The Living Wage campaign: Frequently asked questions

This briefing addresses some frequently asked questions about ShareAction’s Living Wage campaign. It also identifies the ways in which companies can overcome commonly perceived obstacles to Living Wage accreditation.

Holding a company to account can sometimes feel like a daunting task! So – to make sure you feel confident and ready to ask your A-grade AGM (Annual General Meeting) question – we’ve put together some FAQs and common challenges raised by companies to help you prepare for the big event.

Many of the FAQs have been taken directly from the Living Wage Foundation’s FAQ webpage. This is an excellent resource if you’re keen to fill your boots on everything there is to know about the real Living Wage: [http://www.livingwage.org.uk/faq](http://www.livingwage.org.uk/faq).

The issue

What exactly is the real Living Wage?

The Living Wage standard reflects what is needed for hardworking people over 18 to make ends meet and live a dignified life.

Living Wage standards are increasingly becoming a norm for social sustainable business behaviour and are applied across the UK in a wide range of sectors.

Currently, the real Living Wage rates are £9.75 in London and £8.45 in the rest of the UK.

Why pay the real Living Wage?

Paying a wage that is enough to live on is good for business, good for the individual and good for society. 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. It has also lifted tens of thousands of families out of working poverty.

For people who are paid the real Living Wage, it means the difference between just getting the government minimum and earning enough to afford the things you need to live, like a decent meal, a warm home and a birthday treat for your children.

The campaign

What is the Living Wage campaign?

It’s an independent movement of businesses, organisations and people who believe a fair day’s work deserves a fair day’s pay. Those involved in the campaign want to ensure that everyone can earn a wage that meets the real costs of living. Since 2001, over 3,000 UK companies—including household names such as Unilever, Nestle and...
ITV—have become Living Wage employers. This is estimated to have positively impacted around 120,000 employees across the UK... and counting!

What is ShareAction’s role in this?

ShareAction began working on the Living Wage in 2011. We do two things: Firstly, we send our AGM Activists to AGMs to put the issue on the Board agenda. Secondly, we coordinate an Investor Collaborative for the Living Wage, representing £1.3 trillion in assets, to encourage Britain’s 100 largest publicly listed companies (the FTSE 100) to become accredited Living Wage employers with the Living Wage Foundation (LWF).

This combined approach has proved effective. When ShareAction first began working on this, only 2 companies in the FTSE 100 were signed up. Now, almost one-third of FTSE 100 companies have accredited, and 20 more are fully compliant with the standards.

Why the focus on UK FTSE 100 companies?

The FTSE 100 companies are Britain’s biggest companies. Although from a range of different sectors, they play a key role in setting standards across the economy. Adoption of Living Wage standards by FTSE 100s is critical to embedding real Living Wages as the norm of good business behaviour in the UK. Almost anyone with a pension has investment exposure to the FTSE 100, giving millions of UK savers a stake in these companies.

Why are investors interested?

Investors who are part of the Investor Collaborative for the Living Wage see the benefits of investing in socially sustainable companies which focus on long-term as well as short-term success. The real Living Wage has quickly become a marker of responsible business practice, and is an important indicator of a company’s investment in staff over and above the legal requirements, including the Government’s national living wage.

What about the Living Wage Foundation?

Whilst ShareAction is working to encourage FTSE 100 companies to accredit with the LWF, the LWF is entirely independent of ShareAction. The LWF provides technical support and advice on implementation of Living Wage standards, and administers the accreditation scheme for compliant employers. ShareAction and the LWF work closely together in discussions with the FTSE 100 companies to bring together the investor interest and practical expertise.

Practicalities

How is the real Living Wage calculated?

The real Living Wage rates are independently-calculated based on what employees and their families need to live. The rates are calculated annually by the Resolution Foundation and overseen by the Living Wage Commission, based on the best available evidence about living standards in London and the UK. The rates are announced simultaneously in the first week of November each year, during Living Wage Week.

Does the real Living Wage apply to contracted staff?

It applies to all staff who work two or more hours a day, any day of the week, for eight or more consecutive weeks in the year on a company’s UK premises. However, the real Living Wage does not apply to contractors who supply a company with products e.g. stationary suppliers.

Does the real Living Wage apply to self-employed workers?

Self-employed workers are treated the same as sub-contracted workers. That means if they work on a company’s premises for more than two hours for eight consecutive weeks they must be paid the Living Wage.

Does the Living Wage apply to staff outside the UK?

No, the real Living Wage is calculated according to the cost of living in the UK. For information on the international Living Wage, see guidance provided by the Ethical Trading Initiative.

What can be included in the real Living Wage calculation?

Only guaranteed non-deferred payments can be included in the real Living Wage rates. Therefore bonus payments can be included, but only if they
are guaranteed. The real Living Wage calculation does not include non-cash goods.

Will it create unemployment?

No. The real Living Wage is a voluntary commitment made by employers who choose to make it a priority and can afford it. This mitigates against the risk of unemployment. The payment of real Living Wages is an efficient way to increase spending power in the economy. Indeed the anticipated macro-economic effect of this campaign is to increase the overall supply of jobs and to boost economic growth.

Living Wage Friendly Funders Scheme

The LWF also have a Friendly Funders Scheme which supports charities to pay the real Living Wage that meets the cost of living through their grant-making.  

Common company challenges

Company already pays staff the Government’s national living wage

In the 2015 Summer Budget, then-Chancellor George Osborne announced a new compulsory wage floor for workers over 25 years of age as the national living wage. Since April 2016, this has taken effect as a minimum wage premium for over 25s at £7.20 per hour. Thereafter, it is expected to reach approximately £8.75 per hour by April 2020 - not £9 per hour as previously predicted.

While a raise in base wage levels for those over 25 is welcome, as it sparked an important debate about low pay and productivity, the national living wage is not a real Living Wage.

Here’s why:

1. The real Living Wage is a voluntary measure. Compliance with the Government’s national living wage is compulsory, so application of this standard does not provide the same insight as differentiator between firms’ levels of investment in staff.
2. There is a clear difference in the impact of the two standards. The calculation of the national living wage does not take into account the costs of living and thus, does not ensure that hardworking people earn enough to make ends meet! Instead, it aims to match 60% of average earnings by 2020.

3. In the Government’s national living wage there is no distinction made for London’s higher costs of living, and the exclusion of those under 25 excludes a large portion of those in-work.

Company expresses concern about uncertainties around calculation of real Living Wage rates over time

The Living Wage Commission (who calculate the rates) make sure the real Living Wage rates increase steadily each year. The Living Wage Commission ensured a ‘shock absorber’ is put in place in order to manage volatility in real Living Wage rates from one year to the next which arise from changes in the cost of living.  

Company doesn’t want the cost and administrative burden of accreditation

The cost and administrative burden isn’t much, particularly for companies the size of the FTSE 100. Importantly for investors and Living Wage campaigners, accreditation gives them the simple assurance that a company is Living Wage compliant. It has also become a clear marker of responsible business practice providing a reputational benefit to companies that achieve accreditation.

The LWF is well placed to provide technical support and advice on implementation of Living Wage standards and will administer the accreditation scheme for compliant employers. Accreditation fees are charged on a sliding scale. It starts at £50 a year for those with fewer than 10 employees. The highest fee is £1,000 per annum. The time it takes to accredit varies on the size of the business. Some businesses are able to accredit in one day, whereas larger businesses can often be accredited within 6 months.

Company pays direct staff the real Living Wage, but doesn’t believe it’s their role to require contractors to also pay the real Living Wage

It is the responsibility of the company to ensure contracted staff on company premises are paid properly, as companies set the amount contractors are paid for the service they provide. As such, they have a large influence on the pay of contracted staff.

Living Wage employers are encouraged to send out a communication to everyone they do business with.
letting them know they have committed to ensure all staff earn a real Living Wage, and encouraging them to do the same. However, accreditation does not require a company’s supply chain to pay the real Living Wage, unless they are regularly delivering service on the company’s premises.

The LWF also has in place a service provider scheme which recognises contractors who want to play a role and support the aims of the LWF. Living Wage service providers commit to pay all their own head office staff the real Living Wage bid alongside every market rate submittal to all of their prospective and current clients.

**Company states its supply chain is too complicated to implement the real Living Wage for everyone required**

This is a common challenge faced by companies but, with the help of the LWF, many have managed to overcome this barrier to accreditation. The LWF is well placed to help companies explore this further and share successful case studies of industry peers.

**Company states contractors won’t share what they pay staff**

Phased implementation means that companies can roll the real Living Wage out across contracts as they come up for renewal or renegotiation. If a company has a contractor who refuses to work with them on the real Living Wage, the company can still accredit with the LWF and use their next tender process to find a contractor who will pay it.
References


4. Morning Star (March 2017). *Budget 2017: The Key Points*. Available online at: [https://www.morningstaronline.co.uk/a-75bb-Budget-2017#WNEmJqJBqUI](https://www.morningstaronline.co.uk/a-75bb-Budget-2017#WNEmJqJBqUI) [accessed 20 March 2017].


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About ShareAction

ShareAction (Fairshare Educational Foundation) is a registered charity that promotes Responsible Investment practices by pension providers and fund managers. ShareAction believes that Responsible Investment helps to safeguard investments as well as securing environmental and social benefits.

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