



Living Wage Foundation Submission to the Review on Modern Employment Practices

1. Introduction

This submission outlines the Living Wage Foundation's contribution to good employment practices.

The Living Wage Foundation has accredited thousands of employers that want to go further than the statutory minimums and lead the way as exemplary employers. The Living Wage Employer Mark is regarded as an ethical badge for responsible employment, and many of those who accredit with the Living Wage Foundation adopt wider good employment practices such as secure contracts and access to training and development.

We have found that where paying the Living Wage has been introduced as part of a wider package of job quality improvements, the positive impacts are more prominent.

In this paper, we share highlights of a recent report into the Living Wage employer experience; learnings from working with leading retailers to produce the Good Jobs in Retail Toolkit; and the Living Wage Foundation's position on atypical employment practices in the 'Gig Economy'. We will address the themes of security, pay and rights, and new business models.

2. The Living Wage Foundation

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 who voluntarily choose to go beyond the government minimum and pay a real Living Wage.

The real Living Wage is independently calculated based on what employees and their families need to meet the cost of living; for 2016-17 the UK rate is £8.45, with a higher rate of £9.75 in London, compared to the statutory National Living Wage of £7.50 for over 25 year olds. The calculation is built on a social consensus of what is needed for a basic but decent standard of living¹.

The Foundation celebrates responsible employers that go above and beyond by paying a real Living Wage. We award the Living Wage Employer Mark to employers that commit to paying their directly employed and regular (sub)contracted staff over the age of 18 at least the Living Wage for every hour worked.

The network includes over 3,000 employers, including almost a third of the FTSE 100, alongside household names such as IKEA, Nationwide, LUSH and Google. Together, these organisations employ around 1.35 million workers, amounting to approximately 4.3 per cent of total UK employment, and have raised the wages of at least 150,000 low paid staff².

¹ D'Arcy, C. and Finch, D. 'Calculating a Living Wage for London and the rest of the UK'. *Resolution Foundation*. October 2016 <http://www.resolutionfoundation.org/app/uploads/2016/10/Living-wage-calculations.pdf>

² 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

However, currently almost one in four UK workers earn less than the real Living Wage. Of those, half the roles are in five broad categories, led by Sales Assistants and Retail Cashiers (covering 880,000 employees) and including personal care services and cleaning occupations³.

With one in every eight workers in the UK – 3.8 million people – living in poverty⁴ we believe that employers have a role to play in ensuring that work is the surest way out of poverty, and that those they employ can earn enough to live on.

3. Employer experience of paying the Living Wage

Research published by Cardiff Business School in April 2017 has shown that 93 per cent of Living Wage employers have seen a benefit as a result of becoming accredited with the Living Wage Foundation⁵. More than half of organisations had seen HR benefits including:

- ✓ Improved retention of employees receiving the Living Wage (52 per cent of employers);
- ✓ Improved workplace relations between staff members and managers (59 per cent of employers);
- ✓ Improved recruitment of employees into Living Wage jobs (53 per cent of employers).

There was also evidence that implementing the Living Wage led to broader positive changes within the workforce; 45 per cent of employers felt the knock-on effect of 'positive changes in work organisation' and 29 per cent saw 'raised skills amongst Living Wage employees', suggesting higher wages could be the catalyst for wider change.

Some employers reported the quality of contracted services had increased with the introduction of the Living Wage, and a significant proportion – 52 per cent – of accredited employers who used contractors encouraged them to pay the Living Wage throughout their operations even when employees were not working on their site. 35 per cent of employers who used contractors had encouraged them to adopt good employment practices beyond paying the Living Wage. A fifth of employers stated a reduction in sickness absence after accreditation.

Employers also reported reputational and commercial gains including an enhanced reputation as an employer (86 per cent), an enhanced general or corporate reputation (78 per cent) in addition to over a quarter reporting that accreditation had helped the organisation to secure public contracts or funding.

While many organisations did see an increased wage bill, other negative effects of implementing the Living Wage (for example, challenges associated with wage differentials) were experienced by a minority of employers, and then only modestly. Living Wage accreditation did not increase the organisation's bill for subcontracted services for 68 per cent of employers, it did not lead to difficulty recruiting for team leader and supervisory positions for 81 per cent of employers, and for 87 per cent of employers it did not make it more difficult to win contracts because costs were higher.

Very large employers and those with large cohorts of low paid workers were more likely to report HR benefits; while 58 per cent of accredited employers reported increased motivation of staff being paid the Living Wage, this rose to 81 per cent among retailers. This research shows that where the 'bite' increases, the benefits increase.

³ Moore, T. and Fiddes, A. 'Living Wage Research for KPMG: 2016 Report' *IHS Market* November 2016. Available: <https://assets.kpmg.com/content/dam/kpmg/uk/pdf/2016/11/living-wage-research-for-kpmg-october-2016.pdf>

⁴ Tinson, A. et al 'Monitoring Poverty and Social Exclusion 2016' *Joseph Rowntree Foundation*. December 2016. Available: <https://www.jrf.org.uk/file/49783/download?token=MYYFWwGT&filetype=full-report>

⁵ Heery, E., Nash, D., and Hann, D. 'The Living Wage Employer Experience' *Cardiff Business School*. April 2017

At a more local level, research by the South Bank Employers Group in April 2017 found evidence that paying the Living Wage would improve how businesses are perceived by residents and consumers⁶. The report found that 95 per cent of residents felt that Living Wage employers would be better to work for, and 89 per cent felt that if South Bank became known as an area where employers paid the London Living Wage this would enhance their image of the South Bank as a place. Furthermore, almost 90 per cent of consumers were more likely to purchase a product or service from a Living Wage employer, and 75 per cent were prepared to pay a premium for such goods or services, in order to support a Living Wage employer.

4. Good jobs in low paid sectors

Many Living Wage employers go further than raising the wages of their lowest paid staff, and maximise potential benefits by making wider improvements to job quality, training and operations to deliver long term improvements in staff performance, productivity and motivation that support higher paid, higher skilled jobs.

Last year the Living Wage Foundation worked with major employers to produce and pilot a 'Good Jobs Toolkit' for retailers, outlining how service sector companies can continue to provide value for customers and investors, while also creating jobs that are better paid, more stable and more meaningful for employees⁷.

Alongside setting out best practice in implementing higher wages, the project looked at a range of employment challenges including underemployment, lack of training and unclear pay structures. The Toolkit shows that by redesigning to 'good' jobs, organisations can develop, invest in and engage staff more effectively.

- **The Toolkit can be downloaded [here](#)**
- **BrewDog Case Study [here](#)**
- **Oliver Bonas Case Study [here](#)**

Retail Case Study: BrewDog

BrewDog, a beer manufacturer and retailer employing over 500 staff, implemented the Living Wage alongside wider changes to staff reward and engagement systems. Around 100 staff were uplifted to the Living Wage, the pay structure was simplified and zero-hours contracts were abolished. BrewDog also put a renewed focus on training and management development, providing opportunities for training and career development.

BrewDog reported:

- ✓ A 50 per cent increase in staff satisfaction;
- ✓ Staff turnover fell by an average of 40 per cent, including in one store from 250 per cent to 60 per cent;
- ✓ Spending on recruitment agencies fell from £130,000 in 2015 to £10,000 in the first four months of 2016;
- ✓ The proportion of retail management positions filled internally rose from 40 per cent to 80 per cent.

⁶ 'Living Wage South Bank: The value of becoming and accredited London Living Wage employer.' Living Wage South Bank. South Bank Employers' Group, April 2017. Available at: <http://southbankbid.co.uk/wp-content/uploads/2017/04/SB-9313-Living-Wage-Report-Digital.pdf>

⁷ Lanning, T, and Murphy, L. 'Good Jobs in Retail: A Toolkit' *Living Wage Foundation*. July 2016 Available: https://www.livingwage.org.uk/sites/default/files/Living%20Wage%20Foundation%20-%20Good%20Jobs%20Toolkit_0.pdf

"All of our managers have been astounded with the impact on their teams... [The staff] feel that they're part of something bigger and they can more easily see how they're impacting on the business. They build better relationships with our customers. We get better customer feedback. The returns that you get on it are just phenomenal."

**Rona Cook, People Business Partner,
BrewDog**

"[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."

**Robyn, Former bar staff and now Duty
Manager, BrewDog**

Facilities Management case study: KPMG and ISS

KPMG, an early adopter of the Living Wage, worked alongside their facilities contractor, ISS, to combat high turnover and low motivation amongst low paid staff in catering, cleaning and administrative support roles⁸.

Together, KPMG and ISS identified several ways to re-evaluate service outputs and staff roles which benefitted both staff and employers. They implemented more full time contracts; a reduction in the amount of night time cleaning; diversified task allocation; and increased customer facing responsibilities.

The effect on the contract was cost neutral to both parties, and facilities staff turnover dropped by 40 per cent⁹. KPMG reported that lower staff churn was accompanied by reduced absenteeism, better performance and higher motivation.

✓ **KPMG and ISS Case Study [here](#)**

5. The 'Gig Economy'

Core values

The Living Wage Foundation believes that work should be the surest way out of poverty regardless of employment type. People working in the 'Gig Economy' should be able to earn a real Living Wage.

For this to be possible, the Living Wage that is provided needs to be:

1. Paid for *every hour worked* and *guaranteed* - so that families can rely on a secure income;
2. Paid as a *basic rate* - with 'top ups' for any equipment expenses - so that workers are not out of pocket;
3. Implemented through *engagement with the workforce* - we encourage Gig Economy employers going Living Wage to engage with Trade Unions or other employee representation bodies when moving towards a Living Wage.

⁸ '6.0 Professionalising FM: How the Living Wage can improve the image of FM.' *RICS Strategic Facilities Management: Case Studies*. October 2014. Available:

<https://www.internationalworkplace.com/personalStatusArea/download/id/2423>

⁹ 'Living Wage case study: KPMG.' Available: <https://www.uk.issworld.com/career/iss-as-employer/our-living-wage-commitment/living-wage-in-action-at-iss--case-studies>

Living Wage accreditation and the Gig Economy

For a Gig Economy employer to become Living Wage accredited, the self-employed must be guaranteed at least the Living Wage for every hour worked. This guarantee relies on the ability of the employer to calculate the number of hours worked, which can be challenging when workers are paid by output rather than hours.

The Living Wage Foundation has engaged with several Gig Economy employers and the main barriers to guaranteeing the Living Wage, and thus pursuing accreditation, have been:

1. Difficulty calculating the number of hours worked;
2. Difficult guaranteeing the Living Wage for those hours;
3. Accounting for additional costs associated with self-employment, e.g. equipment maintenance; uniforms or petrol.

To take up Living Wage accreditation, employers with self-employed members of their workforce are asked to do two things:

1. Put a process in place to calculate the time worked, and to guarantee that the Living Wage is paid for that time. If the Living Wage rate has not been paid for the worked time, employers should implement retrospective 'top ups' to the Living Wage rate.
2. Ensure that costs incurred as a result of self-employed work (for example, the provision and maintenance of tools and equipment) are accounted for on top of the Living Wage base rate.

The Living Wage Foundation welcomes dialogue with Gig Economy employers to explore the challenges and opportunities to work towards a Living Wage. The Living Wage Foundation also encourages employers to work closely with their Trade Unions or other employee representatives on these issues.

Below are two case studies of good practice from Living Wage accredited employers:

Case Study: Outspoken Delivery

Outspoken Delivery are an accredited Living Wage cycle courier company. They have chosen to directly employ all their couriers, who are typically aged 25 plus. Their staff team of 23 operate in Norwich, Cambridge and Glasgow and all receive the real Living Wage as a basic hourly rate, and can also earn extra performance bonuses on top of the Living Wage. They provide clothing (with a deposit), the company own and provide bikes and they provide Level 3 'Bikability' training, a national cycling award scheme which incorporates the National Cycling Training Standard. Outspoken Delivery opt to pay the Living Wage because doing so has a positive impact on staff and in turn employee loyalty and performance.

Case Study: Flexy

Flexy is a Living Wage accredited temporary employment agency, using technology and personality analysis to match temporary employees with job placements. The team is made up of 11 staff members, with 12,000 candidates on their books making hundreds of placements every week.

Flexy clients are not able to use the Flexy platform to offer jobs at less than the Living Wage rate. All roles are paid at the Living Wage and above. The team report that this enables a range of business benefits and is a core part of ensuring that they can provide reliable candidates to clients. The Flexy team find that this is a win-win for Flexy users and clients.

Flexy users are treated as Flexy's employees, meaning that users have benefits such as holiday pay. Flexy run a full payroll service which means that users do not have to register for/manage tax themselves and can pay tax as they earn. Flexy have a strong commitment to prompt payment and guarantee that employees are paid every Friday for work done during the week. For clients, Flexy is 45% cheaper than a traditional staffing agency.

Thank you.

For further information please contact:

Further Reading:

Lanning, T, and Murphy, L. 'Good Jobs in Retail: A Toolkit' *Living Wage Foundation*. July 2016 Available: https://www.livingwage.org.uk/sites/default/files/Living%20Wage%20Foundation%20-%20Good%20Jobs%20ToolKit_0.pdf

BrewDog: https://www.livingwage.org.uk/sites/default/files/Brewdog%20Casestudy%20-%20ToolKit_0.pdf

Oliver Bonas:

https://www.livingwage.org.uk/sites/default/files/2016_07_14_TheLivingWage_CaseStudies_OliverBonas.pdf

Hobbs and EE: <https://www.livingwage.org.uk/sites/default/files/Hobbs%20EE%20-%20Toolkit.pdf>

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

'6.0 Professionalising FM: How the Living Wage can improve the image of FM.' *RICS Strategic Facilities Management: Case Studies*: October 2014. Available: <https://www.internationalworkplace.com/personalStatusArea/download/id/2423>

Coulson, A.B. and Bonner, J. 'Living Wage Employers: evidence of UK Business Cases.' *Living Wage Foundation*. January 2015. Available: http://www.livingwage.org.uk/sites/default/files/BAR_LivingWageReport%20cropped%201%2001.pdf

Werner, A. and Lim, M. 'Putting the Living Wage to Work: Strategies and Practices in Small and Medium Sized Enterprises.' *Barrow Cadbury Trust*. October 2016. Available at: <https://www.barrowcadbury.org.uk/wp-content/uploads/2016/10/University-of-Middlesex-Putting-the-Living-Wage-to-Work-October-2016.pdf>

Wills, J. and Linneker, B. 'The costs and benefits of a London Living Wage.' *Trust for London*. September 2012. Available: <http://www.geog.qmul.ac.uk/livingwage/pdf/Livingwagecostsandbenefits.pdf>

'Local action on health inequalities: Health inequalities and the Living Wage.' *Public Health England*. Publication number 2014334, September 2014. Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/357407/Review6_Living_wage_health_inequalities.pdf

'Living Wage South Bank: The value of becoming and accredited London Living Wage employer.' *Living Wage South Bank*. South Bank Employers' Group, April 2017. Available at: <http://southbankbid.co.uk/wp-content/uploads/2017/04/SB-9313-Living-Wage-Report-Digital.pdf>