



In-work poverty and the living wage in the UK

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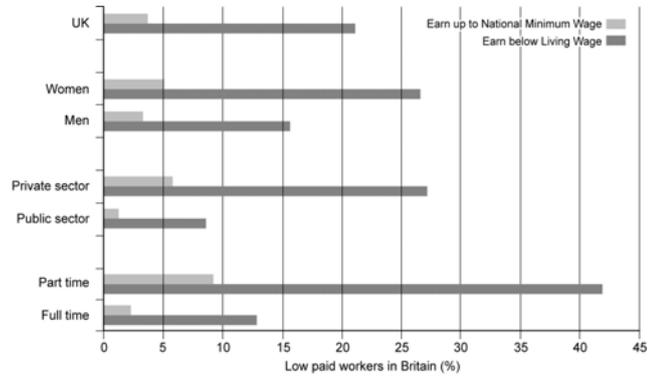


Plan for the talk

- The problem (scale, causes, trajectories)
- The campaign (history, the social base, the Living Wage Foundation)
- The costs and benefits of the living wage (research: workers, firms, the tax payer/society)



The problem: in-work poverty



In in 5 workers in the UK
 Source: Savage (2011, 5, based on ASHE data, 2010)



A worsening problem

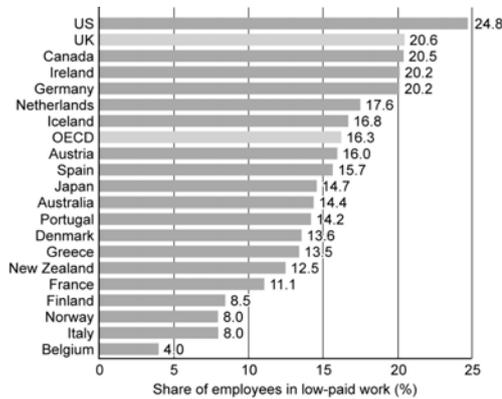
Poverty in Britain, by cause, 1899–2001/2

	1899	1936	1950	2001/2
Death of wage earner	16	n/a	n/a	6
Illness or old age	5	19	90	26
Unemployment	2	29	-	7
Low Wages	55	38*	1	31
Large family (5+ children)	22	5*	3	2
Other	-	8	6	27

Source: Glennerster *et al.* (2004, 49) data for 1899 and 2001/2; Atkinson (1973, 103) data for 1936 and 1950 drawing on Rowntree (1901, 1941); Rowntree and Lavers (1951); Abel-Smith and Townsend (1965) * indicates an estimated figure.



In international context



Pennycook (2012, 4) based on 2009 data (except France and NL based on 2005).
 Uses OECD definition: those earning less than 2/3rds national gross median hourly wage

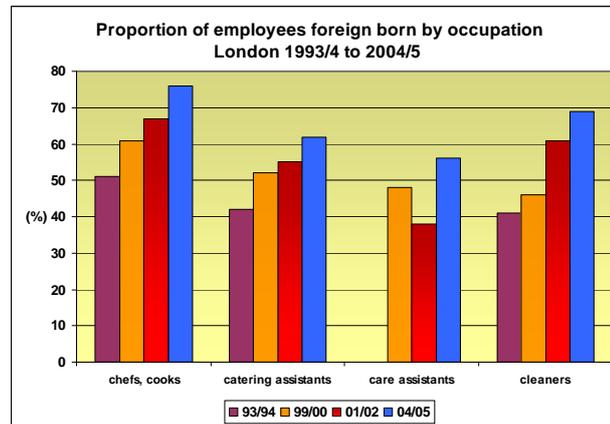


Causes?

- Contract capitalism and the politics of supply chains
- The challenges for labour organisation
- Weak state regulation
- The over-supply of low waged labour (deindustrialisation and international immigration – the Migrant Division of Labour)

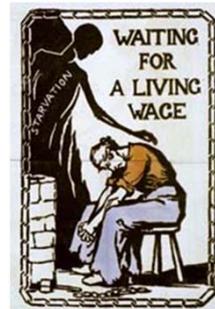


London's MDL



Trajectories?

- 1977: 16p in every £1 went to workers in bottom 50% distribution but by 2010: 10p in every £1 did the same (Resolution Foundation research)
- Wealth accruing to the very top of the distribution with downward pressure on most
- Now more poor households with people in work than out of work
- The cost to the Treasury – tax credits now £31bn/yr
- Implications for aggregate demand and crisis?
- What is to be done?



The demand for a living wage

A wage sufficient for a worker and family to subsist

Based on a minimum income standard – the cost of food, shelter, social activities – and household characteristics

£8.55/hr in London and
£7.45/hr in rest of UK
(2012)



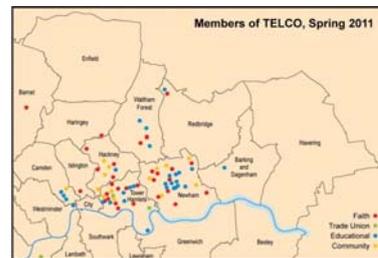
Living wage campaign from 2001

- Health, Canary Wharf
 - Transport for London
 - Olympics 2012
 - Universities
 - Hotels
 - Local Government
 - Retail
-
- Covering 45,000 workers in the UK, £200 million redistributed

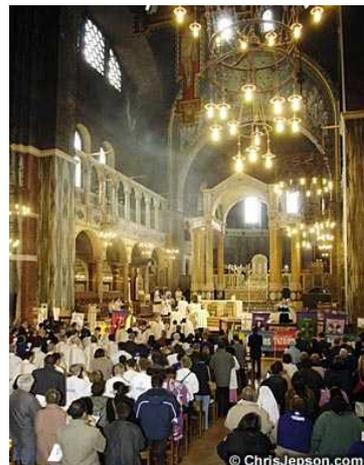


Community Organising

- London Citizens
- State, market and civil society
- Alliance around the common good
- Teaching politics through action (jobs, housing, safety)
- Sustaining public life
- Origins in 1930s Chicago
- Saul Alinsky and IAF
- In UK from 1989
- East London from 1996



The mass mobilisation/accountability of people via institutions





Faith leaders taking a lead



The Living Wage Foundation



- Founded 2011 (a decade on)
 - Set the rate (London GLA/out of London MIS) – Living Wage Week
 - Accreditation and use of the logo
 - Information/advocacy
 - Campaigning
- Founding partners KPMG, Linklaters, Save the Children, Resolution Foundation, Trust for London, Queen Mary, University of London



GLA/MIS calculations

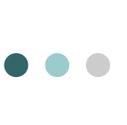
- London rate: “*wage that achieves an adequate level of warmth and shelter, a healthy palatable diet, social integration and avoidance of chronic stress for earners and their dependents.*” (GLA, 2008, 7)
- costings for 4 family types
- cp with 60% median income, adjusted for family composition
- with an additional 15% ... (currently £7.45 an hour with full benefit take-up)

- Out of London rate: uses MIS data from Loughborough University, funded by Joseph Rowntree Foundation



The gap between the LW and the NMW

	NMW*	LLW**	Difference	LLW w/o benefits	% Difference
2003	4.50	6.40	1.90	-	42.22
2004	4.85	6.50	1.65	-	34.02
2005	5.05	6.70	1.65	8.10	32.67
2006	5.35	7.05	1.70	9.00	31.77
2007	5.52	7.20	1.68	9.15	30.43
2008	5.73	7.45	1.72	9.60	30.02
2009	5.80	7.60	1.80	9.85	31.03
2010	5.93	7.85	1.92	10.15	32.38
2011	6.08	8.30	2.22	10.40	36.51
2012	6.19	8.55	2.36	10.70	38.3



Research into the costs and benefits of the LLW

- 7 pre/post case study workplaces (1 covering in-house, 6 covering subcontracted employment)
- 5 comparative studies (LW:NLW workplaces with same employer but different clients)
- Data from employers (wages, staffing, labour turnover, sickness, contract costs)
- Interviews with employers and clients
- Workplace survey (416 workers - 52% LW)
- Data on income, tax and benefit systems




Employee attitudes

- 65% those in LW workplaces reported improvement in either their work, family life or finances
- 54% more positive about their employment (happier, more supervision, more productive, more training)
- 52% more loyal towards their employer
 - *"Cleaning is hard. When you get more money you feel more valued for what you do"*
 - *"The wages are an important incentive."*
- Limited by part-time working:
 - *"I only work here 2 hours a day. It's not enough to make a difference."*
 - *"The living wage has made a big difference in this job but in my other jobs they don't pay the living wage so I still have to work very long hours to make enough money to live and to send money back to Colombia. I wish all my jobs paid the living wage."*



Employee well-being

- Better psychological well-being better for workers in LW workplaces despite controls for age, gender, ethnicity, working hours, education levels, dependent children, having another job, being born in the UK.
- Benefits for workers, employers, tax-payers and society.



Employer experiences

- Falling rates of labour turnover (25% across pre/post studies)
- Doesn't cover the increased costs but allows:
 - Continuity to implement workplace improvements
 - "You can't deliver high quality service by having a constant churn of staff."
 - Better workplace relationships with in-house staff (and more trust; very important in internal customer-facing roles like catering)
 - Signals corporate values that attract the best professionals (LW cited as one of the top three reasons for joining by one case study client)
 - Profiles the brand which can attract new business



Employer experiences

- Dealing with costs?
 - Public sector using **fixed price contracts** – exporting risks to contractors (margins squeezed)
 - Marginal costs in overall budget – one case study client where all subcontracted work (UK-wide) was less than 1% overall budget – another where they were **happy to pay** (also meeting CSR targets set in France)
 - **Managing costs** – scrutinising contracts long-ago outsourced and rather neglected – re-organising the work when re-contracting the work at LW rates
 - *“If you approach the position sensibly, then you can work to make the cost impact zero ... Give yourself time to assess where you can make efficiencies ... If you give yourself a period of time to review your cost base and understand how you can take a longer term strategic approach to it, I honestly think it's achievable in most organisations.”*
- **Pre/post studies:** average wage rates rose by 26%; wage costs rose by 21%; overall contract costs rose by 11% (ranged from -12% to 33%)
- (comparative studies: one case where LW service cheaper than NLW)



Households and the Exchequer

- Only 28% of surveyed workers were claiming benefit and for workers currently on the NMW, the LLW means an extra £2,748 a year
- For those claiming, increased wages mean reduced tax credits/housing benefit
- 580,000 on <LW in London, moving them to the LLW would save the Treasury £823 million (increasing tax and NI and reducing the benefit bill)



What's next?

- Continuation with renewed efforts in retail, social care and infrastructure projects
- Reinforcing the brand to shape consumer preferences
- Take up beyond CitizensUK and the Foundation – the Labour Party, NUS, ShareAction
- The best means to tackle inequality, restore dignity at work, respect for workers?
- Links to campaigns in New Zealand, Canada ... even Sweden (targeting H&M)



Additional information

- History of the living wage, numbers and impact: <http://www.geog.qmul.ac.uk/livingwage/index.html>
- Report on costs and benefits of the London living wage: <http://www.geog.qmul.ac.uk/livingwage/pdf/Livingwagecostsandbenefits.pdf>
- The Living Wage Foundation: <http://www.livingwage.org.uk/>
- Citizens UK: <http://www.citizensuk.org/>
- The story of QMUL and the living wage: <http://www.geog.qmul.ac.uk/docs/staff/8041.pdf>