in the light of the themes highlighted in *Living Wage: A global overview of initiatives and regulations*, this report proposes a set of broad principles that can be used both globally and locally when entering into multi-party discussions on the Living Wage. They are consistent with the recommendations outlined in the 'Action Plan on Living Wages' resulting from the 2013 European Conference on Living Wages.

In developing these principles, ACCA and the Living Wage Foundation took account of some basic 'ground rules'. For example, the principles are formulated so as to be:

- able to attract support in all countries, cultures and economies, as far as is possible, and
- reasonably practical in their application.

## **ACCEPTING LIMITATIONS**

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In considering these principles, it is important to accept the limitations of the Living Wage and what its adoption can potentially achieve. In particular, as came through strongly during the roundtable events, a Living Wage can only tackle in-work poverty: it is not a mechanism for addressing poverty among those out of work, although their needs should be considered in the context of any impact that a Living Wage may have on employment levels. A Living Wage is also only one of the many requirements for helping workers lead decent lives: uncertain working hours and 'zero hours contracts' can also create financial and emotional instability.

## **DEBATE ENCOURAGED**

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As would be expected, alongside the many areas of agreement, a wide variety of opinions were also expressed by roundtable participants. This report summarises these common themes and differing viewpoints, aiming to give a flavour of the discussions around the world. ACCA and the Living Wage Foundation hope it will stimulate debate and the sharing of experiences, help raise awareness of the Living Wage concept, encourage its support among society at large, and help employers build a compelling business case for its application.

ACCA and the Living Wage Foundation would like to thank all those who took part in the roundtable discussions in Africa, Asia, Europe and the US.

This report begins by setting out the broad principles that can be used both globally and locally when entering into multi-party discussions on the Living Wage.

This report begins by setting out the broad principles that can be used both globally and locally when entering into multi-party discussions on the Living Wage. These principles were drafted in the light of views expressed around the world during the roundtables organised by ACCA and the Living Wage Foundation. They represent the core, high-level output from this latest research project.

In order to help readers understand the debates underpinning the principles, the report provides an overview of the roundtable discussions. It then summarises

views expressed in response to the eight questions posed at each event, such as how the global principles might be applied on a regional or national basis and how to consider cultural factors.

The roundtables were held under Chatham House rules. Therefore, all quotes included are unattributed. Many opinions were expressed during the discussions, so the comments of individual participants do not necessarily represent the views of all participants in any country. They are included to give a sense of the range and strength of opinions held.



These broad principles are designed to help develop common approaches and support take-up of the Living Wage around the world.

These broad principles are intended for use both globally and locally when entering into multi-party discussions on the Living Wage. They are designed to help develop common approaches, as far as is possible, and support take-up of the Living Wage around the world and throughout global supply chains.

- A Living Wage should be calculated by reference to the income an individual needs to earn in order to live a decent life (where basic standards of living are met) and to participate fully in society.
- The Living Wage for any country, location should be set by reference to local living standards and needs.
- The Living Wage should be set in a transparent way, independent of control or manipulation by government, employers or other parties.
- A Living Wage should be sufficient to pay for a locally agreed basket of goods, which is likely to include food, housing, utilities, transport, a degree of leisure and potentially education, health insurance, childcare, servicing debt and savings. A Living Wage is likely to include support for family members as defined in the local context.
- A Living Wage should be paid to all employees (male and female) over a locally agreed minimum working age.
- A Living Wage should be paid voluntarily by employers.

In addition to the principles framed above, the following two aspects were also considered by the participants to be critical to the success of implementing a Living Wage. While not specifically principles, in that they apply to the application of the Living Wage and relate to scope and transparency, they have been included below because they featured in all the roundtable discussions.

- The application of Living Wage Principles is a change-management process that will take time and is generally undertaken in stages, working through different classes of employees and involving the active engagement of employees and their trade unions and other representative bodies where possible. Employers should take the opportunity, where possible, to use reasonable endeavours to encourage the payment of a locally relevant Living Wage throughout their supply chain, recognising that their ability to do so will be affected by their supply chain position and purchasing power.
- Employers are encouraged to share their findings and experience with others to increase the overall knowledge base about the outcomes of paying a Living Wage. This could take the form of public reporting of the impacts on their human capital and performance, eg the impact on productivity, staff retention and turnover, employee satisfaction, employee motivation and corporate reputation.





# 1. The differences between a Living Wage and Minimum Wage

In order to help develop their Living Wage Principles, ACCA and the Living Wage Foundation held seven roundtables around the world (in Brussels, Hong Kong, Kampala, London, New York, Shanghai and Johannesburg).

During 2015, in order to help develop their Living Wage Principles, ACCA and the Living Wage Foundation held seven roundtables around the world (in Brussels, Hong Kong, Kampala, London, New York, Shanghai and Johannesburg). These brought together employers, academics, campaign groups, think tanks, employee representatives and other interested parties to share their thoughts on the Living Wage concept.

The questions posed to these participants generated lively debates, with many areas of agreement but also many differing views, often related to local economic and social conditions. The key themes are summarised here.

## **Q1. What is your understanding of the difference between a Living Wage and a national minimum wage?**

Roundtable participants identified a number of differences between a Living Wage and a national minimum wage (NMW).

An NMW is generally thought to be set by government (often on the advice of social partners or other data-based sources), whereas a Living Wage is based on the cost of living and might be established in other ways: by focus groups, independent commissions or through negotiation between workers and employers. Participants in most roundtables recognised the need for NMWs and Living Wages to recognise local, national (or regional) conditions.

**‘The Living Wage should be calculated according to needs, not rights, but these are different around the world’.**

**London participant**

An NMW is considered to be set at relatively low levels – a basic ‘floor’ (eg as in Brussels, New York, Johannesburg) that provides a safety net for employees. This is partly because governments do not want to affect labour markets or incur opposition from employers. A Living Wage is generally expected to be higher (but not always), reflecting the higher aspirations associated with it. A Living Wage is associated with the concept of dignity, enabling individuals to become more self-sufficient and play a full part in society as opposed to merely subsisting (the view in eg New York,

London, Johannesburg, Shanghai). There was some concern (eg in Brussels) that the setting of a Living Wage should not weaken workers’ ability to negotiate the wages they believe they need. In Brussels there was some discussion of the corporate social responsibility (CSR) aspect of the Living Wage, in that some employers may aim to pay a Living Wage so that they can make a positive impact on the communities in which they operate. An NMW is set by statute, whereas a Living Wage is paid voluntarily by employers. Employers should be able to ‘opt out’ of paying an NMW by paying a higher Living Wage.

**‘A crucial question is “should we allow employers to pay a wage on which you cannot live?” The answer... is no’.**

**Brussels participant**

**‘The national minimum wage is an absolute wage floor – statutorily and legally binding – an absolute minimum based on what is needed to survive...The minimum wage deals with need, whereas the Living Wage is negotiated and it is linked to productivity and to a good lifestyle beyond basic needs – to enable full participation in society’.**

**Johannesburg participant**

It was noted that in Canada the minimum wage is linked to worker productivity, and so tied to growth as opposed to a desirable living standard, the latter being the goal of the Living Wage. A New York roundtable participant asked: ‘Do we establish a wage floor designed to deliver a certain standard of living or one which reflects the economy and the distribution of what is being achieved?’.

## **Set at the same level?**

Some participants in some locations (eg in Brussels, Hong Kong, Johannesburg) thought the NMW and a Living Wage should be the same, and recent political movement in the US towards a \$15 NMW was seen as a convergence between an NMW and a Living Wage. As one participant in Johannesburg said: ‘The minimum wage should be the Living Wage and if we don’t pay this, we are denying people the opportunity to live with dignity’.

‘The minimum wage should support you to survive, the Living Wage should be higher and give you more opportunity to support your development and enjoy your life’.

Shanghai participant

In Shanghai there was a view that the Living Wage should not be higher than the NMW, certainly as a starting wage, but that the Living Wage should follow the changing needs of the worker through life.

‘A minimum wage should be the same as the Living Wage, as a decent wage level should not only cover the cost of living but also family support services’.

Hong Kong participant

### Potential barriers

Several roundtables, when discussing the differences between an NMW and a Living Wage, queried whether smaller businesses (SMEs) would always be able to pay a Living Wage (this was raised, eg in Brussels, Hong Kong). There was also awareness of other potential barriers to the introduction of a Living Wage (at least a mandatory one), including fears over distorting competition or driving employers to lower-wage locations (a view expressed in Brussels and Shanghai). A Living Wage was also seen (eg in Brussels, New York) as reflecting the higher living costs of cities, and could be too high for farmers to pay (Johannesburg). For these and other reasons, gaining agreement on what a Living Wage should be was seen as challenging. One participant in Shanghai suggested that ‘the average citizen will assume that a minimum wage is what is required to survive’ whereas ‘we all have different ideas of ‘living’ so it’s

a challenge for the average person to understand [what a Living Wage should be]’.

### Accepting limitations

The limitations of the Living Wage’s potential to address poverty, even when paid to all workers, were also highlighted. In Johannesburg, the fact that a Living Wage cannot address poverty among those out of work (a particular issue in economies with high unemployment) was forcefully made: ‘One must be very careful not to see the Living Wage as principally a poverty fighting mechanism, especially in a society where up to a third are unemployed and the poorest have no earners... We can address the working poor, but these are at a higher level than the destitute’.

‘In Uganda, the minimum wage is totally unrelated to a Living Wage in government and elsewhere.

Apart from well-paid executives, no one gets enough money to meet their needs’.

Kampala participant

In New York, it was noted that childcare costs could easily wipe out the income of ‘the second earner’ in a family, and part-time workers and those with ‘precarious work hours’ would still not necessarily earn enough to live a decent life. In Kampala, one participant emphasised that, ‘the formal employment sector is very small – the way most people earn a living is not related to wage labour’.



‘The Living Wage is to do with enough food, shelter, clothing, basic needs, with dignity, and if an individual manages their budget they can break free from the cycle of poverty’.  
Johannesburg participant

### **Q2. Some stakeholders describe the Living Wage as providing a ‘basic but decent’ standard of living. What is your understanding of the components of a Living Wage?**

Some broad components of a Living Wage are universally accepted. These include basic requirements for living, such as food, accommodation, clothing, heating and power (and general utilities), transport (particularly given that the poor often live on the edge of cities or in remote areas) and medicine.

Some participants (eg New York) discussed the importance of ‘technical necessities’ such as cell phones or internet access – seen as ‘essential for employment’, but which are sometimes left out of Living Wage calculations.

Other possible components identified include insurance (Kampala) and child care (New York, London). As one London participant noted, ‘If a wage takes unpaid care into account, then this must be reflected in the Living Wage.’

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‘The minimum standard of living is not just based on food and shelter, but also includes opportunities to interact with society; there is lots of consensus on what this should include, such as modest forms of leisure but also factors such as money for savings, servicing debts, etc.’

London participant

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There was some discussion about the importance of education for helping poor families improve their prospects. Education may be provided by the state or by employers (eg for farm workers’ children) but this may not be high quality. As one participant in Kampala said, ‘Education is free in theory in Uganda but public schools are so poor that parents want to put their kids into private schools. Therefore, education costs are not [in theory] needed in a Living Wage basket, but in reality they should be there.’ Similarly, in Johannesburg it was noted that a ‘farm school’ might be available, but ‘the quality delivered is far below that needed to break the cycle of poverty’.

The need for a Living Wage to enable employees to save was also discussed. In Kampala it was thought important for

employees to be able to ‘save a little for a rainy day, otherwise you live from hand to mouth’. The need for workers to be able to pay for some entertainment was also widely accepted. They needed to have some ‘discretionary pay’ (Kampala participant).

### **Specific details agreed locally**

The specific nature or content of each broad component, such as housing, needs to be determined by reference to local condition and needs. As was noted in the New York roundtable, ‘Housing in the Dominican Republic has to withstand hurricanes, and so the need is very different to areas not facing the same challenges’. In Kampala, one participant accepted the idea that agreeing on a basket of goods was a ‘scientific’ approach, but thought ‘it has to be tailored for local conditions because a market in Dokolo is different to one in Kampala’. The problem of vastly differing food prices according to season was also noted.

Many roundtables expressed the idea that different employee groups would need a different Living Wage. In Johannesburg, one participant commented, ‘The basket of goods for a farm worker is very different from someone living in a town, so there is a debate about what is needed for nutrition.’

### **How should employer-provided benefits be addressed?**

It was thought that employer-provided benefits such as health insurance, food, staff discounts for retail workers, should be identified and taken into account when establishing the Living Wage. However, although some employers (eg mining companies or farms) may provide accommodation and food, this kind of provision could be a ‘trap’ for workers. One participant in New York said, ‘Rather than giving the worker the money to purchase these things for themselves, it keeps them in a job they may not want...so we need to look at the Living Wage in a holistic way.’

### **Employer responsibility**

The Johannesburg discussion highlighted the fact that agricultural workers often had to travel long distances to access good quality health care, with mobile clinics often being poorly equipped, and responsibility for provision of the service unclear. Here, as in other discussions, there was some concern that employers should not have to bear the burden of making up for failures in service provision that should be the responsibility of the state.

‘In China, very few migrant workers over 50 have retirement income so depend entirely on their children. Also, many of the children left behind by migrant workers need a lot of support and so the burden for a Chinese worker is much heavier than in other countries’.

Shanghai participant

On the other hand, employers should not be given an incentive to pay low wages: ‘Responsibility to provide the Living Wage lies with the employer and there should be no incentive for the employer to provide lower wages because they know the state will top them up to a decent level. The Living Wage calculation should include no incentive to shift responsibility’ (Brussels participant).

#### Average wage, average family?

It was often mentioned that the Living Wage would need to be calculated as some sort of average to meet the needs of a typical family. In London it was stressed that ‘what you cannot do is have a Living Wage that varies according to everyone’s individual circumstances – it doesn’t work – it has to have a huge level of simplification’. What this will be will vary by region or country. It might be a family of four including two children, or be designed to support more children as well as elderly parents or even additional extended family members. Migrant workers, for example, are also supporting many family members in their home country. There was some questioning about how a Living Wage should take account of this (eg New York, Shanghai). One participant in Shanghai noted, ‘Many migrant workers live in dormitories with food provided so you have to think perhaps not about immediate spending, but about saving for life goals such as looking after parents, schooling, health care costs’.

‘In Canada we have a universal methodology for the Living Wage, which is about [not only] meeting basic needs such as rent, food and utilities, but also transport and childcare. And it goes beyond that to enabling community participation, allowing children to take part in sports, for example, or a modest “once a month” family night out, to allow opportunity for civic participation and inclusion. Our Living Wage is very much about social engagement’.

New York participant

One complexity when setting an ‘average’ Living Wage stems from the different access that different members of society may have to free or subsidised services. The roundtable in Hong Kong highlighted that accommodation was the most significant cost of living and that, ‘People’s eligibility for housing is not necessarily based on need but on family size; the Living Wage for a single person has to cover private market costs, unlike someone with a family whose Living Wage is lower as they can access public housing.’

#### Wide consensus required

Whatever the specific components of the Living Wage, the need for society to support its basis was highlighted in the London roundtable: ‘It should be something that the general population or a particular society can agree on and has a wider consensus.’



**‘All the workers in a business should benefit, not just direct employees – it should extend to outsourced employees. The Living Wage should be a standard set by society and good employers will pay at that level’.**  
Hong Kong participant

### **Q3. To whom should a Living Wage apply?**

In many roundtables (eg London, Brussels, Hong Kong, Shanghai, New York) there was a tendency to say that the Living Wage should apply to everyone in work – though a range of challenges and issues were identified.

In Hong Kong, while there was a desire for the Living Wage to apply to all workers, it was noted that there are currently different minimum wage regimes for different workers (eg for foreign domestic workers). There was also some concern that smaller businesses might struggle to pay it.

**‘SMEs will not support the Living Wage as they do not have the financial resources needed’.**

Hong Kong participant

In Brussels there was general agreement that the Living Wage should apply to all employees in all sectors. The union representatives emphasised their aim of ‘bringing up wages for everyone’, but had some concerns that employers might use the Living Wage to their own advantage, because ‘using the Living Wage for competitive advantage doesn’t help other employees working for other employers, especially as in a supply chain the direct employer is not involved’. It was also argued that ‘wages should not be used as competition (through gaining credit for CSR) but should be the same cost for all, and competition should be on skills and productivity’. During the discussion it was also noted that employers in sectors with higher productivity were more likely to be able to pay a Living Wage.

In Shanghai the need for the Living Wage to apply to ‘low paid and easily replaced workers’ was emphasised. There was also discussion of the extent to which retailers should seek to spread the Living Wage down their supply chain – an issue discussed in more detail in Question 6 (page 24).

### **Younger workers**

The point was made that some younger workers often resorted to low-paid work that would not be available if they had to be paid a Living Wage: ‘It’s the same in China, where the young are happy to work

for lower wages as they often have fewer financial commitments.’ It was also thought that some young office workers would lose their jobs if their employers had to pay them a Living Wage.

In London it was noted that the Living Wage in the UK was originally devised for those over 21, but now applies from the age of 18 (although the recently announced new UK ‘National Living Wage’ will be paid only to the over 25s). It was noted that employers do not necessarily appreciate the complexity of varying age thresholds, and it has become less contentious for younger people to receive the same pay as those over 21.

In New York, too, challenges were raised about younger workers or ‘beginner workers’ – who can legally be paid a lower rate. Students working in the summer were often paid this rate ‘which is unfortunate, as those students need the money’. The problem of unpaid interns was also highlighted: ‘It’s widely understood that student interns come from families able to afford to put them in places where they won’t be paid, which has economic consequences for those families who can’t afford it’.

**‘We’ve often talked about the Living Wage being for everyone in the workforce, but one of the challenges is about how students are treated under a Living Wage policy and if there is a break point, for students above or under 18 and these discussions are still on going. For the most part, our values are to move all workers up to the Living Wage in order to end in-work poverty; the Living Wage is one of the tools for this but not the only one, and we look at precarious work hours, or extended health benefits, and the many components of the precarious work challenge’.**

New York participant

In London there was some debate about whether other factors might affect eligibility. For example, a single person with no dependants might be able to survive on the NMW, whereas an employee supporting a family would require a Living Wage.

‘Business has the responsibility to support workers of an average family size and at an average level – wages cannot be set according to where you live or your family size, so we need to provide averages’.

Hong Kong participant

#### Defining the family

In Kampala, roundtable participants focused their discussion mainly on the size of the family that the Living Wage should be able to support. Overall there was most support for taking account of the ‘nuclear family’, though some debate about how many children that would include. It was noted, however, that individuals often support extended family members. Additional complexity arose from the impact of rural migration ‘where a wage earner travels but provides for a family in an area where living costs are very different to urban costs’. Overall it was accepted that some average family group would need to be agreed and used as the basis for calculating a Living Wage.

‘The Living Wage should apply to individuals and a nuclear family or it won’t have a limit’.

Kampala participant

The need for a Living Wage to support extended family members was also discussed in the Johannesburg roundtable, where it was noted that, because of high unemployment, individuals in work are often supporting many family members. Nonetheless, the potential power of the Living Wage to help the working poor was acknowledged: ‘People have had jobs in the mining industry for over 100 years and their families are still in extreme poverty... The Living Wage is not the only tool we can use, but we should use it to address extreme inequality – not creating more jobs but a society in which everything is shared more equally’.

‘In South Africa, unemployment and inequalities are high and therefore a worker is supporting their own and extended family, and so when we say we must consider the family, we must consider the number of dependants based on unemployment rates, inequalities and mode of production in a particular country’.

Johannesburg participant



## 4. Engaging stakeholders and defining their role

**‘Living Wage ideas are technically determined, but also socially determined so it’s very important to have the buy-in of all sectors of society’.**  
Johannesburg participant

### **Q4. Which stakeholders should be involved in setting the level of a Living Wage and what should be their role?**

In many roundtables (eg Brussels, Kampala, Shanghai, London) participants argued that many stakeholders need to be involved in setting a Living Wage. One view in Brussels was that, ‘All stakeholders, social partners, employer and employee representatives should be involved.’

In Kampala, as in Brussels, there was support for a multi-stakeholder approach to setting the Living Wage. For example, it was thought there should be a tripartite arrangement including workers (represented by unions), employers and government: ‘So employers and workers can agree on an issue and persuade the government to implement. No one will feel cheated and all will come out with a result’. Some participants suggested that more stakeholders should be involved: ‘Tripartite arrangements bring together people with similar interests – we need additional players to moderate different interests and cover social elements, such as civil society, human rights’. It was also suggested that women’s groups, disability and youth groups should also be represented. Getting the media involved was also thought helpful for bringing the issue to the public’s attention. One contrasting view expressed concern that if too many people were involved, this could be counter-productive, bringing ‘bad people into the discussion who will not contribute to the negotiations’.

**‘There is no trust in government, employers or trade unions – we need to build a Living Wage Foundation that does some quality control, as there is very little trust among different parties, and have discussions in a different setting’.**

Kampala participant

In Shanghai, in order to reflect the ‘basic tension between capital and labour’, it was argued that stakeholders should represent both these elements: ‘Discussions should include some workers’ representatives, plus capital, and government should facilitate’. Challenges identified in China, however, were the lack of unions and the weakness of business associations. There was also a belief that ‘effective and functioning worker representative committees could talk with management and if they can agree on a Living Wage then it will be acceptable by an enterprise, which is easier than being set by government, as the Living Wage will affect different enterprises differently’.

**‘Lots of groups should be cut out of the process (employers should be minimally involved) and instead it should be the employees, union representatives, academics, those who can figure out what it takes to live in Hong Kong, and then other groups can come in and figure out how to pay it’.**

Hong Kong participant

The possibility of adding shareholders to the list of stakeholders who could participate in Living Wage discussions was raised in the New York roundtable: ‘There is the question of where the money is coming from to pay the Living Wage – out of profit margins, salaries or do companies change their operating structure? Also, shareholder expectations have to be addressed – it’s all very well to say “we’ll cut profit margins”, but it’s more complex when discussing with shareholders and so perhaps they should be added to the stakeholder list. In all aspects of sustainability, shareholders are often seen as a barrier as they see change as a cost’.

‘We all struggle to balance the accuracy of a calculation about what people really need with the political reality of what we can get. Lots of times, people have looked at the figure and said ‘that’s not enough’, but we have to have a figure we can build a broad consensus around’.

New York participant

In London it was suggested that the stakeholders to be involved in setting the Living Wage would be affected by whether its status was mandatory or voluntary. In a voluntary system, there was support for multi-stakeholder involvement – ‘the workers, civil society among whom the workers live, and employers, as they have to pay’. The unions have a seat at the table because they negotiate pay for 6 million people, although they do not speak for the majority of UK employees. The role of third-party labour providers was also highlighted in the London roundtable discussion, with third-party worker provision causing the biggest concern in relation to the NMW and Living Wage: ‘We should work on how to bring these providers back into the discussion’.

#### **The role of independent think tanks, commissions and academics**

In Brussels, involving an ‘independent commission’ in the process of setting the Living Wage was thought helpful as this could ‘include academics and use expert or consensus-based mechanisms to arrive at baskets of commodities’. The value of involving think tanks to access technical information was similarly identified in Johannesburg. One participant commented, ‘When calculating this [Living Wage], perhaps it’s not workers, employers or government that should be involved, but a think tank to look at, say, housing needs using the UN Habitat rules, or using the WHO Food Bank, and these technical issues shouldn’t be bargained around the table as you’ll never get an agreement. But say you had a trusted group, a university body not tied to another body – employers could ask it to work it out.’

Another participant in Johannesburg disagreed: ‘I take the complete opposite view regarding mistrust and different interests. You risk everything falling apart if workers, poverty groups and employers are not involved in the process. I would advocate for an independent group to start the process so it is not completely a free-for-all, or coming in strategically to avoid stakeholders entering the discussion in bad faith – employers having an interest in specifying lower wages, for example. There must be some sort of open and transparent technical process to challenge arbitrariness...we must avoid suspicion among stakeholders...where any group excluded points fingers at the other participants.’ It was also suggested that

migrant workers, the unemployed and women should be included in any stakeholder group involved in setting a Living Wage.

In the Kampala roundtable, there were some reservations about the relevance of academic input for Uganda. One participant said: ‘Academics will make it more theoretical than practical – yes, economists can provide advice but we must also use representative groups that can speak for different communities.’

In the Hong Kong roundtable, it was suggested that the Hong Kong Minimum Wage Commission, which contains representatives from the business sector, academia and the government, was not sufficiently independent from government. It was important to hear ‘more from the worker’ about what they needed to live on. In addition, employer participation was said to be vital because ‘they are the ones eventually writing the cheques’.

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‘For the stakeholders, there are different types of critical discussions. The first is about the ethical and moral part of the Living Wage and that is for business to talk about. Grassroots can contribute but will not have an impact. When a Living Wage is established, then the poor are the experts and should contribute towards setting the rate. Thirdly, a consensus is required between business, government and trade unions to push the Living Wage into the minimum wage, and at this stage different organisations should also be involved’.

Hong Kong participant

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#### **Worker involvement**

In New York, the importance of the workers in setting the Living Wage was emphasised: ‘Workers know best what they need and the trade-offs they are willing to make. The Living Wage is all about empowering the workers with the confidence and power to set the wages they need.’ It was also thought important to involve other stakeholders – such as not-for-profit organisations, governments and companies at factory level and at international brand level – not necessarily in setting the Living Wage but to raise their understanding of it in order to enable



**‘If it [the Living Wage] is citizen-led and voluntary with a comparison with the minimum wage and what the market can stand, then the Living Wage should be based on rigorous research that determines what people in a society need’.**

London participant

Living Wage implementation. It was also noted that although wage boards were no longer generally used in the US, they do exist in other countries and can be a useful way of bringing employers, trade unions, labour representatives, academics and citizens together to set wages by local industry. They could also ‘build the institutional [as opposed to the ad hoc] aspect of the conversation’ which is important because ‘if discussions are not formal and transparent, then it comes down to who has most power at any given time’.

#### **Collective bargaining tension**

The potential tension between setting wages through collective bargaining and some form of independent model (possibly basket-based approach) was highlighted in Brussels. National models for industrial relations were thought relevant. For example, the Brussels roundtable heard how the Nordic regions’ strong sectoral collective bargaining has resulted in higher wage levels: ‘It would be very difficult to introduce another system not based on collective bargaining into these countries. The basket model is very complex and cannot be implemented without expert and scientific help and you would then need a tripartite commission with trade unions, employers and independent researchers.’ Civil society would also need to be involved but the roundtable participants also heard that, ‘in the UK, trade unions have found it very useful to have something independent and scientific to use as a reference in their own collective bargaining approach, and so it’s a partnership approach’.

#### **The role of employers**

The difference between what workers need and what employers can pay was highlighted in London: ‘If we are talking about setting the Living Wage by understanding what workers need to live on, this is separate to whether employers can pay. Employers are not here for the discussion on what it [the Living Wage] is, but involved in the discussion regarding how it can be paid.’ The need for a practical ‘benchmark with a relationship to living standards but which can’t be negotiated each year’ was also highlighted.

One complexity around involving employers in Living Wage debates was highlighted in the New York roundtable. Sustainability directors would be likely to have a different view from procurement directors, for example, who would ask how the Living Wage would be paid for. So it is important not to ‘understate the complexity of the stakeholder group in a given corporation or the breadth of viewpoints represented’.

#### **Consumer support required**

The importance of consumer support for the Living Wage came through in a number of roundtables. For example, one participant in New York said: ‘The consumer buying a product can decide not to buy if the price goes up, so you can set a great wage, but not if a product is no longer bought. So everyone should be involved and willing to pay for the Living Wage.’

## **GAINING CONSENSUS IN THE UK**

The UK approach to setting the London and UK Living Wage involves multiple stakeholders, aiming to build consensus for the wage calculation.

The calculation for setting the London and UK Living Wage rates is built on research with members of the public to determine a basket of goods that represents a decent and dignified standard of living. The hourly Living Wage rates are then calculated by taking a weighted average of the earnings required (accounting for tax and benefits) for a range of family types (with and without children) working full-time to reach a level of income that provides that decent standard of living.

The process is overseen by an independent Living Wage Commission drawn from leading Living Wage accredited employers, trade unions, academia, anti-poverty experts and civil society leaders.

The Commission provides a transparent decision-making forum to resolve how to incorporate policy changes and new sources of data into the calculation and advise on how to manage extreme year-to-year variations from general rises in living costs.

## 5. Measuring the impact to employers of a Living Wage

'Labour is always seen as a cost, but should it be seen more as capital and linked to investment...should it be seen more as capital to improve your staff?'

Johannesburg participant

### Q5. How do employers measure the impact of the introduction of a Living Wage on their human capital? And how would you recommend it should be measured?

Advocates of the Living Wage argue that employers will benefit from increased productivity as a result of various factors: increased staff retention, decreased training and recruitment cost, increased staff motivation and productivity. Roundtable participants considered this suggestion and how employers currently – or could in future – measure the impact of Living Wage adoption.

Roundtable participants in Kampala generally did recognise some merit in the productivity argument. One commented: 'A Living Wage would mean less need to change [my] job if I was getting similar wages, and as an employee I might make a better contribution and concentrate better. We spend a lot of time trying to work out how much more we could earn elsewhere'. Another participant thought that paying a Living Wage would help to attract competent employees, who would be retained more easily and so employers would benefit from their investment in

training. It was also suggested that job satisfaction could improve, leading to increased production output. Nonetheless, another participant cautioned that increased productivity following salary increases could be short-lived (three months) and that employee loyalty depended on more than pay – 'most companies pay way above what would be considered a Living Wage but people still leave, so there are other factors at play'.

### Employee turnover and satisfaction

Employee turnover is generally a key measure used to assess the impact of the Living Wage, as highlighted in the London and New York discussions. One participant in New York asked: 'How long do workers stay when their wages go up and how much money does that save employers because turnover goes down? This is a concrete measure you can put a dollar value against by adding up training and recruitment costs and so on. This is a standard way of measuring impact'. Higher wages can also support improved employee morale as well as skills – and the resulting increased productivity has been found to 'offset costs of having fewer and better-paid employees'.



**‘Even if in South Africa productivity is not the primary motivating force, we still need to think about efficiency and productivity; and in South Africa we need to look at transport and health as these are the biggest barriers to greater efficiency of the lower skilled and poor’.**

**Johannesburg participant**

Not all employers are planning to look for and measure productivity gains specifically following from the introduction of a Living Wage. In the Shanghai roundtable, one employer expected to focus on ‘grievances, turnover, etc. to see how loyalty increases’.

In the Hong Kong roundtable, staff satisfaction and turnover rates were seen as the best measures for establishing Living Wage benefits. Nonetheless, one participant suggested that employee surveys, ‘are always biased as employees are always unhappy with their own pay’. Another recognised that other employment benefits, such as pension contributions, have an impact on staff retention.

#### **Reputational benefits**

In the London discussion, reputational and corporate social responsibility (CSR) benefits were cited as persuasive factors internally when seeking to win support for the Living Wage from Pay & Rewards (P&R) teams: ‘First discussions were met with a real push-back from P&R, which felt [it] should set pay and not be influenced by external inputs. But as the Living Wage has become linked to human rights, CSR, reputation and corporate responsibility, implementation is a ‘no brainer’.’

The benefit of avoiding negative impacts on the business from paying low wages was also noted in the New York roundtable.

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**‘The other side [from the productivity argument] is to look at the possible reputational damage for public-facing companies who develop a poor reputation for paying terribly and it’s something they should try to capture, although difficult’.**

**New York participant**

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#### **The social justice case**

In Johannesburg, the discussion highlighted the importance of the social justice argument, and the need to end the exploitation of low-paid workers. There was also some scepticism about the productivity business case: ‘If we raised the Living Wage and workers were more productive, it’s a win-win situation, the best of all worlds, and if I were an employer I would be foolish not to raise the income of my workers as I’m interested in my bottom line. But why, as a smart employer, don’t I

understand this? Why don’t I experiment and try this? Employers are the best people to judge this... You won’t get far by saying the Living Wage can generate productivity if employers haven’t recognised this... The Living Wage is more of a moral and reputational persuasion issue – making it more acceptable to consumers who might be happy to pay a premium... Perhaps in London, in a wealthier society, consumers may respond, but in South Africa the premium for paying a Living Wage is smaller’. Another Johannesburg participant was also ‘not sure if a Living Wage will increase business in an economy still focused on the cheapest product and where people are commoditised’.

#### **Holistic assessment needed**

One challenge in measuring impacts, as identified in Shanghai, was that employers might make adjustments in other areas to compensate for paying the Living Wage – these need to be considered too: ‘With typical labour costs around 30%, if you force someone’s hand and say they have to increase labour costs then they’ll make changes elsewhere to maintain productivity – by improvements, or reducing benefits, or looking at people not affected by the Living Wage (cutting management) to maintain margins... Human capital must come at the top not the bottom, from the outset, but mindset change is the biggest challenge in China’.

In Hong Kong the ‘need to measure all impacts fully’ was also raised, because of the potential impact on overall employment levels – employers may need to reduce headcounts in order to pay higher wages. Concern that the Living Wage might result in unanticipated injustice was also expressed in Johannesburg, particularly when considering the mining sector.

The London roundtable also noted the risk of knock-on effects when contractors bid for fixed-price contracts with both the private sector and public bodies. The successful supplier ‘then has to make the numbers work by squeezing the workforce’ in different ways when Living Wage rates are changed. ‘The client feels good, the contractor takes the pain and becomes the bogey man and not all workers benefit from the Living Wage, and can even lose extra income, bonus hours, etc, and therefore don’t benefit.’

‘Surveys of consumers asking them how much more they would pay for a product if it abided by some standard are really helpful for these types of campaigns’.

New York participant

In a number of roundtables, including London, the fact that many businesses have large numbers of outsourced staff effectively working for them was noted as a challenge when measuring Living Wage impacts. One London participant asked: ‘What kind of indicators can we create around those not technically employed by the employer?’ When looking at the supply chain, one London participant agreed it was difficult to measure human capital, but that anecdotal reporting could provide useful insights.

#### Macro impacts

As discussed in New York, there is growing interest in trying to assess the ‘ripple effect’ of paying higher wages, as those workers become able to spend more money on goods and services. Obtaining this kind of macro-economic measure is ‘challenging but important’. A somewhat different ripple effect was identified in the Hong Kong discussion, where it was thought that paying a Living Wage in Hong Kong would put up prices globally – ‘are UK customers willing to pay more?’

The value of research into consumer opinions in order to strengthen the business case was also made in New York, where one participant commented: ‘Surveys of consumers asking them how much more they would pay for a product if it abided by some standard are really helpful for these types of campaigns.’

#### Research to support the business case

Being able to demonstrate positive impacts on business from paying the Living Wage could encourage more employers to pay it. As was noted in the Brussels roundtable, little research has been done so far on the impact of the Living Wage on human capital. In fact, a study by Professor Wills of Queen Mary’s University has found a positive impact on the psychological well-being of Living Wage workers. Separate research into the impact of the NMW for employers also found positive results: they found it easier to recruit skilled workers, workers were more motivated and productivity increased.

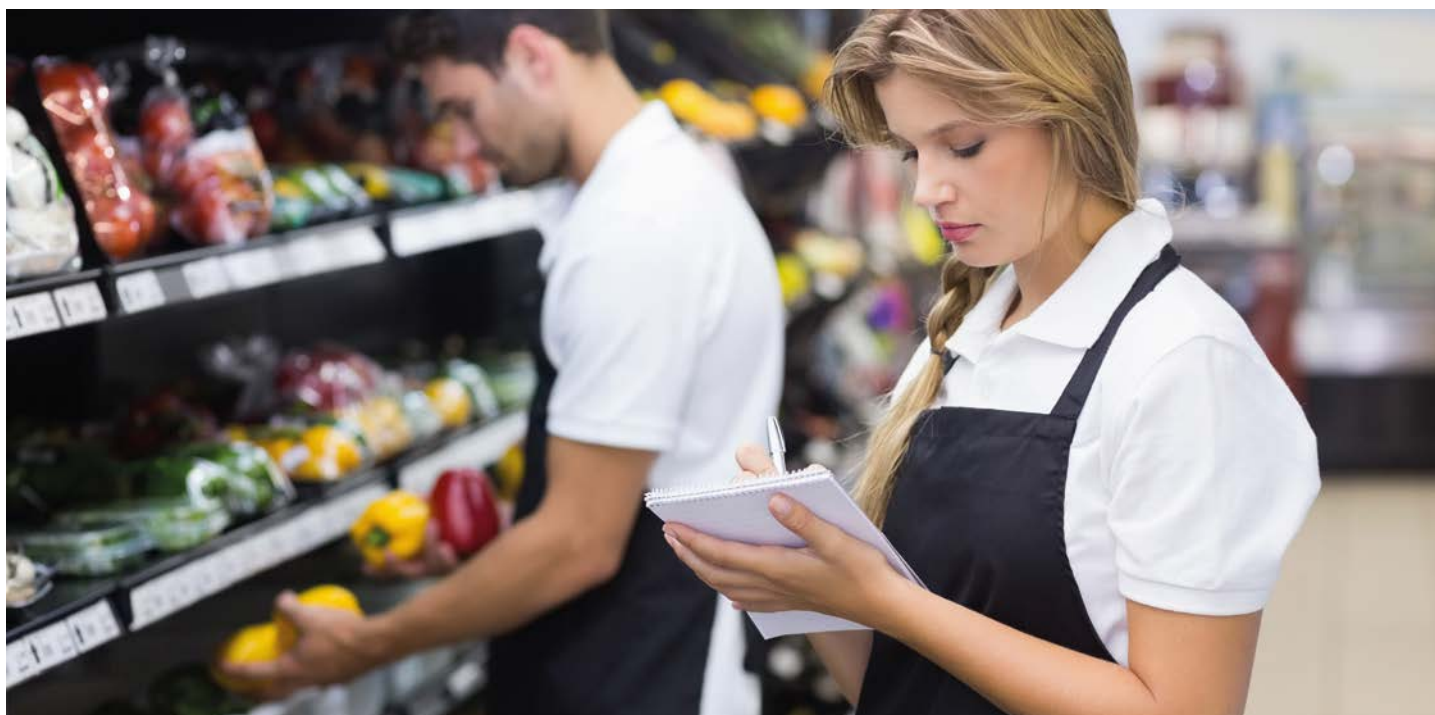
In the Hong Kong discussion it was thought that, ‘employers who can afford more’ might pay the Living Wage first, ‘and if they can show paying a decent wage can increase productivity and improve brand reputation, then SMEs will join in, followed by micro-enterprises’. The need to capture anecdotal evidence, as well as financial evidence, to help build employer support for the Living Wage was highlighted in the London discussion.

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‘Anecdotal reporting can be much more powerful than employee surveys, which can’t link employee feelings and retention to Living Wage issues’.

London participant

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## 6. The risks and benefits of a Living Wage on the supply chain

‘Our impact becomes smaller and smaller down the supply chain until we have only a 5% share of the supplier’s contracts and so have no power or influence’.  
Shanghai participant

### **Q6. The Living Wage has a particular impact on supply chain management. What, in your experience, are the risks and benefits derived from introducing this aspect of supplier management?**

Roundtable discussions (eg in New York) highlighted the fact that the further down the supply chain they go, the less influence a company has over the payment of a Living Wage: ‘It comes back to the issue of how much leverage you have within a given supply chain’. Even some of the world’s largest purchasers might still only buy a relatively small amount of total production.

In the Johannesburg roundtable, one retail participant explained how the business had changed its purchasing approach, buying bananas directly from farms rather than intermediary suppliers. This had enabled it to gain a better understanding of the costs of production, including the impact of paying a Living Wage.

In Shanghai the impact that could be achieved through consolidation was noted, with Nike being used as an example of a company that had managed to achieve substantial influence over its supply chain.

‘They have consolidated into four suppliers which bridge out to other countries; these are the only factories that will ever make their products and Nike can control the factories because they have leverage’.

Shanghai participant

The fallout from the global financial crisis has affected big brands’ purchasing power, as was noted in Hong Kong: ‘The assumption in the NGO community is that companies have the power over suppliers, but as many Chinese production companies disappeared in the global crisis of 2008, the capacity or demand equation has reversed’. In addition, there are the ‘cost challenges’ (as noted in New York) of trying to get all suppliers in the chain to introduce Living Wages at once.

The interesting question was also raised in New York of what happens in situations where a supplier is required by one customer to pay a Living Wage, but not by others: ‘If you only order 10% of a factory’s garments, should only 10% of the workers get the Living Wage? These issues of

subcontracting and sub-subcontracting are the most challenging, from down the street to internationally.’ Even so, it was thought that all workers could still benefit.

‘If a company only takes 20% of the output of a factory, it can pay a Living Wage equivalent which will not get every worker to the Living Wage but will raise the bar, and pays into a pool which raises wages. So steps can be made – it can be an excuse to say ‘I don’t have the buying power’.

New York participant

### **Vertical integration**

As the New York discussion highlighted, one solution to the influence challenge is to go for a vertical integration – a completely different operating model: ‘In agriculture it goes from dealing with an intermediary to taking ownership of farms, etc. in order to improve living standards. This is a totally different way of working and means dealing with communities and may require a skill set which does not exist in the corporation, so is a fairly radical shift.’

### **Legal and voluntary tensions**

In the Hong Kong discussion, participants noted the difficulty of persuading suppliers to pay wages above legal requirements – ‘when I push beyond this my leverage seeps away’. It was also thought that some companies did not want to pay above the minimum wage because this ‘can cause trouble with the government’.

The Shanghai roundtable also highlighted the mobility of smaller suppliers. If they were unwilling to pay higher wages and this led to a loss of workers, they would expect to relocate their factories to areas where labour was abundant, ‘then they hire local villagers, who may not ask for more than other workers’.

### **Coordinated action**

The New York roundtable noted that multilateral action was more likely to have an impact than unilateral action: ‘Companies acting alone incur costs which make them uncompetitive, so how can you organise? So it becomes a pre-competitive issue with everyone coming together to share the responsibility.’ Such joint action could help to ‘move the market’.

‘For 20 years in Hong Kong we have been talking about the Living Wage in the supply chain and it “scares the hell” out of most companies, as they source from different factories around the world, which pay different wage rates and have different immigration policies’.

Hong Kong participant

In Brussels the limitations of a ‘company-down model’ in affecting wages through the supply chain were also highlighted: ‘Supply chains are not static, suppliers come in and out all the time...Relationships with brands can be very fleeting – and they can be undercut on the next order, so there is no incentive [to pay a Living Wage] without longer-term supplier relationships. This is why we are fighting to raise the wage floor across the entire sector or industry rather than taking a brand-down approach. This concept has lots of traction in the garment industry, and lots of brands want to collaborate on a whole-industry model.’ It was thought that a brand-down approach might have more impact in sectors where it is harder to change supplier, such as in IT. It was also hoped (in the Brussels discussion) that the power of the internet to make supply chain data more accessible and transparent could lead to more stable supply chains, to the benefit of those arguing for a Living Wage.

#### Contractual requirements

Some companies, as discussed in the New York roundtable, are looking at whether Living Wage requirements can be included in supplier contracts, which already cover environmental, health and safety issues. They found, however, that they were ‘getting push back because the Living Wage affects profit and we have to make hard choices’.

This theme also emerged in the Hong Kong roundtable: ‘We talk about a Living Wage for the workers making our products, but when translated into a corporate action it becomes a cost and we select factories based on quality, delivery and price. So we need to understand that when the Living Wage concept is turned into action it becomes the responsibility of the sourcing department, who are very hard-headed.’

#### Consumer power

In some roundtables it was argued that global consumers could have an influence on Living Wages being paid in the global supply chain if they were prepared to buy from Living Wage employers and pay more for their products. One London roundtable participant, when considering the conditions that would allow employers to pay a Living Wage, noted that ‘support is needed from commercial customers and consumers for the Living Wage – consumer pressure’.

In Hong Kong one participant commented, ‘The Living Wage in the supply chain should be a global issue, and all members of the supply chain should agree to the Living Wage concept, especially across China. This could start a consumer campaign to buy these types of goods’. On the other hand, the same discussion raised a note of caution against placing too much reliance on consumers – what they say and what they do are not always the same. Although consumers might say they would pay more for a brand that paid the Living Wage, they might not necessarily do so. In Shanghai, participants noted that suppliers would always try to push the cost of paying a Living Wage back onto the buying brand. This inevitably depends on the willingness of the consumer to pay a higher price.

In Johannesburg, the roundtable also considered the power of the consumer, but thought that this was less likely to be a factor in less-developed economies than in developed ones such as the US or UK: ‘We [in South Africa] don’t have the same reputational pressure at a retail level that would affect the chain because consumer make-up and income distribution gives less leverage for a Living Wage’. The same participant commented: ‘I don’t think there’s a single South African clothing factory which doesn’t buy tons of stuff from countries such as Bangladesh and Myanmar where workers are very low paid, but I don’t think consumers say, “I won’t buy this dress because this is where it comes from”. There is no reputational gain – otherwise the companies would have changed’.

#### Due diligence and monitoring required

In the Kampala roundtable, emphasis was placed on the need for international companies to undertake due diligence in relation to the wage rates paid by suppliers. One participant noted: ‘In Uganda there is very little or no management or due diligence of supply chains; we [my company] deliver to one international company which does due diligence on us about living up to its ethical code, for example, regarding underage workers and rates of pay’. Such due diligence applied to the Living Wage could then ‘trickle down through society’.

In Brussels, too, the need for ‘effective monitoring and enforcement systems’ was noted, whether state-run or managed by people within companies or unions, to check whether a Living Wage was being paid.

**‘How can we convince companies to ask outsourcing suppliers to pay their workers a Living Wage? This is a key problem’.**

**Hong Kong participant**

#### **Risk of market distortion**

In Kampala, a note of caution was expressed about the impact that international organisations could have on a local employment market if they pay substantially higher wages: ‘The international NGOs came in and said they wanted the best people, paid triple the rate and sent the whole market into a spiral. The private sector couldn’t keep up with this and make a profit, which distorted the market... [In Uganda] the salary for a secretary in an NGO is the same as for a general manager elsewhere.’

In London, too, it was suggested that there were risks in involving employers in setting the Living Wage in countries with a significantly lower minimum wage. The ‘real employer’ in the supply chain needs to be involved.

#### **Impact on small suppliers**

There was some recognition (eg in New York) that imposing the Living Wage could be particularly hard on small suppliers: ‘In manufacturing, for example, where carpets are made in homes with only three weavers, the owner doesn’t have an income that reflects a Living Wage, and asking them to pay the Living Wage will have economic consequences – and so it is difficult in these supply chains’.

Similarly, in Hong Kong one participant expressed concern about the impact of the Living Wage on SME suppliers, ‘especially those with very low profit margins producing fast-moving goods, for example, supermarkets and discount shops’. Despite this, best practice examples were emerging.

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**‘For instance, many SMEs are looking to save costs through better environmental management and the money saved could be reallocated to remuneration’.**

**Hong Kong participant**

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#### **Support needed**

Large, influential businesses could support businesses lower down the supply chain by offering advice to suppliers, for example, on ways to improve productivity. One international retailer noted the impact that requiring the Living Wage had had on local farmers. Some had seen it ‘as a punishment’ but were now looking at efficiencies: ‘Whereas before the farmer may have drawn in another 10 workers in the off-season to do key jobs, now it is more about up-skilling and investing in workers to get them to perform a number of different skills.’

#### **Outsourced staff**

Outsourced staff provide a particular challenge when it comes to implementing the Living Wage. As noted in Hong Kong, ‘Less well-paid workers usually come from outsourcing companies – how can we convince companies to ask outsourcing suppliers to pay their workers a Living Wage? This is a key problem’. It was argued that some business people did not care about their outsourced workers: ‘Because of Hong Kong’s tendering system, where the lowest bid always win, cleaning companies, for example, who say they would like to pay higher wages can’t because they will lose their contract’. One UK-based Living Wage employer had addressed this challenge by introducing a contractual requirement that all outsourced staff are paid the Living Wage. In the UK, accredited Living Wage employers are required to pay onsite contractors a Living Wage.

In London, a participant noted: ‘In large companies there are not many temps, but more workers are outsourced, and this is the same in the global workforce. In this context the real employer sits at the top of the contract chain and that’s where responsibility for wages lies. For the last 30 years we’ve been depending on a business model which relies on a huge quantity of very low-paid outsourced workers with contracts squeezed each time [they are] renewed. The only way to deal with this is to go to the outsourced employers and say they are at the top of the chain.’

‘The effect of the Living Wage on retail should be discussed and we should help consumers understand the effect of paying a little bit more’.

Hong Kong participant

## **Q7. Which key issues in addressing the principles to be applied universally on a Living Wage strategy have not been mentioned so far?**

The need for measuring the impact of the Living Wage on people and societies (eg in relation to health, disability and poverty) was emphasised in the Brussels discussion. The impact of the Living Wage on young workers was particularly highlighted, ‘as there is a problem with wages not being adequate caused by too few working hours and impact on benefits’.

### **Business case and examples**

The roundtable in Kampala highlighted the importance of building a business case to show that the Living Wage resulted in increased performance.

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‘A Living Wage Foundation should show how a Living Wage can support increased performance so that companies will make more money and increase salaries’.

Kampala participant

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This theme also emerged in Hong Kong, where participants expressed an appetite for research and for sharing experiences on how Living Wages had had positive impacts in companies (eg on productivity, staff turnover): ‘Broadcasting good examples to employers, workers and consumers in Hong Kong is a precondition for a successful Living Wage campaign... Then we can settle down to discuss details’. In the New York roundtable it was noted that some recent research papers had made the link between higher wages and the ‘benefits for the company of having a more motivated and stable workforce, and the need for the US economy to have better wages to drive growth through consumer demand’.

### **Workers’ rights**

Participants in Kampala noted the importance of linking pay with performance and that both sexes should receive equal pay. Participants also considered the broader human rights of workers, seeing the need for action (eg more workplace inspection by the government) to protect their human rights (including maternity rights) and prevent exploitation. Particular reference was made to the exploitation of foreign workers from Asia who were brought to Uganda and paid ‘even less than Ugandans’, even though they often were more highly skilled. This was distorting the market. There was also some discussion of the need for better skills development in Uganda, to help support higher wages.

### **Monitoring needed**

Monitoring of employers who claim to pay the Living Wage is important, as noted in Brussels. The UK’s Living Wage Foundation sees workers as playing a vital role here. Living Wage employers must tell all workers what the Living Wage is, and when the rate will be implemented. They are also required to display the Living Wage badge in buildings. If workers know about the Living Wage, they can complain if it is not paid when it should be, and in this sense the scheme is ‘self-policing’.

It was also noted in the Brussels discussion that some employer commitments to pay a Living Wage become translated into collective agreements. Some unions now use the Living Wage as the ‘bottom point’ in their negotiations. Although some sectors, such as retail, hospitality and social care, still have many low-paid workers, pressure from governments and customers could potentially have an impact. The need to inform consumers was also noted in Hong Kong, where a parallel was drawn to consumers’ willingness to pay more for organic products.



‘It is not an issue which can be tackled piecemeal by companies. It is a systemic problem which needs a systemic collaborative solution in industries, sectors and countries in order to avoid more inequalities or disadvantages’.

London participant

**Risks identified**

In Shanghai, the roundtable referred to the risk, if the Living Wage were introduced, of increased subcontracting (outsourcing), use of an increased level of technology, and the moving of manufacturing or sourcing to even lower-paid and less-regulated areas. There was also a reference to concerns among some workers that an increase in wages would simply be cancelled out by an increase in employer-subsidised rents.

Similarly the London roundtable highlighted the global nature of the problem, and the risk that the setting of a national Living Wage could risk sourcing and other business activities moving elsewhere.

Although the Hong Kong roundtable also noted the links in the global supply chain and the global impact of paying a Living Wage, participants also thought NGOs and the media could do more locally to give local companies an incentive to change. There was also some discussion of the value of implementing collective bargaining.

‘There is no legislation to protect this and so even though we have unions who want to discuss wage levels and benefits with management, they face huge difficulties as legislation prevents them from having the opportunity’.

Hong Kong participant

‘There is nothing to counteract this race to the bottom, not just with companies but with countries, so the globalised nature of the problem stymies everyone’.

London participant



‘Fundamentally it is right to have a global Living Wage movement that can make inroads into all continents and then various stakeholders will be involved’.

Johannesburg participant

#### **Q8. Are there any other key issues that need to be taken into account?**

##### **Social Justice in South Africa**

In the Johannesburg roundtable, the need for social justice was strongly emphasised: ‘We have an economy that’s so exploitative, we have to talk to broader justice issues as part of this debate, and we have to face the broader immorality of this economy. The fact that we are the most unequal economy and society in the world has to be addressed.’

It was suggested (in Johannesburg) that the social justice case could be presented more positively – a ‘gigantic opportunity of embracing a new mindset’. Another participant in the Johannesburg roundtable argued that providing more information about the housing, transport, education and other needs of domestic workers and their families would enable their employers to become better informed, and this might have some impact: ‘A lot of wealthy people think they pay their domestic workers a reasonable wage as they have no notion of how they live’.

##### **Right time for China?**

In Shanghai there was some discussion about whether China is ready for a Living Wage: ‘Is China ready for a Living Wage conversation? There is no enforcement of the minimum wage in factories and stores after 10 years. So is a Living Wage, especially in manufacturing, premature?’

One participant still argued that this was the right time to talk about the Living Wage, because of the current economic conditions: ‘I think it’s just the right time to consider the Living Wage – not too early – as China is entering a period of low growth. Up to now, factories have always had new orders, always been growing by up to 20% per annum and this won’t happen again. To be successful, factories need to be efficient, productive, with more automation’.

##### **Complexities noted**

The New York roundtable emphasised the complexity of the Living Wage issue because of changes in working patterns: ‘It’s difficult to separate wages from hours in the US and other countries given the rise of involuntary temporary and precarious work. In some sectors it is very difficult to find full-time work...You cannot separate this [Living Wage] from the rise of the “precariat”’. There was a call for co-ordinated mechanisms: ‘employers’ associations are needed to help raise the floor and to bargain between the global north and the global south’. Another complexity noted in New York was that some workers (eg migrant workers) wish to earn as much as possible, and may not appreciate a limitation on their working hours if this was a result of Living Wage application.

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‘In China, for example, workers come prepared to work long hours for a short time to earn maximum wages, and would not see fewer hours as an advantage. So how do we take the voice of the migrant worker into account?’

New York participant

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The London roundtable also highlighted the need to address the challenges faced by people in ‘precarious work’ whose lack of job security deterred them from joining unions. These were low paid workers who lacked any collective bargaining support. It was also noted, however, that the Living Wage was ‘less of an issue’ for people working fewer than 10 hours a week, and that it was important not to ‘load up’ the Living Wage with too many expectations of what it could achieve.

‘Asking for a higher Living Wage when we don’t even have a basic minimum wage is a big challenge, so where do we start?’

Kampala participant

#### Strong labour movement needed

The weakness of the labour movement was raised in Kampala as a barrier to improving wage levels: ‘Issues such as [working] conditions could be improved with a stronger labour movement; that’s why no one leaves work, because where would they go? The environment itself does not promote the development of a strong labour movement as there are not enough employment opportunities’. The weakness of the government and its inability to enforce laws effectively was also cited as a barrier, as was the extent of bribery and corruption, including among the judiciary and police. The challenge of calling for a Living Wage in a depressed economy was also mentioned: ‘A challenge is the risk of being branded oppositional or a saboteur if you suggest this kind of approach’.

One complexity associated with paying higher wages (raised in the London discussion) concerned the potential impact on the workers who had previously earned the lower wages: ‘The Living Wage raises issues of substitution, as higher wages attract a different and more educated and ambitious workforce. These employees are also more socially mobile, which means that the people a Living Wage could really help are squeezed out of the jobs they used to do. Therefore another negotiation (in an ideal world) is that a Living Wage should be used with an existing workforce’.

#### SME challenge and opportunity

The challenges facing SMEs from a Living Wage were discussed in London. One participant asked: ‘As this process is easier for larger companies, is it inadvertently helping large multinationals against local businesses?’ It was noted that UK research had found that ‘lots of SMEs want to be in the Living Wage marketplace as they want to recruit the best-quality staff, and see themselves as ethical businesses’.

#### Supply chain emphasis

The New York roundtable emphasised the importance of addressing the supply chain, given that numbers employed in supply chains are generally far higher than numbers employed directly in company operations – ‘by multiples of hundreds to one’. Would customers assume that, if an employer were Living Wage accredited, that everyone in its supply chain would be paid a Living Wage? Participants emphasised the importance of engaging the agent or first-level supplier in a drive to pay a Living Wage. Supply chain and cost transparency were also needed, though it was acknowledged that ‘this is very difficult to talk about even in long-term relationships, as its tough if you want to change the way of working after 20 years’.



**ACCA and the Living Wage Foundation would like to thank all participants for sharing their views. Roundtables included the following participants, accurate as at June 2015:**

Colin Angel, UK Home Care Association  
Oilanya Aom, FUE  
Sabita Banerji, Ethical Trade Initiative  
Rohini Barreto, Social Accountability International  
Kirsti Battista, Cities Reducing Poverty – Vibrant Communities Canada  
Pamela Batty, Burberry  
Teodora Berkova, Pearson  
Nigel Branken, Transform  
Laura Brooks, KPMG  
Lary Brown, Esprit  
Valentina Caimi, Social Platform  
Joyce Chau, Business Social Compliance Initiative  
Brandon Coate, HSBC  
Tom Cooper, Living Wage Hamilton/Hamilton Poverty  
Anne Copeland, sustainability adviser, ACCA Global Sustainability Forum  
Professor Bryan Evans, Ryerson University, Toronto  
Professor Deborah M. Figart, School of Education, Stockton University NJ  
Charlotte Fischer, Citizens UK  
Helen Ford, World Federation of Sporting Goods Industry  
Matt Friedman, The Mekong Club  
George Gabriel, Citizens UK  
Amanda Gardiner, Pearson  
Joanne Goddard, Aviva  
Jan Paul Grolle, WageIndicator Foundation  
Carola Groom, Independent Social Research  
Samantha Hale, Pathway to Potential  
Frank Harle, Restless Development  
Adrian Henriques, independent consultant  
Donald Hirsch, Centre for Research in Social Policy, Loughborough University  
Jenny Holdcroft, IndustriALL  
Larry Holm, People Performance Group  
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Rachel Jackson, formerly ACCA  
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Ronald Janssen, ETUC  
Sian Jones, European Anti-Poverty Network  
Professor David Kaplan, UCT University  
Alex Katz, Social Accountability International  
Mike Kelly, KPMG and formerly Living Wage Foundation  
Bonnie Kiconco, QUAM  
Greg Lavender, Restless Development  
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James Male, National NGO Forum  
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Tania Moodley, Tesco  
Rhys Moore, Living Wage Foundation  
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Torsten Müller, ETUC  
Mary Nannonno, CEEWA-Uganda  
Lisa Nathan, ShareAction  
Bandile Ngidi, Wits University  
Patrick Noglobe, HRMNU  
Vincent Ojambo, Uganda Mines Metal Oil, Gas  
Paola Panzeri, COFACE  
Professor Elmarie Papageorgiou, Wits University  
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Sébastien Pivet, A.S. Watson Group  
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Paul K. Sonn, National Employment Law Project  
Ian Spaulding, Elevate Global  
Maria Strid, HSBC New York  
Irit Tamir, Oxfam America  
Professor Zeynep Ton, MIT Sloan School of Management  
Dean Imraan Valodia, Wits University  
Adam Vasey, Pathway to Potential  
Bishop Paul Verryn, Methodist Church of South Africa  
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