The living wage : policy and practice

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1 INTRODUCTION

A longstanding problem for policymakers and practitioners has been the issue of low pay. This issue has been addressed in a number of ways, most commonly through the establishment of a legislated minimum wage, an approach advocated by the International Labor Organization through its Minimum Wage-Fixing Machinery Convention (1928). An estimated 90 per cent of countries in the world operate a statutory minimum wage (ILO, 2014) with Germany joining this group in July 2014. **However the existence of a formal minimum rate only provides a floor to wage rates and at levels which may still be regarded as low, particularly if the point of reference is, for example, the median rate of pay. It has been the uncertain impact of minimum wage policy on low paid workers that has given rise to other approaches – such as the emergence of living wage campaigns – to addressing the problem of low pay.**

For much of the twentieth century the policy response to the problem of low pay in the United Kingdom was through tripartite Trade Boards that reviewed and determined wage rates in their specified industry (Bayliss, 1962). Following their demise, a national minimum wage was established in 1999 through the creation of the Low Pay Commission but the problem of low pay has not been resolved and a community-based campaign around the notion of a 'living wage' emerged to secure better than minimum wages. However, the take-up of the living wage appears slow and a significant proportion of the workforce are still in the category of 'low paid' which suggests that Living Wage campaigners face the challenge of translating their aspirations into the wage packets of low paid employees. **The Office of National Statistics (ONS) estimate 22 per cent of all employees were estimated to be paid below the living wage excluding overtime in 2014; 26.6 per cent of all women and 42.3 per cent of part-time employees (ONS, 2014).**

To explore the nature of the Living Wage campaign and the challenges it faces this paper first examines the policy context out of which the campaign emerged in East London. Against this background the paper then examines the evolution of the campaign by focusing in the local government sector where low paid occupations are widespread. The experience of a large City Council, 'Metro City', in the north of England which determined to pay the 'living wage' to its employees, provides an opportunity to examine the campaign away from its East London origins, recognising the influence of geography on labour issues (Herod, et al., 2003). The case examines the role of the principal unions, the General, Municipal and Boilermakers' Allied Trades Union (GMB) and Unison and Unite and also the role of the employers, including service-providing contractors, in the spread or, or resistance to the implementation of the living wage. The analysis of events demonstrates the practical difficulties of implementing the policy of a living wage and highlights some unintended consequences and opportunities for the parties that extend beyond the question of low pay.

2 THE PATH TO A NATIONAL MINIMUM WAGE AND MORE

The history of government involvement in determining wages extends as far back as the Statute of Labourers, 1351 (which set maximum rather than minimum rates). More recently, the Fair Wages Resolution 1891 sought to prevent government contractors paying unfairly low wages to their employees. In 1909 tripartite Trade Boards (later called Wages Councils) were established for selected industries where low wage employment was concentrated (Pond, 1983; Blackburn, 2009; Deakin and Green, 2009). Wage support in the labour market has also been provided through the Schedule 11 of the Employment Protection Act, 1975 and the Equal Pay Act, 1970. However analyses of labour markets (Metcalf, 1981;1999; Grimshaw and Bosch, 2013; Rubery and Edwards, 2003) reveals inadequate protection for employees. Following his review of the persistence of low pay in the 1970s and mid-1980s Pond (1983:179) concluded that `partly as a result of the economic recession, low pay has once again become a matter of central importance in industrial relations`. He suggested poor labour utilisation, high turnover of staff and the social consequences of poverty on motivation as reasons for raising the level of low paid workers.

In the 1970s the union movement advocated the abolition of specific wage councils on the grounds that they set very low levels of pay and discouraged collective bargaining (Rubery and Edwards, 2003). Twenty years later the Conservative government took similar view but for different reasons, believing that the existence of the Wage Councils had an adverse effect upon employment. A government review (House of Commons, 1995) of the 26 Councils which covered 2.5 million employees did not advocate their abolition but the ensuing *Wages Act, 1986*, limited the Councils' role to setting only *minimum* wage rates in their industry (Machin and Manning, 1994). The Conservative government finally abolished the Wages Councils in 1993 (*Trade Union Reform and Employment Rights Act, 1993*) with the exception of the Agricultural Wages Council (abolished in 2013) (Dickens et al, 1993; DEFRA, 2012). Their abolition symbolised the end of tripartite, legally binding pay regulation in the UK that had been designed to protect employees in low paid sectors. One consequence of abolishing minimum rates was that it facilitated other policy measures such as contracting out of public services to the private sector (Ascher, 1987; Weinkopf et al, 2013), there now being no legal requirement for contractors to meet a minimum wage standard

(Lucas and Radiven, 1998). This consequence posed challenges for the union movement (Foster and Scott, 1998; Wills, 2009).

Low pay continued to be a problem after the abolition of Wage Councils as increased unemployment rates placed additional pressure on the maintenance of lower wages with an estimated 2 million workers on low pay in 1998 (Brown, 2002; Dickens et al, 1993). In 1997, the new Labour government formed the tripartite Low Pay Commission (LPC), a permanent body to determine the national minimum wage (NMW). The Commission later gained cross party support following the Conservative Party announcing its adoption of the principle of the NMW in 2000 (Rubery and Edwards, 2003).

Year	**Adult National Minimum Wage***	**Living Wage****	**London Living Wage *****
	£	£	£
1999	3.60		
2000	3.70		
2001	4.10		
2002	4.20		
2003	4.50		6.40
2004	4.85		6.50
2005	5.05		6.70
2006	5.35		7.05
2007	5.52		7.20
2008	5.73		7.45
2009	5.80		7.60
2010	5.93		7.85
2011	6.08	7.20	8.30
2012	6.19	7.45	8.55
2013	6.31	7.65	8.80
2014	6.50	7.65	8.80
2015	6.70	7.85	9.15

Table 1 Minimum and Living Wage Rates, UK

* Low Pay Commission Adult Rates (Annual Reports 1998-2015)
** Living Wage Foundation (Reports 2003-2014)
*** Greater London Authority Living Wage Unit (2005-2013)

The LPC is briefed to review the state of the labour market and recommend a minimum wage rate to government; although not obliged to accept these recommendations, governments have. The Commission adopted an evidence-based social partnership approach (Brown, 2009) and its first recommendation of £3-60 for adults (see Table 1) was regarded as a cautious start but nevertheless raised the pay of 1.7 million workers **(Plunkett et al, 2014).** However, successive recommendations of the LPC have not eliminated low pay, merely ameliorated the extent of its influence (Rubery and Edwards, 2003:466). The Commission has, in effect, become the *minimum* pay commission, a point acknowledged in the Commission itself:

> The minimum wage is not a living wage: a living wage aims to assess needs and to provide enough for an employee and their dependants to live on, whereas the NMW aims to provide a wage floor which is affordable for business. It may need to be supplemented by other policy measures, principally in the tax and benefits fields, to produce enough for a family or household to live on. (Low Pay Commission, 2014, para 11).

Further evidence of the focus on minimum rather than low pay is that in some sectors of the economy the rates set by the LPC are regarded as the going rate with little ‘ripple’ effect to other workers. The situation of low-income categories (such as women and part-time) is expected to remain unchanged (Robinson, 2002; Whittaker and Hurrell, 2013). Sectors such as hotel accommodation, care homes, food services and retail set pay rates just above those recommended by the LPC and so the proportion of low paid employees in these sectors remains high at 1.25 million (ONS, 2013; Resolution Foundation, 2014:52). The problem of low pay is compounded further by a lack of compliance. Current estimates are that at least 279,000 people are still paid below the legally enforceable NMW rate (ONS, 2013).

One rationale for setting a relatively low NMW is that it then provides point from which unions can achieve negotiated agreements with employers. However, continuing difficulties in organising the traditional low paid sectors and the more general decline in collective bargaining has led the union movement to consider alternative ways to address the problem of low pay (Brown, 2002:602; Rubery and Edwards, 2003:465-66). At the same time the Conservative-led Coalition government (elected in 2009) expressed a policy preference to provide state support for working families rather than for individuals, implying less priority for labour market policies to address the social and economic consequences of low pay.

The real value of the NMW peaked in 2008 but subsequently declined to be no higher in 2014 than it was in 2005 (Resolution Foundation, 2014). Experiencing the period of ‘austerity’ that followed the global financial crisis it is no surprise that low paid workers felt that they were no better off. Against this background, a community movement in East London began to campaign for a ‘living wage’ (Wills, 2008). The core argument for the living wage is simply to reduce poverty for working families, many of whom may have dual incomes but still rely on state and community support to survive financially. The additional argument is that raising low wages acts as an economic stimulus since the low paid spend all of their increases in the local economy.

The living wage campaign developed under the umbrella of The East London Communities Organisation (now Citizens UK). The campaign was launched in 2001 in East London with growing support from unions and politicians as well as community and church groups. The campaign organised a series of public demonstrations supporting workers in several East London hospitals and cleaners in the banks in Canary Wharf. These and other campaigns met with some success; the Olympic Delivery Authority committed to a living wage, resulting in improvements for its low paid employees (Wills and Linneker, 2012); community and union engagement resulted in wage increases at two East London universities (Lopes and Hall, 2015; Queen Mary College, 2013). In 2005 the Greater London Authority developed its own calculations for a London Living Wage (see Table 1). The campaign became national through the Joseph Rowntree Foundation providing research on poverty and the low paid (Hirsch, 2013) and through the evidence calculated by the Centre for Research in Social Policy (CRSP) at Loughborough University. Meanwhile, the Living Wage Foundation was established in 2008 with the purpose of accrediting employers who had committed to the living wage.

The CRSP now calculates a Minimum Income Standard (based on a cost of living approach), a figure that is used by the Living Wage Foundation and other organisations as defining the living wage. An alternative calculation is to define low pay as below 60 per cent of the median wage (Rubery and Edwards, 2003; Mason et al, 2008). This method was supported by the former chairman of the LPC, Professor Bain, as an objective for the adult national minimum wage (Resolution Foundation, 2014). The economics unit of the Greater London Authority draw on both for their calculations of a London Living Wage (GLA, 2013). In July, 2015, the Conservative government sought to address, in part, the difference between minimum and 'living' wage rates. It established a new minimum rate category for employees aged over 25 the declaring that the minimum rate £6-70 would be increased for these employees to a rate of £7-20 in April 2016. It further asked the Low Pay Commission to determine how this new 'National Living Wage' would achieve a level of sixty per cent of the median hourly rate by 2020`(HM Treasury, 2015 – see Figure **1**). However, this attempt to respond to the problem of low pay was criticised by the Resolution Foundation (D'Arcy and Kelly, 2015:1) who state:

> it is a misnomer to label it a 'Living Wage'. The government's proposed NLW is in fact a minimum wage "premium" for those aged 25 and over (as it is accurately described in the Budget document).

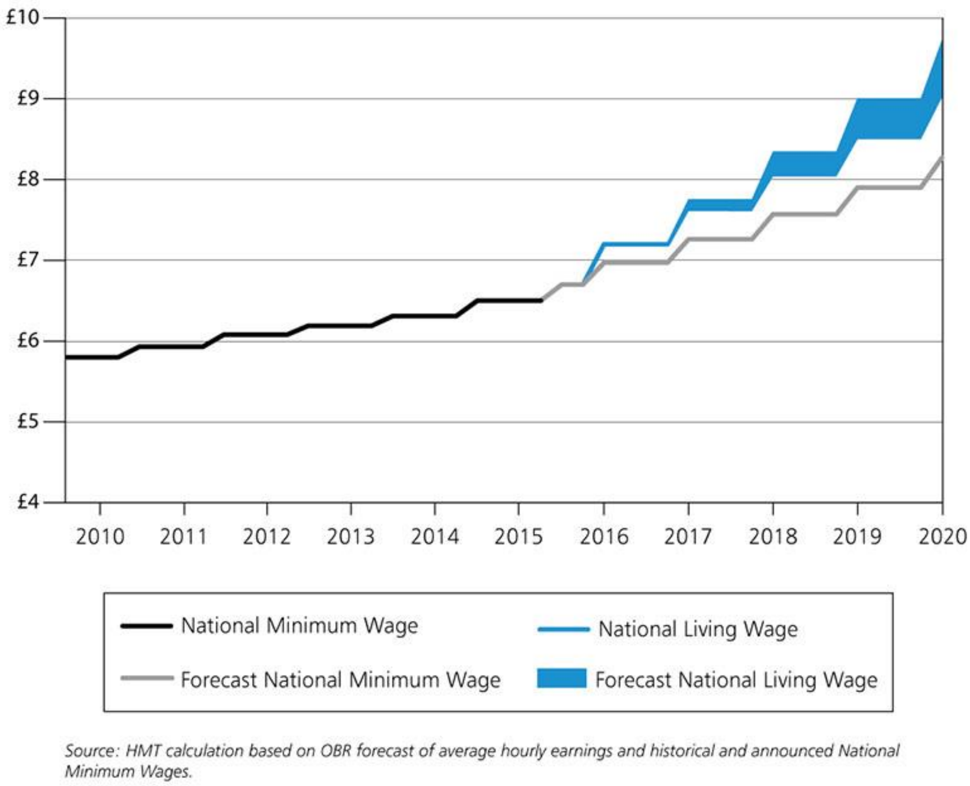

Figure 1 National Minimum Wage and National Living Wage, historical and forecast (Chart 1.12, HM Treasury, 2015)

The government's approach does, however, reflect an acceptance of a proportion of average wage as the definitional basis of a living wage rather than the cost of living approach. Nevertheless this approach is not without its difficulties as a means of addressing the problem of low pay because of the impact of inflation on real wage levels and also the impact on households of any changes in welfare benefits and transfer payments. . One critical factor in the 2015 Budget document is that the £4.5 billion wage boost from the increase in the NMW will clearly not compensate for the £13 billion of welfare cuts much more focused on the bottom half of the lower paid (D'Arcy, et. al., 2015). Analysing incentives for changing the NMW for over 25 year olds compounds the incentives to earn and work by reducing Universal Credit work allowances for lower paid workers. Finch (2015:9) analysing the Budget changes stated:

> **Overall, these changes will do very little to improve the incentives for low paid families to find a path into work and then to progress – seen as a key route out of poverty – and for many they will make a difficult situation worse.**

3 THE ROLE OF THE UNIONS AND THE POLITICAL DIMENSION

The adoption by the Trade Union Congress of *Unfinished Business: The Quest for a Living Wage* (Fair Pay Network, 2010) marked the emergence of a national living wage campaign by the union movement, in particular by the three main unions that cover low paid occupations: the GMB, Unison and Unite. The GMB has 610,000 members which include cleaners, catering and ancillary workers in local government. The union mounted a Living Wage campaign to challenge the government policy of pay restraint that had started in 2010. Unison has 1.3m workers employed in the public services and a high proportion of ancillary workers such as cleaners and caterers in health, local government, care workers and education. This union was involved in the initial campaigns in East London, commissioning reports and supporting members in dispute with local employers, though much of the pressure on employers was through community campaigning (Queen Mary College, 2013). Unite, the largest union in the UK, represents 1.6m workers and recruits in sectors for manufacturing, local government and public service contracts and like the GMB and Unison, is engaged in living wage campaigns on behalf of its members. **There are currently 175 local authorities adopted and 9 committed towards paying the living wage in England, Northern Ireland and Wales in 2015 (GMB, 2015).**

In Scotland, a living wage campaign developed through a combination of the Scottish Poverty Alliance, the Scottish Trades Union Congress, GMB, Unison, Unite and the Public Services and Commercial Union. It was supported by the Church of Scotland, Oxfam and the Child Poverty Action Group (Scottish Poverty Alliance, 2010). In 2011 the Greens, the Scottish Labour Party and the Scottish National Party all included support in their manifestos. The Scottish Parliament adopted the living wage (a rate of £7-45) for all government employees from November, 2012 (Scottish Parliament, 2012) extending this to government agencies and the NHS in Scotland. More than 20 Scottish local authorities quickly followed. A proposal to add the living wage as a condition to procurement in all Scottish government contracts was defeated in May 2014 but in future all contractors will be expected to demonstrate their willingness and ability to pay the living wage (Scottish Parliament, 2014).

Outside Scotland, local MPs often provided support for community living wage campaigns. The issue moved to a higher level through the **then** Labour leader David Milliband launching the Living Wage Week in November 2012 (Labour Party, 2012). His subsequent letter to Labour Councils requesting they consider adoption of the living wage was a clear political message that local councils should play their part in widening the campaign. Metro City, which is the subject of the case study, was one of those to commit to paying its employees the living wage.

4 THE CONTINUING PROBLEM OF LOW PAY

The Living Wage Foundation has over 900 accredited organisations and estimates that over 23,000 employees have benefited from wage increases (Living Wage Foundation, 2015). As this estimate applies only to accredited employers this underestimates the numbers of employees affected as some employers, in response to an employee or community campaign, may agree to pay the living wage to its employees but not commit to being **an accredited** living wage employer. **Nevertheless, a significant and increasing number of employees are still earning low rates of pay (see Figure 2). The number of employees earning below 60 per cent of the median wage has increased from 4.8 million employees (20 per cent) in 2012 to 5.7 million (22 per cent) in 2014 (Markit Economics, 2012; Corlett and Gardiner, 2015:18). (see Figure 2).**

Workers who are paid:		No.	(%)
Below two thirds of median rate	£7.65	5.5m	21%
Below half of median rate (extreme low paid)	£5.71	0.5m	2%
London Living Wage, calculated by Greater London Authority	£8.80	n/a	12%
UK Living Wage Foundation Rate	£7.65	5.7m	22%
At National Minimum Wage rate (over 21 years)	£6.31	1.4m	5%

Figure 2-Minimum UK wage level comparisons in 2014 (Gross hourly adult rates) (Source: Corlett and Gardiner, 2015)

At the policy level, the emergence of living wage campaign has challenged the role of the LPC. The Commission's 2014 Report rejected the government recommendation to increase the adult rate to £7 (DIBS, 2014) and instead recommended £6-50, generating widespread criticism (Plunkett et al, 2014). A review of the work of the LPC calculated that employers could absorb average increases in wages of 1-2 per cent which could eliminate low pay for up to 1.4 million low paid workers (Resolution Foundation, 2014). As indicated above, the government's policy response to move towards a living wage has been criticised, as not being a true living wage, and not even the minimum rate for all employees.

Two concluding observations can be made about the nature of the living wage campaign. First, it is predominantly a community-based movement in response to the challenges of low pay and cuts in public services. The notion of a living wage has become a headline response to these broader economic and social issues. An example is the formation of the Suffolk People's Assembly in Ipswich in September 2013 to make Ipswich a 'living wage zone' (Suffolk People's Assembly, 2013). The local council had become a living wage employer earlier in 2013 and the unions, particularly Unite, supported the formation of the Assembly. This example reflects the broad community based nature of the movement and also the significance of local governments in the extension of the living wage.

A second feature of extending the living wage – or lack of extension – is the issue of contractors. Many of the early East London campaigns featured the plight of cleaners working in banks in Canary Wharf, such as HBSC. These cleaners were employed not by the banks but by contractors. However to approach the contractors directly would have been problematic. Instead community pressure was directed at the banks to absorb the financial cost of requiring any of its contractors to commit to the living wage. The Living Wage Foundation recognised the difficulties for organisations that commit to the living wage principle but who have engaged contractors who do not. To be awarded accreditation these organisations have to agree a plan with the Foundation that each contract, when renewed, will contain a living wage obligation on the contractor. Once all existing contractors have been renewed in this way, the organisation can be fully accredited (Living Wage Foundation, 2013).

To examine these issues further, the article will present a case study of how the initial adoption of the living wage by 'Metro City' has led to a ripple effect into other employers in the area. The Living Wage Campaign has been at its strongest in London, where it first developed (Wills, 2008; Wills and Linneker, 2014) but has spread across the country partly through the adoption of the living wage principle by local authorities which, by their nature, are subject to more community influence than are private sector employers. Many councils are now accredited by The Living Wage Foundation (2013) though for reasons that will become clear, Metro City did not apply. Metro City had previously adopted the practice of contracting out significant sections of its in-house services such as refuse collection, cleaning and catering services, particularly in schools. This practice of contracting out provides the context for the examination of the spread of the living wage ideal.

5 RESEARCH METHOD

Despite the wide range of statistical data on and economic analysis of minimum wages (for example, Arrowsmith, 2009; Grimshaw, 2013; Rubery and Edwards, 2003) there have been few in-depth case studies on what happens after the living wage is established (see Wills et al, 2009; Lopes and Hall, 2015). The problems of generalizability of the case approach are well recognised (Flyvbjerg, 2006; Yin, 2003) with a spirited methodological debate on research methods in workplace relations (Fernie and Woodland, 1995; McCarthy, 1994; Millward and Hawes, 1995) recognised the value of case studies in adding further insights to the knowledge provided by surveys. Case study analysis is useful in understanding the dynamics of a situation and how it might evolve (Schofield, 2000; Stake, 2000) which, given the evolution of events in this case, is an important consideration.

Metro City Council was identified as a case study as because it was the first living wage Council in the northern region of England. The initial data was gathered through six in depth semi-structured interviews with GMB, Unison and Unite negotiating co-ordinators who were involved in the consultation and negotiation of the Living Wage in Metro City. On the employer’s side the Human Resource Director who negotiated the Living Wage agreement was interviewed twice. All interviews took place between January 2013 and July 2015. The study interviewed thirteen Human Resource Management Directors in the region in a focus group to examine the effect of the Living Wage in Metro City Council and its effect upon their own councils. Ten of the thirteen Councils had adopted the Living Wage (see Table 2). Two members of the Fairness Commission were also interviewed to explore how influential religious, community groups and other groups influenced the establishment of the Living Wage in Metro City. Sub-contractors refused to be interviewed as they were currently in negotiation with Metro City; those contacted would neither indicate support for the notion of the living wage, nor indicate whether they were paying the Living Wage. These interviews were supplemented by examination of Metro City Council and union documents and use was made of press and other reports.

Metropolitan Council	Date of Living Wage	Total Employees	Political Control	Direct Staff covered	Union Campaign
Metro City	2013 January	10,326	Labour	257	No
Historic	2013 April	4,006	Labour	573	No
West4	2104 April	4,820	Labour	420	Unison
South3	2014 April	4,908	Labour	200	Unison
West1	2014 September	7,307	Labour	2,271	Unison
South1	2014 October	6,806	Labour	1,500	Unison
South2	2015 February	6,266	Labour	600	GMB, Unite and Unison
West3	2015 March higher rate than living wage	12,374	No single party control	2,000	Unison
West2	2015 June	14,499	Labour	2,000	No
Coast	2013 March but not implemented (2015)	6,456	Labour	400	No
Citywest	Not adopted Commitment by 2016/17	23,706	Labour	3,145	GMB, Unite and Unison
North	Not adopted	4,090	Conservative	75	Rejected Unison
East	Not adopted	9,650	Conservative	1,800	Rejected GMB

Table 2 Local Councils in the region of Metro City
(Employee information drawn from Local Government Association, 2015)

6 BRINGING THE LIVING WAGE TO THE WORKPLACE: THE CASE OF METRO CITY COUNCIL

The case study is of one of the larger metropolitan councils in the UK, referred to here as Metro City. It serves a population of 227,000 residents, has 10,326 employees and a further 3,000 employed by contractors (Local Government Association, 2015). A chronology of introduction of the living wage at Metro City and subsequent campaigns by the unions is provided in Table 3.

2011	
May	Labour elected as the main political group in Metro City Council
2012	
February-April	Fairness Commission Report for Metro City Council
October	Metro Council consult in confidence with GMB, Unison and Unite on adoption of a living wage.
November	Metro Council announce 257 of its direct employees will receive the living wage of £7-20 per hour in January 2013 rising to £7-45 1st April 2013.
2013	
January	Fairness Commission Report and recommendations published for Metro City Council.
March	GMB successfully campaign with Veolia (contractor) for refuse collectors and cleaners for living wage.
March	GMB campaigns on behalf of 25 school cleaners employed by Carillion (contractor) but company refuses to even negotiate, resulting in a one-day strike by GMB members. They collect a community petition outside the town hall.
April	GMB formally requests that Metro City commit to a living wage for 300 cleaners, lunchtime supervisors, kitchen staff and teaching assistants employed by Taylor Shaw (contractor) in Metro City schools.
April	A and B (privately managed) Academy Schools end their catering contracts with Eurest and re-tender to Caterlink which agrees to living wage, initially only at Park but then also at Springs after representations by GMB.
May	AMEY Highway Maintenance (contractor) agrees living wage with GMB.
May	GMB dispute with recycling sub-contractor SOVA. Sub-contractor Green Co confirmed the living wage with GMB for 30 staff and is awarded the new sub-contract.
August	The Carillion dispute (see March, above) ‘resolved’ as Carillion lose the tender and \`New Contractor Co\` adopts the living wage.
September	GMB become members of Tender Advisory group at Metro City.
November	Contractor) at Academy A rejected GMB claim for a living wage. Ten cleaners on 1 day strike. Academies A and B then each re-tendered their contracts to \`Cleaner Co\` who agreed to pay living wage at A but not at pay at B.
November	Metro City issues its Central Schools Catering Contract tender covering 520 staff. GMB and Unison involved in the negotiation between Metro City and tendering companies.
2014	
January	
March-May	Metro City negotiations with potential contractors.
March	Joint meeting between GMB and Unison members to confirm policy that contractors will adopt Living Wage for over **520** catering workers working in Metro Schools. Pre-strike ballot in favour of industrial action.
April	Metro City updates living wage for Council staff to £7-65.
June	Schools Catering Contract awarded to Taylor Shaw who agree to pay the living wage from Sept.

Table 3 Chronology of The Metro City Living Wage Campaigns

The notion of a Living Wage emerged out of a history of concerns about the lowest paid in the City. The Council had experienced government-imposed a 3 year pay freeze (2009-12) and although under the provisions of the ‘freeze’ the lowest paid received an increase of £250 the HRM Director recognised that these employees were ‘badly affected’ (Metro City HRM Director, March 2013).

In 2010, following informal approaches by two local faith groups to the leader of the Council, Metro City set up a Fairness Commission to make a strategic assessment of the city and to explore the causes, extent and impact of the inequalities in the city and make recommendations to alleviate them. The Commission’s report found, *inter alia*, that although employment is often cited as the best route out of poverty, many Metro City residents were trapped in ‘poor work’, characterised by combinations of low pay, long hours or pervasive job insecurity (Fairness Commission, 2012). Average earnings were £441 per week in 2012 compared to a national average of £510 per week. The Commission identified a rising poverty gap for working parents across the years 2008-2010, estimating that a fifth of the Metro City households were in fuel poverty. A key recommendation of the Commission was to promote `fairer access to higher quality jobs and pay, one way to achieve this being to increase the percentage of employees ‘on or above’ the living wage in the city` (Fairness Commission, 2012:43).

Metro City Council then had to decide how to implement this recommendation. As a first step it adopted a Fair Employment Code of Practice that encouraged its own direct and business partners (contractors and schools) in Metro City to report who is paying a living wage. The Fair Employment policy was an aspirational goal. In practical terms it led to the Council implementing a Living Wage Supplement for its low paid employees. This affected 257 Metro City Council employees and influenced indirectly sub-contracted 1,646 employees in schools (such as catering and cleaners workers many of them part-time) 100 apprentices and 171 casual workers. The lowest wages were raised by 14 per cent, the average increase being £27-77 per week (Metro City, 2013). Paying the increase as a supplement limited the financial implication of the Council’s decision as it was not then included in calculation of other benefits such as overtime or holiday pay. It was also an annual payment, not an ongoing commitment, though the supplement has been reviewed and paid each year since.

The decision to pay the Living Wage was a unilateral employer decision. The HRM Director met with representatives of the three unions, GMB, Unison and Unite, prior to making its decision public. In anticipation of this meeting officials from the three unions met and decided to ask for the living wage rate to be consolidated into the base rate, not as a supplement. However they recognised that the pay increase being offered was an employer initiative that was going to be unilaterally implemented so their counter position was more of a request than a demand. The HRM Director stated the unions were not expected to give anything in return for this agreement and so, essentially, ‘negotiations were non-existent’. From the union perspective the fact that the `employer had put this issue on the table for consultation, something it did not have to do, was a positive; it was an open door’ (Unison negotiator, 2013).

7. THE SLOW DEVELOPMENT OF THE LIVING WAGE

Metro City was the first council in the Region to declare itself a Living Wage employer. Its decision impacted other local councils and well as having unintended consequences for Metro City itself. The City’s decision was soon followed by Historic, another unilateral employer decision but this emerging trend was met with concern by HRM Directors of other local councils in the region, particularly those authorities that had not contracted out as many services as Metro City (Table 2). The concern was financial with comments such as `Historically most services are delivered in-house and this would mean a pay bill increase of half a million pounds to cover cleaners, catering and schools` (North HRM Director) and the living wage was `unaffordable as there have been no incremental increases since 1999 and would have destroyed our job evaluation scheme and there was no (trade) union push for a living wage’ (East HRM Director). In both Councils, those financial constraints remain. Initially other Councils also decided against paying the increase. HRM Directors in South1, South2 and South3 all made the same point: `We had a set plan. We could not pay the living wage in 2013/14 despite Metro City (setting the rate). Their influence on **us (to pay) was** nil. We could not afford (to pay) the (living wage) rate at that time`. These Councils did pay the increase in subsequent budget periods.

If the primary constraint was financial, there were two alternative reasons for adopting the living wage – political or industrial (or a combination of both). Eleven HRM Directors indicated the decision was political, on occasions, explicitly so. This was a political decision with little involvement with HR or the recognised unions. West2 HRM Director stated; `The decision was sent to us and then publicised in the media`.

Neither of the Conservative Councils have agreed to pay the Living Wage, despite union campaigns. The political dimension involved party politics – David Milliband’s letter (see section 3) – and local politics through the impact of adjacent councils agreeing to pay.

These political sensitivities could become entwined with the other main driver for change, the pressure from unions through pay negotiations, as occurred in South1 in negotiation with Unison in 2015. The HRM Director in adjacent South2 highlighted the delay paying the living wage as complex explaining:

> Part of the low pay strategy was politically sensitive and delayed by a private sector care dispute in the area. This was a major national issue and delayed the announcement for the council until the dispute was resolved.

By 2015 all local councils (South and West) near Metro City had adopted the living wage, in some cases benefiting over 2000 employees. Two others, including the largest (Citywest) made commitments to do so but needed time to lessen the financial impact. Union campaigns were part of the context for decisions in seven of these cases; their campaigns have been resisted in the two Conservative Councils in the region.

8 EXTENDING THE CAMPAIGN

In addition to the gradual ripple effect on other Councils in the region, Metro City's decision also had internal consequences. Like many other public sector organisations, Metro City delivers a number of its services through contracted arrangements such as refuse collection, cleaning, school catering and some social care services. Metro City's Living Wage policy applied only to its direct employees, not to the employees of contractors (or 'partners' as the City considers them). The dilemma this posed for Metro City and the Council is shown by one unintended and potentially embarrassing consequence. While the Mayor was publicly stating (correctly) that the City was supporting its own directly employed low-wage employees the lady cleaning the office, being employed by a contractor, did not receive the supplement.

Metro City could not enforce its decision on contractors as there was no legal provision in the contracts for wage control by the City, nor was the City prepared to supplement the contract rate to cover an increase in wages. The most Metro City felt able to do was to state, `The Council will seek a commitment to the living wage from potential partners and contractors through procurement processes` (Metro City, 2013, para 4.6). Metro wrote to `partners` with whom they sub-contracted services, explaining the benefits of adopting the living wage and encouraging its partners to do so future. This opened a door for the unions, particularly the GMB and Unison, which then campaigned hard on the living wage issue for its local government staff who were employed by contractors. The GMB had 126 members and Unison 210 members in catering contracts in schools in the Metro City area, an estimated 70 per cent union density rate (GMB Organiser, March 2014). They felt that Metro City's declaration about the living wage strengthened their position and had generated local activism of the union's more general national position on the living wage issue.

It was the GMB rather than the larger Unison that became the most active in the Metro City campaign, mainly due to the GMB having a higher level of membership at the lower grades most affected by any improvement in the minimum wage. The GMB had 10 key contractor companies that it wanted to adopt the living wage and many of these had contracts with Metro City so the union instigated a local campaign with these contractors (see Table 2). Metro City HR Director was aware of GMB's campaign which included a large display in the window of the union office (situated opposite the Council building) that updated its campaign mentioning each company's stance in current negotiations.

Some major contractors such as VEOLIA refuse collection and AMEY road maintenance already recognised the GMB for collective bargaining purposes and had a history of negotiation with them. In 2013 both accepted the principle that their employees working on Metro City contracts were to be paid the living wage but VEOLIA did not extend its this commitment to its own sub-contractors, one of which, SOVA, had been sub-contracted to perform recycling for Metro City. The GMB mounted a campaign on behalf of its 30 members there and while this campaign was in progress the contract became due for re-tender. SOVA would not commit to a living wage rate but another contractor, 'Green Co', did agree and was awarded the contract. 'Green Co' was a relatively new social enterprise and as part of its overall philosophy believed that paying the living wage was appropriate and so was willing to absorb the additional labour cost. We will return to the union's growing influence on the allocation of contracts in a later section of this paper.

Metro City contracts out cleaning and catering through a Central Schools Tender process involving eight contracting companies. The ensuing contracts are school-specific with the result that one contractor can hold the cleaning contract in a school while another holds the catering contract. These various contracts cover over 500 employees, with 70 per cent union membership (GMB Organiser, 2013). Other schools in the Metro City area are privately owned and run. They are not subject to the union negotiated employment conditions that apply in public sector schools but they too tend to contract out their cleaning and catering activities. One educational provider LU, operates 37 schools nationally, two of which – A and B – are in the Metro City area. Coincidentally these two schools, managed independently, are just 1.6 miles apart.

The GMB's campaign on behalf of its membership amongst cleaning and catering staff employed in schools was a combination of opportunism and persistence.

> We (GMB) had to latch on in this city to go for it (The Living Wage) and that was the message for Schools and Educational sectors. Metro Council are employers but School Governors have employment responsibilities. We asked the Council to send a letter to Schools and Governors asking them to adopt the Living Wage to those outsourced workers as there was a pay freeze (that had been) passed onto the outsourced workers. So Metro City did write to them but not the self-governed schools (they said they would but did not) so we piled on the pressure and sent a letter requesting all schools sign a tick box that indicated they were to become a Living Wage Employer and if the School has a policy with their partners engaged to deliver (sub-contracted) services should pay the Living wage. We had a response from the majority of employers saying 'yes we are a Living Wage employer' but few had a policy for partners. We have got the Metro Council to send letters to Schools asking the Schools how they intend to do this. (GMB Organiser, June 2013)

The union's campaign also progressed through activism in the schools with one situation in particular galvanising the campaign. At one State school the cooks were employed directly by Metro City but, as the GMB Organiser explained:

> As an employee of Metro City the cooks were awarded the living wage but they also worked as cleaners in the evenings and changed their catering to cleaning tabards [bibs] to Carillon (contractors) and were paid £6-30 - £1 less per hour.

The sharpness of this discrepancy was part of the reason behind what was (to the GMB organiser's knowledge) the first industrial dispute for the Living Wage outside the London area. There was a one-day strike in March 2013 by 24 cleaners employed by Carillion at three schools; the campaign also involved the strikers collecting signed petitions outside the Town Hall which they then delivered to the Council. The actual dispute between Carillion and the GMB was not resolved before the contract became due for re-tender in August 2013. The new successful contractor, New Contractor Co, agreed to pay the Living Wage and costed this in their tender. The wages of the cleaning staff increased by 15 per cent.

This dispute also generated publicity in the local media and radio news and the GMB briefed its members to discuss the inequity of the same roles and different pay in the same school. The GMB wrote to Metro School governors asking them if they have adopted Metro City recommendation to develop a policy of how they will work to achieve the Living Wage in the future. The majority of schools governing bodies responded.

A second dispute started in two private sector Academy schools, A and B, both owned by LU, highlights the complexity of the contracting arrangements and the difficulties for those trying to establish a sector-wide approach. The GMB official stated:

> They [Learning schools] operate separately despite being both managed by the same company and close to each other. Park outsourced the cleaners to avoid paying the living wage. The catering staff at the School had a one-day strike on 6th November 2013 which resulted in a re-tender and new contractors, Caterlink, adopting the living wage at A. However, an HR Advisor at B focussed on the minimum wage, not adopting a living wage. Both [schools] now accept a living wage after a second one-day dispute on the living wage. (GMB organiser, March 2014)

9 DEEPENING THE CAMPAIGN

Management decisions to contract out services have long been a challenge for unions in the local government sector (Colling, 1995; Foster and Scott, 1998; Wills, 2009). The second, and unanticipated, consequence of Metro Council's decision to pay the living wage has been an opportunity for the unions to be engaged in the Council's tendering procedures and provide them with a better opportunity to protect its members.

Metro City has developed a partnership approach with its principal contractors. The relationship building includes regular Metro Council Partnership Board meetings attended by senior managers or directors of the contractor companies. A Tender Advisory Group (of City officials) was established to process each new tender. At one of the open Council meetings (coincidentally for the union, on the same day as the cleaners' strike in March 2013) the GMB negotiator questioned Metro City's head of the Labour Group and gained agreement that the union would be present at meetings of the Tender Advisory Group relating to the forthcoming cleaning and catering tenders. This would provide the GMB the opportunity to ask all tendering contractors how they intended to adopt the living wage in the costings of their tender submissions. Some Metro City officers held the view that asking such a question was illegal under the tendering process. The GMB's position was that it was the declared policy of the Council's Leader to persuade 'partners' providing services for Metro City to pay the living wage and therefore the tender's criteria should be weighted in favour of a positive response. A further implication was that a negative answer from all potential tenderers should result in the services being brought back in-house to enable the Council to uphold its living wage commitment.

This new practice to involve the unions not only strengthened the Council's commitment to its living wage policy but also gave the union significant influence in the tendering process. The unions now have influence into an area of the employer's strategic decision making that it did not previously have and would not have expected to achieve when

Metro City first made its living wage commitment. The GMB has taken the lead in this regard due to it having more members employed by contractors in lower paid occupations. When Metro City put the Central Schools Catering Contract out to tender in November 2013 one criteria for consideration was the potential contractor’s commitment to pay the living wage. This did not automatically guarantee that the living wage would be paid by the successful tenderer, it was still up to the unions to achieve this in direct negotiations. As Metro City’s negotiations with its preferred tenderer continued throughout the first half of 2014, the unions were in parallel negotiations with the contractor over pay. As part of this negotiation process the GMB and Unison held a mass meeting of members and also secured an overwhelming pre-strike ballot to assist their efforts at the bargaining table. In June, Metro City announced it had granted the contract to Taylor Shaw in June, 2014, the unions having also secured agreement with that company that its employees working in Metro City schools would be paid the living wage from September (GMB Organiser, 2014).

CONCLUSION

This article has examined a perennial public policy issue – how to deal with the problem of low pay. The UK experience has been to give a measured support to negotiated arrangements and only recently has established a national minimum wage. The relative inadequacy of this approach has been shown through the emergence of the notion of a living wage, a campaign initiated not only by the unions but by community groups and social welfare organisations. The challenge of translating a broad ideal of a ‘living wage’ into the pay packets of employees is a complex process, relying on a mixture of political imperative, employer pragmatism and union opportunism (and some industrial action).

The example of Metro City demonstrates the breadth of those involved in the living wage campaign. As in London, faith and community groups were involved at the outset supporting the establishment of a Fairness Commission by the local authority which opened the way for issues to be considered in other then purely economic terms. At this stage, unions were passive actors; there was no real negotiation on the living wage which Metro City adopted for political rather than industrial relations or labour market reasons.

This benign context at Metro City is not always matched elsewhere and the spread of the living wage to other Councils in the region was through a mutually reinforcing mixture of political pressure from the Labour Party on Labour local authorities and direct union action. There was little overt community engagement by the unions such as is envisaged in the models of social unionism or community engagement (Fairbrother, 2008; Holgate, 2015) and as had occurred in London. Community support played out through the political process as Labour Councils variously managed the adverse comparison with councils who had found a way to pay the living wage against the adverse financial implications of agreeing to do so.

The Metro City case study highlights the division between primary employers and their sub-contractors with the latter being reluctant to oppose the living wage publically but at the same time being unwilling to commit to it for their own employees. Contracting organisations may feel that if they become a living wage employer they will then risk losing contracts. The alternative is to respond pragmatically to any living wage-related conditions in tenders that they hope to secure. Where the tendering organisations are willing to, in effect, subsidise a contractor to pay a living wage this then raises the question of why the task should be contracted out at all. Further research into the motivations behind contracting-out decisions may reveal a shift from cost-cutting to broader strategic considerations, with implications for those organisations involved in delivering contracted services on the basis of wage-cost competitiveness, and for unions whose members are employed by them.

The impact of the living wage issue provides unions with opportunity of influence in management decision making. The living wage campaign at Metro City put what for unions is a more pressing issue – the employment conditions of a contracted-out labour force – back on the agenda and gave them a far stronger negotiating position. The GMB and Unison at Metro now have an opportunity to influence Council decisions on contracting, an incursion into management decision-making that is an unintended consequence of the East London community campaign. When we then consider the influence of the campaign beyond its London origins, we can see that the impact has been not only geographical but also into areas of management decision making, particularly on procurement and the delivery of services. This brings the campaign full circle to the point made earlier in this concluding discussion, about the breadth of the campaigning as service delivery in local government is very much a community issue. The influence of the living wage campaign therefore also extends into the union movement and its ability to engage with the broader community.

Despite the issue gaining traction the economic and social effects of the notion of a living wage are not well understood and further confusion has been caused by the Conservative government's adoption of increases by the LPC as `The Living Wage` that involves a new age-related dimension. The calculation of different definitions of how to achieve (and resolve) poverty is exacerbated further by changes to the calculation of working tax credits and the increased taxes and loss of benefits for categories of low paid workers.

There is a need for further research into the flow-on effects, to parallel the extensive work that has been undertaken in relation to the minimum wage. This economic analysis would be enriched by research from a decision making perspective into the strategies of workers and unions to campaign for a living wage and of employers to adopt (or resist) it. A second area for research is the relative impact of community, social and other pressures on private sector employers compared to the public sector. If a broad community dimension is important to the success of a campaign, how might this be developed in the case, for example, of contract cleaning where there is no obvious delivery of service to the broader community? A third area for examination is in policy making, particularly whether the newly introduced policy of separate minimum and living wage levels is sustainable and effective as a means of addressing the issue of low pay **if the effects are dampened by decreased net take home pay and losses of universal benefits**.

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