

## **Low pay and the living wage**

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**Low pay and the living wage: an international perspective**

This special issue focusses on the emerging theme of the living wage (LW) and the crucial issue of how institutions have developed to reduce low paid employment, particularly in the UK. It also highlights the challenge, both internationally and in the UK posed by the need for an income to be measured not in terms of poverty levels but in providing a sufficient and sustainable standard of living. Anker and Anker (2017) provide a manual for measuring the LW in different international contexts. They suggest a LW standard which is context-sensitive (i.e. normative) yet internationally comparable, with their methodology adopted in a number of jurisdictions and advocated by the Global Living Wage Coalition (2016). The emergence of such global networks (e.g. the Global Living Wage Coalition in 2013, Project-GLOW (2016), and the Living Wage Foundation (LWF) have instigated global and regional discussions to highlight the growing academic/research, policy and practitioner attention to the LW during a time of austerity, rapid workplace change, and political uncertainty (Living Wage Foundation/ACCA 2017a, b). The development of international LW networks and developing body of LW research literature has moved the LW to the centre of labour market and workplace discussions and, is at the centre of initiatives to determine pay in a more ethical and sustainable response to the challenge of low pay for workers. Given these current circumstances this is an opportune time for a cross-national review of wage measures to date.

The UK is among the 90 per cent of countries in the world that operate with a statutory minimum wage (International Labour Organisation, 2013). In 1997, the Labour government formed the low pay commission (LPC), charged with the annual task of determining the rate for a national minimum wage (NMW). The LPC reviews the state of the labour market and, with its evidence from employers, trade unions and independent academics using research, makes recommendations to government around setting a minimum wage rate. Although not obliged to agree and adopt these recommendations, successive governments have accepted them. The LPC has adopted an evidence-based social partnership approach, increasing the pay of 2.3 million workers in the UK in 2017 (Brown, 2002, 2009; Low Pay Commission (LPC), 2017). In reality, the Commission has also differentiated between a minimum and a LW stating: “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” (Low Pay Commission, 2014, para. 11). In making this distinction, the LPC is clear that its remit is to set a minimum, not a LW. A review of the LPC by the ex-Chair of the LPC, Lord Bain suggested the increase to 60 per cent of the median wage, but also outlined persistent sectors where low pay continued for over a decade (Bain, 2014; Plunkett *et al.*, 2014). However, the Conservative government announced in 2015 that rates for the NMW will be retitled “the living wage”, causing confusion among employers and employees alike, and an extension of the adult NMW rate from employees over 21 to employees aged 25 years and over (HM Treasury, 2015). The same announcement also

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committed the NMW rate to increase to 60 per cent of the median hourly rate by 2020 (LPC, 2017). However, low wage rates are still under-estimated in at least two areas. First, some employers still do not pay the NMW rates set by statute and, in this year 350 companies were fined for underpaying 15,500 workers at rates below the NMW (Department of Business, Energy and Industrial Strategy, 2017); there are also estimates of 362,000 employees being paid less than the hourly NMW (ONS, 2016). Second, a review on the increase in “self-employment” and zero-hours contracts found 1.3 million people were employed in the “gig-economy” and ineligible for NMWs, sick and holiday pay (Royal Society of Arts, 2017).

This special issue emerges from the British Universities Industrial Relations Association conference stream on the LW and a plenary session on “Who pays the living wage?”, held at the University of Leeds on 29 June-1 July 2016. These sessions explored both UK and international contributions on issues relating to the LW. Discussions between contributors generated a wider exploration of the challenges, including the determination of the LW beyond the UK and beyond government intervention, and the role of new institutions in terms of their influence on the regulation of pay.

### Contributions to the special issue

The 11 papers in the special issue combine perspectives and commentaries on the policy and practical aspects of the NMW. The papers are in two sections. Section one focusses on the UK and examines the work and impact of the LPC, developments in government policy and the significance of, new “actors” in campaigns to improve workers’ pay and influence low pay policy. Section two examines international perspectives and practices across both established and developing economies, including the history of campaigns in the USA, developments in New Zealand that extend to the issue of work-life quality; the latter also examined in relation to, the significance of hours of work in the Danish labour market and there is an overview of the global movement campaign for a LW for garment workers with particular reference to South-East Asia.

The first section raises some important issues and questions for UK pay policy for the future. These include first, how do the different agencies – LPC, the LWF, unions, faith and community groups-work together and in their different ways all progress the issue of increasing pay and so benefit the low paid? Is there a tension between the LPC’s pay recommendations and government policy intervention using LW terminology in a confining way counter-productive? Second, what is the role of unions in low pay campaigning by both individual and emerging Trade Union Congress policies? Third, how effective is the “new actor” the LWF in determining increases set by the LPC? An understanding of how new actors such as the LWF actually combine and discuss issues and work together in campaigns with employers has not been evaluated and requires examination. Fourth, the term “real” LW seemed to become increasingly frequent as a response to the current Government’s redefinition of the LW as the NMW. If, in fact, such campaigns (not just related to the Trades Union Congress (TUC)) are about a “real” LW, then the calculation of what and how that level of pay is determined becomes increasingly important. Fifth, can we compare community-and union-based campaigning in order to improve low pay? Sixth, consideration of how different occupational sectors achieve the “real” LW is important, so how can smaller private and public services achieve the “real living wage”. Finally, how influential is the civic society model of the LWF and established actors such as unions working with employers in low paid sectors in achieving success beyond the minima rate set by the LPC, and can we evaluate whether the success of LW campaigns in the future?

In Section one, the first paper by Brown (2017) a member of the LPC from 1997-2007, provides a practitioner as well as an academic perspective of the principles of the statutory minimum wage. He evaluates both the LPC’s development and the emerging influences of the

LWF and the Resolution Foundation. Brown (2017) identifies two critical factors, first, that the LPC and the NMW have been fatally compromised by government interference, and second, that there is still little evidence of the effects of NMW increases on employment. He notes the challenges of increased non-compliance to the role of the LPC and to low wage policy more generally. He suggests some key principles for the future of the LPC. In the second paper Sellers (2017), the UK TUC Policy Officer examines the historical changes in the TUC and individual unions' policies, and the emergence of the LW campaigning using organising campaigning philosophy. The TUC has adopted a collaborative approach in increasing the links with campaigning social movements and the LWF. However it has promoted the notion of the "real" LW as the minimum standard, in part to distinguish union campaigning from the government's interpretation of the "LW". Sellers (2017) argues that an unintended consequence of the government defining a LW only in terms of employee aged over 25 years may be the increased potential for unions to recruit younger workers as members in the future. Heery *et al.* (2017) evaluates the development of a "new actor" in the determination of pay in the UK. The LWF campaigns for a pay rate that alleviates poverty in work. Their paper traces the development of the LWF as a campaigning body that leads by voluntary commitment from employers and civil society organisations to promote a "common good". As part of this, the LWF has established a methodology for calculating the "real" LW. The LWF avoids political interference and seeks to bring together the diverse organisations and groups that are campaigning on behalf of the low paid. The importance of calculating a rate and methodology for the "real living wage" is evaluated in the paper by Hirsch (2017). He argues that the NMW is actually a wage floor and the voluntary LW used by the LWF reflects what workers require not merely to simply survive but live at a level acceptable to society. The methodology and principles that underpin the voluntary LW proposes a Minimum Income Standard (MIS) as a more suitable approach based on needs not simply the wage floor set by the NMW. Hirsch evaluates the methodology used to calculate each and MIS adopted by the LWF evaluates the future of LWs in the UK. Two papers examine campaigns by workers in pursuit of a LW. Prowse *et al.* (2017) compare and contrast a GMB/Unison national campaign with a community campaign. Building on Tattersall's (2005) typology of union-community engagement they highlight the strategic nature of effective campaigning. For its part Johnson (2017) evaluates the implications of the "real" LW as an annual pay rise for lower paid workers in four English local authorities. His findings highlight its positive impact on lower paid workers and the consequent compression of wage differentials. Unions combined and are shown to have campaigned successfully with higher wages offset by staffing reductions and increased intensity of work. In their paper, Werner and Lim (2017) examine the adoption of the company accreditation of the LWF in small to medium-sized enterprises (SMEs). Their case studies provide insights into the drivers for employers to adopt the voluntary rate despite intense competition in the retail sector to reduce costs, introduce automation and compete with customer service (British Retail Consortium, 2016). The evidence challenges the predictions that SMEs cannot cope with these increases to the "real" LW. The benefits for these smaller enterprises include increased morale, higher productivity, improved employee relations and the positive reinforcement from customers and for company reputation.

The second part of this special issue reviews an array of LW developments and experience from other parts of the globe. Luce (2017) evaluates the development of the US LW campaigns since the first LW campaign in Baltimore in 1994. These campaigns grew and built momentum until the 2008 economic crisis, but thereafter have become primarily union-led coalitions with less involvement of wider coalitions of civil society as compared to other countries. The author also assesses the future of LW campaigning with the election of President Trump and the Democrats' proposal to raise the minimum wage to \$15 an hour by 2024 concluding that the LW remains popular with the voters and more

achievable at state rather than national level. Parker *et al.* (2017) extend the concept of the LW to encompass a “human capabilities” approach which examines the effect of income increases as workers move from subsistence to more sustainable income levels. This notion of a sustainable income includes a clear link to job security concerns that then impact upon perceived work-life quality for employees and their families. As a result, the authors advocate a holistic understanding of what constitutes a LW. This paper also provides a wider reflection of the LW. The European labour market, particularly in Scandinavia, is regarded as a well regulated with high standards. Ilsoe *et al.* (2017) apply insights into this regulatory approach to the question of low pay through their examination of earnings and hours worked in the industrial cleaning, retail, hotels and restaurant sectors of the Danish economy. They identify an increase in private sector worker numbers to due to part-time employment in these sectors. They also observe that younger workers are exploited, working fewer hours and part-time, and working insufficient hours and paid rates not covered by collectively agreed minimum wages. Older workers earn more in the same sectors than their younger comparators and are less likely to work part-time. Ilsoe *et al.* (2017) also highlight the regulation of low-paid work in this national setting and the need for guaranteed minimum hours to resolve the issue of lower paid young workers. The evidence also raises the issue that deregulation is an obstacle to low pay and the comments from Brown (2017) that employers in the UK are adjusting in the UK by non-compliance. In the final contribution the issue of non-compliance is important internationally and is a far greater problem in less developed countries. Ford and Gillan (2017) extend the global overview of LW initiatives with their examination of the global supply chains and the impact of the Asia Floor Wage initiative (AFWI) (2016), in Indonesia and Cambodia. Local labour activists and AFWI introduced a national campaign and asked for and obtained support from leading brands and retailers ensure that local suppliers agree to uphold worker rights and labour laws and to implement a LW. The success for this campaign in both countries highlights limitations concerning the lack of compliance and lack of local coalitions between unions in a concerted campaign in mobilising for a LW due to non-compliance by the garment manufacturers and the need for independent worker representation to secure a LW. Here the problem is the continued support of large brands and union co-ordination may not achieve success if campaigners reflect on the importance of Prowse *et al.* (2017) that strategic alliances shaping policies are also vital internationally for the LW in the future.

### Final comments for a new research agenda

The breadth of papers in this special issue shows clearly that the issue of low pay and the LW is far more than a question of economics; it is far more than finding the market-clearing wage, an approach that seems to underpin minimum wage policies in many countries. It is also a widespread international issue, not confined to low wage developing economies. The challenge of low pay and the impact it has on workers, their families and the extended community is going to increase as new technologies provide opportunities for new forms of employment or “self-employment” where flexibility of work brings with it precariousness of income. In this context it is important continue research into methodology to calculate a LW. The experience of the UK LPC as described in this issue (and elsewhere) William Brown highlights the serious tensions involved in determining appropriate wage levels through institutional and political processes. Anker and Anker’s (2017) methodology provides a sound foundation and may be extended to rural as well as industrial economies. Further research into Parker *et al.* (2017) “human capabilities” approach will offer insights into issues of labour mobility and future growth as well as wage sufficiency. As Ilsoe *et al.* (2017) highlight, further research is needed into the managerial responses to higher wages; set against the changing nature of hours of work will impact upon how workers can earn a LW.

Establishing what is a “real” LW and exploring what this means for workers in a rapidly changing world of work is important. However, equally important is how this LW might actually be achieved. The market-driven approach to low pay that underpins much of public policy has led to an unintended consequence – a rapidly growing social welfare budget as governments try to address issues of poverty and the working poor through transfer payments. The prospect of continuing budget deficits is encouraging governments to adopt a more munificent approach to minimum wage levels, as shown in the UK. The interplay between economic and social implications of low pay and the politics of addressing them is an area for further research. As Sellers (2017) and other writers in this issue argue, the trade union movement has traditionally sought to use its political influence on behalf of the low paid, but as union movements around the world face the challenges of declining membership, other actors have become engaged on the workers’ behalf. This again reflects that low pay and the LW is more than a purely economic issue. Both Heery *et al.* (2017) and Werner and Lim (2017) highlight the important contribution of employers in promoting a LW and further research, for example into the policies and practices of the more established employer groups, are needed.

However the focus of research, as reflected in several papers in this issue, has been on union activity and community campaigning. New models of activism are evolving. Further examination of how campaigns are planned strategically and their effectiveness are important if they are to be used in the future. By their nature, each campaign will have its distinct characteristics but also distinct challenges, not the least of which is collaboration between the actors involved. For example, the US “Fight for \$15” campaigns are linked to community-based issues but are union-led. The “civic society model” requires clear avoidance of political parties, yet they are paradoxically vital to introduce statutory increases in the minimum wage. As Ford and Gillian (2017) have highlighted in the garment industry community groups and campaigners on the ground also have to engage in the corporate world of global supply chains. Collaboration seems to be the key to success and further research into how a wide range of diverse stakeholders engage, discuss and implement campaigns would be instructive. Future research should also examine particular UK low paid occupations identified in the Bain (2014) such as personal services, retail, hospitality and catering, residential care, elderly and social care can resolve pay levels set just above the rates set by the NMW. The examination may include regions where the “real” LW rates are lower, and where possible, draw on the work-life experience of people in these industries as well as on the campaigns being waged on their behalf.

The determination and achievement of a LW for workers is a challenge for unions, employers, governments and, not least, for low paid workers themselves. We trust that the papers presented in this special issue have provided insights into both the challenges and achievements but will also encourage further research and active campaigning towards greater wage equality in society.

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