

The logo for the Living Wage Foundation is located in the top left corner. It features the words "Living Wage" in a white, sans-serif font, stacked vertically, with "Foundation" in a smaller, italicized white font below them. The text is overlaid on a blue circle that overlaps with a green circle, which in turn overlaps with a yellow circle. The background of the entire page is a solid orange color with several light-colored circles of varying sizes scattered throughout.

*Living
Wage
Foundation*

TACKLING LOW
PAY IN THE
CHARITY SECTOR:
AN ACTION PLAN

INTRODUCTION

In November 2017 the Living Wage Foundation – in partnership with a group of twelve major funders, NCVO and Cardiff Business School – published a report into [Low Pay in the Charity Sector](#). The report found that over a quarter (26%) of charity workers are paid below the real Living Wage - a higher percentage than the average across all sectors in the UK workforce (22%). Women, young people and people from Black, Asian, Minority Ethnic and Refugee backgrounds are disproportionately affected by low pay in the sector.

Nearly 900,000 people work for the charity sector in the UK (NCVO, 2018). This includes thousands of people working for non-profit providers of childcare, social care, women's refuges and more, who deliver vital contact and services to some of the most vulnerable people in our society. The prevalence of low pay in the sector reflects the value that society places on this work. It is driven by a specific set of practices by government funding bodies, trusts, foundations and other funders that make it difficult for charities to cover core costs and provide a decent wage that meets the basic cost of living for their staff.

A group of 35 'Living Wage Friendly Funders' are trying to do things differently by supporting charities to ensure their employees and sub-contracted staff earn a real Living Wage, not just the government minimum.

This approach not only enables charity workers to have a decent standard of living, but can also lead to improvements in staff engagement, performance and service standards.

Of the non-profit organisations that have committed to pay staff a real Living Wage:

- 90% say it has had organisational benefits;
- 82% report improvement in organisational reputation;
- 49% report higher levels of staff motivation;
- 45% say their ability to recruit has improved; and
- 45% report better relationships between staff and managers.

Upon publication of the report, we were tasked by the Living Wage Friendly Funders to have wider conversations with charities, umbrella bodies, trade unions, funders, and – crucially – workers, to identify the barriers to tackling low pay in the charity sector and share their ideas on what can be done to ensure charity workers earn a wage they can live on. We are grateful to everyone who has shared their ideas and experience with us, from all parts of the sector and those who work for charities of all different shapes and sizes.

BARRIERS TO PAYING THE REAL LIVING WAGE IN THE CHARITY SECTOR

Following on from the Low Pay in the Charity Sector report, we sought to explore the barriers and opportunities for charities paying the Living Wage. In January 2018, we ran a survey seeking input from across the sector, and received 300 responses (80% of which were from charity workers), which we analysed to identify key barriers and solutions. To develop this, we also held a stakeholder engagement session with charity umbrella bodies, funders, commissioners and trade union representatives.

The two most common barriers to paying the Living Wage that were reported were:

1.

The impact of Government cuts on the sector, leading to intense competition for funding. This has contributed to a 'race to the bottom' environment, causing organisations to squeeze staff wages, in an environment in which Government contracts are generally given to the provider that has provided the cheapest quote. Respondents also reported feeling pressure to deliver grant-funded projects at the lowest possible cost, reporting that funding based on project outcomes can lead to staff wages (including ongoing cost of living increases) being deprioritised. In this context, charities reported feeling that staff wages and other core costs were deprioritised; with staff wages seen only as a cost, rather than as an investment in recruiting and retaining a skilled and committed workforce.

2.

A lack of awareness of the real Living Wage, combined with a public perception that charity work should be voluntary or low paid. Many survey respondents reported feeling that there is a general lack of status attached to charity work, and a public perception that donor money should go to beneficiaries and not to charity workers, perhaps driven partly by press coverage of high pay at senior levels in the charity sector.

The Action Plan below considers these two barriers, with suggestions about who can help challenge this, and how.

1. TACKLING THE RACE TO THE BOTTOM

a. Government commissioning bodies should procure services based on the Living Wage as a minimum for delivery staff, by giving favourable ‘weighting’ to Living Wage bids as part of the procurement process.

Commissioners have an important role as champions and should call for public services to be commissioned at the real Living Wage rate, using the Social Value Act as the legislative framework for doing so. Living Wage accredited local authorities encourage the Living Wage through their procurement, by giving a weighting to providers that will pay staff the real Living Wage. The Scottish Government has published guidance on promoting the Living Wage in Procurement, [which can be viewed here](#). This guidance makes clear that the Scottish Government considers payment of the Living Wage to be a signal of the bidding organisation’s commitment to its workforce and to the broader fair work agenda.

Action Point: Commissioners can [contact the Living Wage Foundation](#) for guidance on how to promote the real Living Wage through procurement processes. The Living Wage Foundation can run information events exploring barriers in particularly challenging sectors (such as social care) and provide materials and best practice guidance.

CASE STUDY: ERIC’S STORY

“I’m a support worker, working with adults with learning disabilities and mental health disorders. I’ve always worked in social care and I’m skilled at this work. A lot of my colleagues are in debt and we can’t save at all, either for the future or for emergencies. The job is very demanding and having extra money to spare helps you to afford to de-stress and have space in your head. Not everybody can do this

job. Of course, there’s training, but that’s not enough. You also need the right mindset of common sense and resilience. Some people I work with have looked for jobs in a supermarket that paid more for less hassle. The Living Wage would make it easier to attract and keep the best and most suitable workers to this role. We offer quality support to the most vulnerable members of our society.”

b. Grant-makers should become ‘Living Wage Friendly Funders’, championing fair pay and ensuring that charities are able to pay the real Living Wage on funded projects.

Trusts, foundations, high net-worth individuals and other funders can ensure appropriate financial support for funded charities to pay the Living Wage, including forecasting cost of living increases based on inflation and Living Wage increases to incorporate wage increases into budgets at the outset of funding.

Action Point: Funders that are not yet ‘Living Wage Friendly’ can [download our guide](#) to joining the scheme, and [register as a Living Wage Friendly Funder online](#). Funders should make it clear in their criteria that, when applying for funding, charities are welcome to budget any salaries in line with real Living Wage rates. Funders may like to encourage applicants to factor in overheads as well as the cost of project delivery, using a full cost recovery model, supporting essential costs outside of programmes (some example guidance from the Big Lottery Fund can be found [here](#)).

Action Point: Existing Living Wage Friendly Funders should promote the impact of living wage grant-making and the benefit of working towards this.

Action Point: Charities may like to encourage their funders to look into the Living Wage Friendly Funder scheme, in order to implement the Living Wage through programme funding. The Living Wage Foundation can meet with them to discuss the benefits of the Living Wage in the charity sector, and explore how they could join the movement.

CASE STUDY: ISLINGTON COUNCIL

The London Borough of Islington procures half a billion pounds of goods and services every year from the private and voluntary sectors. It uses its substantial buying power to secure social value in the marketplace, for example by generating apprenticeships and by rooting out practices like modern slavery and blacklisting. Recognising the dignity of work, the council has for five years now also hardwired payment of the real Living Wage into its procurement policy. As a result, it has won the Living Wage not only for all its own employees but also for 98 per cent – and counting – of its contractors, including five hundred homecare staff. The council insists that charities which receive funding from its core grants scheme pay their own workers the Living Wage. It asks those who rent its commercial buildings to pay it. And it uses its pension fund to lobby FTSE 100 firms to pay the Living Wage too.

2. RAISING AWARENESS OF THE REAL LIVING WAGE IN THE CHARITY SECTOR

a. Charities that are able to pay the Living Wage should proudly champion their Living Wage leadership.

Action point: Living Wage accredited charities should display the Living Wage badge on their digital channels, in recruitment materials and on their premises, and get involved in celebrating Living Wage Week – an annual week of public events each November to celebrate and promote the achievements of the Living Wage movement. To support this, charity employers can identify senior leaders to nominate as organisational champions for the Living Wage.

b. Charity job sites and funder finder tools should raise awareness of the real Living Wage by creating filters, so that users can search for Living Wage funding and charity jobs that pay the Living Wage and above.

Action Point: Organisations with job search functions tools can [contact the Living Wage Foundation](#) to discuss implementing a Living Wage filter, meaning that job searches can be limited to roles that are above the Living Wage. There are a range of other ways to support the Living Wage movement too; for example, the Guardian Jobs website allows Living Wage accredited employers to display their Living Wage accreditation badge when they post job opportunities. Recruitment companies can also [sign up with the Living Wage Foundation as a Recognised Service Provider](#), promoting the real Living Wage to clients. Prospectus has already taken this step.

Action Point: Funder Finder tools such as Funding Central, Trustfunding and GRANTfinder should add a ‘Living Wage Friendly Funder’ filter, to track whether funders are Living Wage Friendly. This would enable those already in receipt of a Living Wage rate grant to search for continuation funding at the same rate. Organisations with funder finder tools can contact the Living Wage Foundation to discuss showcasing Living Wage Friendly funding through their platforms.

c. Charity volunteers, donors and supporters should ask the charities that they support to become Living Wage accredited.

Action Point: Individual supporters and donors can [use the Living Wage Foundation’s website](#) to check whether charity employers that they support are Living Wage. If they are not yet Living Wage Employers, the Living Wage Foundation can help them to explore what the Living Wage would mean for their organisation. The Living Wage Foundation can provide a template for supporters to use.

CASE STUDY: PEOPLE'S HEALTH TRUST

People's Health Trust is one of the founders of the Living Wage Friendly Funders scheme and first piloted paying the real Living Wage to grant-funded posts in 2013. They wanted posts they funded to be paid the real Living Wage in order to support higher standards of living for charity sector employees and their families. Since becoming a Living Wage Friendly Funder, People's Health Trust have noted a number of benefits including the impact on individuals' lives. They have also noticed the beginnings of a shift in culture, as the scheme has encouraged smaller organisations they fund to feel more confident about requesting Living Wage funding from other funders.

d. Charity industry bodies and networks should support charities to go Living Wage and to share best practice.

Action Point: Professional networks such as CIPD and Charity Finance Group should provide guidance and practical case studies, in partnership with the Living Wage Foundation, on how charities can go Living Wage. These networks can also invite Living Wage Foundation and/or Living Wage Employers to present to their members.

Action Point: Trade unions can support low paid employees in the sector and many provide advice on negotiating for higher wages. Employees can find out about [joining a trade union here](#).

Action Point: Trustee networks/recruiters can raise awareness about the Living Wage, encouraging trustees to promote the Living Wage as part of responsible governance. The Living Wage Foundation can provide tailored materials for charity trustees so that they are well informed and asking the right questions.

Action Point: In some of the most challenging sub-sectors of the charity sector (including social care and the arts) further research into the industry and transitioning into higher paid work is required. Organisations can partner with the Living Wage Foundation to run pilots working with employers and run events to explore barriers and share best practice.

THANK YOU

We'd now like to ask you to pledge to do one thing to help promote the Living Wage in the charity sector, and encourage others to do the same. We're look forward to hearing how you'll be taking action to ensure that more charity workers can earn a wage that meets their cost of living. Please share your pledge on social media, using the hashtag #LivingWageAction.

You may also like to:

- [Contact the Living Wage Foundation](#)
- Connect with us on social media
([Twitter: @LivingWageUK](#) and [Facebook: LivingWageUK](#))
- [Join our mailing list](#) for updates about the Living Wage in the charity sector
- [Register](#) to become a Living Wage Employer

About the Living Wage movement

The real Living Wage is the only wage rate calculated independently based on what people need to meet the costs and pressures of their everyday lives. It provides a voluntary benchmark for employers who believe their staff deserve a fair day's pay for a hard day's work. It is higher than the government minimum, which takes into account other factors including average earnings and, for young people, affordability for employers.

As of mid-2018, more than 4,000 employers have committed to ensure their directly employed and regular (sub)contracted staff earn a real Living Wage.

The Living Wage Foundation is the organisation at the heart of the movement of organisations, businesses and individuals that campaign for a real Living Wage that is enough to live on. The Foundation promotes and celebrates employers that take a stand by committing to pay all employees the Living Wage through an accreditation scheme. It announces the real Living Wage rates annually, offers advice and support to help organisations to pay a real Living Wage, and facilitates networking and mentoring opportunities to encourage positive change.

The Foundation's Living Wage Friendly Funder scheme was established to tackle low pay in the voluntary and community sector by asking funders and commissioners to use their grant-making to support charities to pay the real Living Wage.

There are currently over 1,200 third sector accredited organisations in the Living Wage Foundation network, and 35 Living Wage Friendly Funders.

How to become an accredited Living Wage Employer

The first stage of becoming an accredited Living Wage Employer is to get in touch through the Living Wage Foundation website. To become an accredited Living Wage Employer, organisations need to pay all their directly employed staff a Living Wage, and have a 'Phased Implementation' plan in place to extend that to regular, onsite subcontracted staff (such as cleaners) as well. Phased Implementation can be done on a rolling basis as contracts come up for renewal and for longer contracts where there are opportunities around break clauses. We expect the bulk of your contracts to move onto the Living Wage within two to three years.

There are a range of different approaches to putting the Living Wage in place, and the Living Wage Foundation and other sector bodies can help charities to scope out the best approach. When scoping accreditation, charities should create a working group including staff with HR responsibilities and those that oversee supply chains. Where possible, charities can set an ambition to become an accredited Living Wage Employer and start conversations internally to move towards that goal, appreciating that this may take time to achieve and may require working with funders and commissioners to plan in changes. There are a range of toolkits, business benefits information and case studies available on the Living Wage Foundation website.



Living Wage Foundation

136 Cavell St
London E1 2JA
020 7043 9882

www.livingwage.org.uk

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