JustPay! LIVING WAGES

Parliamentary Briefing

The Low Pay Problem

Low pay is a growing problem in the UK. Last year, 3.5 million working adults aged over 22 were earning less than £7 an hour. Two thirds of these were women.[1] Among young people, low pay is even more prevalent. Once these workers are factored in, the overall number of people paid less than the living wage rises to 7.3 million, of which around 6 million are in the private sector.[2]

Low pay has a particularly significant impact on children. In 2008/09, child poverty in the UK stood at 2.8 million.[3] Over half of those children had at least one parent in work.[4] Between 2003/4 and 2008/9, the number of poor children in households with a worker grew by 25%.[5] Low pay is closely associated with other social disadvantages including poor health, substandard housing and personal debt.

> *"I work 7 days a week and like many other cleaners I have to get up at 3 o'clock in the morning to get to work ... We can't afford the tube and I spend 2 hours one way to get to work."*
>
> ~ A cleaner for Marks & Spencers

The Living Wage

A Living Wage is the minimum hourly wage necessary for housing, food and other basic needs for an individual and their family. Living Wage rates are based on Minimum Income Standards methodology and take account of real living costs for essential goods and services. Within London, the Mayor's Office announces the Living Wage figure each year – currently £8.30 per hour. Outside London, the Centre for Research in Social Policy at Loughborough University has calculated a single rate for the regions which is £7.20 per hour.

Accredited Living Wage employers ensure all their own staff and those of their on-site contractors are paid at least the Living Wage across all UK operations. Over 100 significant employers in the public, private and voluntary sectors are London Living Wage employers. Meanwhile, the Living Wage movement has been taking off in many other parts of the country. For example, in Scotland, the NHS recently moved 4500 staff onto Living Wages.

The JustPay Campaign

FairPensions' campaign aims to permanently embed Living Wage standards in the UK's largest companies, namely the FTSE 100. The campaign builds on ten years of work by Citizens UK, with whom we are working closely along with other partners, but uniquely brings to bear the leverage of investors, including pension funds and City fund managers as well as the individual savers whose capital they invest. Investors worth over £13bn have written to the Chief Executives of FTSE 100 companies asking them to become Living Wage employers, and many are now raising the issue in their regular engagements with investee companies.

The campaign has already received support from across the political spectrum. The Living Wage has been described by Prime Minister David Cameron as "an idea whose time has come". Lib Dem deputy leader Simon Hughes, Labour leader Ed Miliband and Green Party leader Caroline Lucas have all formally backed JustPay.

Phase 1: The finance sector

Financial services providers have been at the forefront of private sector adoption of Living Wage standards in London. But this has yet to extend to the thousands of cleaners and security guards who service bank branches up and down the country. At a time when public consternation over 'bankers' bonuses' shows no sign of abating, there are compelling reputational reasons for financial services providers to look after their lowest paid workers.

We are asking people to take action by emailing any finance company that they are a customer of (for instance, their bank account, pension provider or mortgage broker) asking them to become a Living Wage employer. We will also be engaging with UKFI about the employment practices of taxpayer-owned banks Lloyds and RBS. UKFI is a signatory to the UK Stewardship Code, and in its 2010 Annual Report states that it engages with taxpayer-owned banks "to ensure they are taking account of wider governance issues, including social and environmental ones, in taking their businesses forward." [6]

Frequently Asked Questions

Will this affect small businesses?

No. This campaign focuses only on FTSE 100 companies and is not asking small businesses to become Living Wage employers.

Will this cause unemployment?

No. The Living Wage is a voluntary commitment made by employers who choose to make it a priority and can afford it. This militates against any risk of unemployment. Indeed, the expected macroeconomic effect of wider uptake of Living Wage standards is to boost consumer spending, increasing the overall supply of jobs and promoting economic growth (see right).

The case for Living Wages

Good for families

Living Wages give workers the dignity of achieving a 'low cost but acceptable' living standard through their own labours. These rates of pay allow working people to make time for family and community in a way that is not guaranteed on the National Minimum Wage. The nutritional analysis which goes into costing the level of the Living Wage shows that workers' health is at risk below this rate of pay.

Good for business

Companies who have adopted Living Wage standards report a range of business benefits including significantly improved staff retention, workforce productivity, staff morale and enhanced corporate reputation. KPMG is a leader on this issue, having written Living Wage standards into all UK contracts. Guy Stallard, Director of Facilities at KPMG, says, "We've found that paying the Living Wage is a smart business move as increasing wages has reduced staff turnover and absenteeism, whilst productivity and professionalism have subsequently increased."

Good for the economy

Increasing the wages of the low-paid delivers high marginal benefits since the additional money is likely to be spent back into the economy. By boosting consumer spending and confidence, Living Wages can make an important contribution to economic growth. Research by the Joseph Rowntree Foundation estimates that child poverty alone costs the economy £8bn a year in reduced GDP.[7]

The performance of the economy as a whole is a vital determinant of outcomes for investors. This means the Living Wage is also in the enlightened self-interest of 'universal investors' with holdings across the economy – including pension funds.

Good for the public finances

Companies which fail to pay their workers a living wage are effectively subsidised by the taxpayer, as many low-paid workers rely on benefits and tax credits just to get by. These direct costs of low pay to the public purse have been estimated at between £4.5bn and £4.9bn a year.[8]

To be clear, this is not an argument against tax credits. State support is a vital safety net for workers whose employers cannot or will not pay them a living wage. But it is difficult to justify the use of this safety net by the UK's largest and most successful companies, particularly in the context of rising criticism from shareholders and society alike for ballooning executive pay (the average FTSE 100 chief executive earns £4.2m a year).[9] In a time of austerity, FTSE 100 companies can help demonstrate that they are bearing their fair share of the burden by becoming Living Wage employers.

> *"We sometimes hear that we don't smile, we don't present the right image of the company. But how can we smile when we work so much and so hard and still live in misery?"*
>
> ~ A cleaner for John Lewis

Further information

JustPay!

LIVING WAGE CAMPAIGN

For more information on the **JustPay!** campaign for Living Wages, please contact Christine Berry, FairPensions' Policy Officer:

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About FairPensions

FairPensions works to encourage institutional shareholders to exercise their ownership rights responsibly in the pursuit of long-term enlightened shareholder value. Pension funds and their asset managers are major holders of equity in FTSE listed companies. Almost anyone with a private or occupational pension has investment exposure to the FTSE 100, giving millions of UK savers a stake in this campaign and a legitimate reason to voice their support.

fairpensions.org.uk

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1. Analysis based on Annual Survey of Hours and Earnings (ASHE) data: http://www.poverty.org.uk/51/index.shtml?2
2. Institute for Fiscal Studies, 2010: http://www.ifs.org.uk/docs/miliband.pdf
3. Joseph Rowntree Foundation: http://www.jrf.org.uk/child-poverty
4. Fair Pay Network, Not just for the good times, p. 32; citing CPAG, Child Poverty: the stats, analysis of the latest poverty statistics, CPAG, 2008: http://www.cpag.org.uk/povertyfacts/index.htm
5. Analysis by New Policy Institute using the DWP's 'Household Below Average Income' survey and the 'Annual Survey of Hours and Earnings' (ASHE) survey.
6. UKFI, 2009-2010 Annual Report and Accounts: http://www.ukfi.co.uk/images/dynamicImages/UKFI%20Annual%20Report%20AW%20rev%20interactive%283%29.pdf
7. Hirsch, D., 2008, 'Estimating the Costs of Child Poverty': http://www.jrf.org.uk/publications/estimating-costs-child-poverty
8. Institute of Fiscal Studies, 2010: http://www.ifs.org.uk/docs/miliband.pdf
9. Interim Report of the High Pay Commission (May 2011), p7.

FairPensions™
The campaign for **responsible** investment