



The Living Wage Foundation's submission to the Low Pay Commission consultation - June 2019

This submission outlines the Living Wage Foundation's evidence and recommendations to the Low Pay Commission's consultation on national minimum wage rates for April 2020 and beyond.

We address the following questions from the consultation:

3. What are your views on the current state of the labour market? Has the labour market tightened over the past year?
4. What has been your experience of wage growth and inflation in the last year and what do you forecast for the next couple of years?
5. What has been the impact of the NLW since April 2016?
6. To what extent has the NLW particularly affected certain occupations or industries, types of firms (small, large etc), regions or groups (for example women, ethnic minorities, migrant workers etc)?

About us

The Living Wage Foundation is at the heart of the movement of businesses, organisations and people campaigning for the simple idea that a hard day's work deserves a fair day's pay. The Living Wage Foundation celebrates and recognises the leadership of employers that voluntarily choose to go beyond the statutory minimum to pay a real Living Wage based on what people need to make ends meet and fully participate in society.

The real Living Wage rates are independently calculated by the Resolution Foundation, and overseen by the Living Wage Commission, according to a social consensus of what is needed for a basic but decent standard of living. They provide a voluntary benchmark for employers that want to ensure their staff earn a wage they can live on. They are currently £10.55 per hour in London and £9 per hour in the UK.

There are now over 5,300 Living Wage employers, including more than a third (37%) of the FTSE 100, and household names such as Heathrow Airport, Liverpool Football Club, Lush, IKEA, Nationwide, Aviva and Google. The campaign has delivered pay rises to more than 200,000 workers and put nearly £1billion back into the pockets of low paid workers.

Questions 3, 4 AND 6. What are your views on the current state of the labour market? Has the labour market tightened over the last year? AND What has been your experience of wage growth and inflation in the last year and what do you forecast for the next couple of years? AND To what extent has the NLW particularly affected certain occupations or industries, types of firms (small, large etc), regions or groups (for example women, ethnic minorities, migrant workers etc)?

In the current UK labour market, 17.8% of jobs are low paid¹ – as calculated based on two-thirds of median hourly earnings. While this percentage has been falling year on year, the number of jobs paying

¹ Low and high pay in the UK: 2018'. Office for National Statistics. November 2018.
<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/lowan>



less than the real Living Wage – calculated based on what people need to live and currently £10.55 in London and £9 in the rest of the UK – has risen in recent years and is currently at 22%, or almost 6 million UK jobs.² Additionally, insecure work is a major problem affecting the UK labour market; over 5 million people who earn less than the real Living Wage are in a form of insecure work.³ While their hourly pay has been rising, many low paid workers continue to struggle to cover their living costs due to insecurity of hours and other factors beyond hourly wage.

Low pay particularly and disproportionately impacts certain sectors, regions and groups in the labour market:

- **Bar staff, waiters and waitresses:** 86% of bar staff and 81% of waiters and waitresses are paid less than the real Living Wage; other sectors most affected include: launderers, dry cleaners and pressers (80%); vehicle valeters and cleaners (78%); and, kitchen and catering assistants (75%)⁴
- **Sales and retail assistants:** sales and retail assistants represent the largest category of roles paid less than the real Living Wage, covering 756,000 roles; the next largest groups are: kitchen and catering assistants (429,000); cleaners and domestics (387,000); and, care workers and home carers (306,000)
- **Northern Ireland, East Midlands and Wales:** Northern Ireland (26%), the East Midlands (26%) and Wales (25%) have the highest estimated proportion of jobs paying below the real Living Wage, followed by the North East (24%) and Yorkshire & Humber (24%); the regions with the lowest estimated proportion are the South East (18%), Scotland (19%) and London (20%)
- **Those working part time:** 3.2 million part time roles pay less than the real Living Wage, compared to 2.5 million full time roles
- **Younger people:** 68% of 18 to 21 year olds are paid less than the real Living Wage
- **Women:** 27% of women are paid less than the real Living Wage, compared to 17% of men (translating into 3.5 million women, and 2.2 million men)
 - Women aged 18 to 21 and working part time are most affected, with 77.2% paid below the real Living Wage

[dhighpayuk/2018](#) Low pay is here defined as the value that is two-thirds of median hourly earnings (£12.78 x 2/3 = £8.52 in 2018).

² Office for National Statistics

³ On 12 June, the Living Wage Foundation will be launching a major new campaign with FTSE 100 employers called 'Living Hours' to provide workers with guaranteed, secure hours, alongside decent pay. **The 5 million figure referenced is embargoed until 00:01 12th June and should not be shared publicly before that date.** For more information on the Living Hours campaign contact living.hours@livingwage.org.uk

Here, insecure work is defined as (1) people in non-permanent work (casual, seasonal jobs, fixed-term and agency) excluding anyone who said they did not want a permanent job; (2) people who self-report volatile pay and hours including those on zero hours contracts; (3) people who self-report constant pay but volatile hours; (4) self-employed people.

⁴ 'Living Wage Research for KPMG'. KPMG. November 2018. Data from this report is used for all figures in this list, apart from where otherwise noted.



- **Disabled people:** 37% of disabled people are low paid, compared to 27% of non-disabled people⁵
- **BAME:** 46% of Pakistani and Bangladeshi employees are low paid, compared to 19% of White British employees. Those next most affected are people from Other ethnic groups (37%) and Black/African/ Caribbean/Black British employees (35%).⁶

Since the introduction of the 'national living wage', the number of employers choosing to go further than the legal minimum by paying the real Living Wage has more than doubled. Employers who voluntarily pay the real Living Wage report benefits for both their employees and the employers themselves. 93% of Living Wage employers have seen a benefit as a result of becoming accredited with the Living Wage Foundation, and 86% feel it has enhanced their reputation.⁷

As well as the impact on employers and employees, research from The Smith Institute shows that paying the real Living Wage also positively impacts the local area of employers. The research finds that the more employers that pay the real Living Wage, the greater the economic benefit in their local areas.⁸

If a quarter of low paid workers in ten UK city regions moved up to the real Living Wage⁹:

- Over 500,000 workers would receive an average annual pay rise of over £1,700
- Delivering £560 million additional annual economic growth across the ten city regions
- Generating £350 million in increased tax receipts and benefit savings for the Treasury
- If half of this £350 million was returned to city regions, the annual local economic benefit could increase to £1.1 billion

Looking at specific regions, if 25% of low paid workers were uplifted to the real Living Wage¹⁰:

- Greater Manchester's economy would grow by £53 million, London by £294 million and the West Midlands Combined Authority by £51 million

While paying the real Living Wage is the most important step an employer can take to alleviate in-work poverty, the Living Wage Foundation is this year launching a new programme to help tackle insecurity of hours. As highlighted in the Taylor Review, flexibility in the UK labour market can have adverse impacts

⁵ Trust for London. <https://www.trustforlondon.org.uk/data/low-pay-disability/> Low pay is here defined as being paid less than London Living Wage.

⁶ Trust for London. <https://www.trustforlondon.org.uk/data/low-pay-ethnicity/> Low pay is here defined as being paid less than London Living Wage.

⁷ Heery, E., Nash, D., and Hann, D. 'The Living Wage Employer Experience'. Cardiff Business School. April 2017. https://www.cardiff.ac.uk/_data/assets/pdf_file/0008/722429/The-Living-Wage-Employer-Experience-Report.pdf

⁸ Hunter, P. 'The local Living Wage dividend: An analysis of the impact of the Living Wage on ten city regions'. The Smith Institute. September 2018. http://www.smith-institute.org.uk/wp-content/uploads/2018/09/The_local-Living_Wage_dividend.pdf

⁹ All figures from Hunter, 'The local Living Wage Dividend'. The ten city regions used for this modelling are: London, Greater Manchester, West Midlands (Combined Authority), Cambridgeshire and Peterborough, West of England, Liverpool City Region, North East Combined Authority, Sheffield City Region, and Cardiff Capital Region.

¹⁰ All figures from Hunter, 'The local Living Wage Dividend'.



on the workforce where it is one-sided and leaves employees to bear all the risk of their employment.¹¹ By committing to the Living Wage Foundation's new standard, Living Hours¹², employers can ensure their employees are able to plan their finances and play a part in their family life while also demonstrating their commitment to being a responsible business and part of their local community.

Question 5. What has been the impact of the NLW since April 2016?

Since its introduction in April 2016, the government's 'national living wage' has led to a pay rise for millions of people. New research shows that this hasn't, as some feared, led to a reduction in employment for lower-paid groups.¹³

However, there is a gap between the rate set for the 'national living wage' and how much it costs families to have a decent standard of living in the UK. While the introduction of the 'national living wage' was a victory for those campaigning for a living wage, there are still six million jobs in the UK paying less than the real Living Wage, which is independently calculated based on what people need to meet their basic needs and fully participate in society.

- A full time worker earning the government's 'national living wage' currently earns over £1,500 a year less than they would on the real Living Wage – equivalent to over a year's average gas and electricity or three months' average rent.
- The gap is even bigger in London, where a full time worker on the government minimum earns more than £4,500 less than they would on the real Living Wage – the equivalent of having to work 44 out of 52 weekends a year to make up the difference.¹⁴
- The gap is widest for young people aged 18-20 years old; they would earn more than £5,500 a year less than a full time worker of the same age earning a real Living Wage. As the 'national living wage' is only for those over 25, young workers are disproportionately impacted as many have the same living costs as the general working population.

The number of employers paying a real Living Wage has more than doubled to 5,300 since the government's higher minimum wage for over 25 year olds was introduced in 2016 – and in recent years the campaign has seen a major breakthrough in low paying sectors such as retail and hospitality.

Paying the real Living Wage has a beneficial impact on both employees and employers. For employees there are less worries about making ends meet, and more time and money to spend with families and participating in everyday life. Real Living Wage employers not only disprove concerns that increasing

¹¹ Taylor, M. 'Good Work: The Taylor Review of Modern Working Practices'. July 2017.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/627671/good-work-taylor-review-modern-working-practices-rg.pdf

¹² This programme launches on 12 June and information about it is embargoed until this date.

¹³ Cominetti, N., Henahan, K., Clarke, S. 'Low Pay Britain 2019'. Resolution Foundation. May 2019.

<https://www.resolutionfoundation.org/app/uploads/2019/05/Low-Pay-Britain-2019-report.pdf>

¹⁴ These calculations are based on working for 37.5 hours a week, for 52 weeks. £9 x 37.5 x 52 = £17,550 for someone earning the real Living Wage, compared to £16,009.50 for a full time worker, over the age of 25 (and therefore eligible for the National Living Wage), earning the government's new National Living Wage rate of £8.21.



minimum pay might lead to a trade off in employment, job security or business success, but demonstrate that it has substantial employer benefits. Research from Cardiff Business School in April 2017 shows that 93% of Living Wage employers have seen a benefit as a result of becoming accredited with the Living Wage Foundation. More than half report improvements in recruitment into entry level roles (53%), staff retention (52%) and workplace relations between staff and managers (59%).¹⁵

Employers and employees regularly share the benefits they've seen from paying and being paid the real Living Wage:

- Employer: "On the Operations side, the quality of service and the reduction of cost in terms of staff turnover, means that [being a Living Wage Employer] pays for itself. From a broader HR perspective, the benefit to the whole workforce is key, in terms of confidence in the firm's employment practices." Linklaters¹⁶
- Employer: "If you make the effort to invest in your team, and show them that you actually care, you'll find they work harder, perform better, and are more invested in their work." Monzo¹⁷
- Employee: "[We] definitely take more pride in our work. To rent in Aberdeen I might have to have another job or work an enormous amount of hours so it lets me focus on working here and being really passionate about craft beer in my job and not worrying about just working for money." BrewDog¹⁸

We support a strong government minimum wage and welcome any attempt to close the gap with the real Living Wage. We also believe that policymakers, government bodies and other stakeholders have a role to play in encouraging more employers to go beyond the letter of the law where possible, by becoming accredited Living Wage employers, and we recommend that the Government becomes a real Living Wage employer.

¹⁵ Heery, E., Nash, D., and Hann, D. 'The Living Wage Employer Experience'.

¹⁶ https://www.livingwage.org.uk/sites/default/files/TheLivingWage_CaseStudies_Linklaters_Apr18.pdf

¹⁷ https://www.livingwage.org.uk/sites/default/files/TheLivingWage_CaseStudies_Monzo_Apr18.pdf

¹⁸ https://www.livingwage.org.uk/sites/default/files/Brewdog%20Casestudy%20-%20ToolKit_0_2.pdf