



*A Living Wage means workers earn enough to provide their family with the essentials of life. In the words of Prime Minister David Cameron, 'It is an idea whose time has come.'*

# *Living Wage: A Guide For Employers*

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*"Before, I had to work two jobs to put food on the table and pay the rent. I had no time for my family or my community. When the Living Wage was introduced I was able to prioritise the one job and that means I've been able to be there for my family and set up a youth group in my community. What I've been given, I'm now able to give back."*

*Amin Hussein,  
Cleaner and Youth worker*

# What is the Living Wage?

*An hourly rate set independently and uprated annually.*

*The Living Wage is calculated according to the basic cost of living in the UK.*

*Employers choose to pay the Living Wage on a voluntary basis.*

*It is enough to ensure that your staff and their families live free from poverty.*

*Pay all your people the Living Wage and you'll know you're rewarding them fairly for the work that they do.*

*In London the current rate is £8.55 per hour.*

*Outside London the current rate is £7.45 per hour.*

*We've found that paying the Living Wage is a smart business move as increasing wages has reduced staff turnover and absenteeism, whilst productivity and professionalism have subsequently increased"*

*Guy Stallard,  
Head of Facilities, KPMG*


# The history

## – why a living wage?

***The modern Living Wage campaign was launched in 2001 by London Citizens.***

Members of London Citizens found that even though they were working two minimum wage jobs, they were struggling to make ends meet and working long hours meant there was little time for family and community life. Their solution was to call for a Living Wage.

The Living Wage made early gains in hospitals including Bart's & the Royal London. London Citizens made the case that low pay can lead to poor health and hospital bosses agreed. Then they took the Living Wage to Canary Wharf. They stood outside accountancy firm KPMG talking about the Living Wage and were invited in for a cup of tea. That cup of tea led to KPMG becoming one of the first private sector employers to pay the Living Wage, first to cleaners and then to all contracted staff.

A circular portrait of Boris Johnson, Mayor of London, is partially visible in the background. The portrait is overlaid on a yellow circle. The quote text is contained within a large blue circle that overlaps with the portrait and another orange circle at the bottom.

***"Paying the London Living Wage is not only morally right, but makes good business sense too. There are now over 2,200 employees working for companies with contracts from the GLA who are benefitting from the London Living Wage"***

***Boris Johnson,  
Mayor of London***

# The history

## – why a living wage? *(Continued)*

In 2005 the GLA was persuaded that the London Living Wage was a good thing and they created the Living Wage Unit in the GLA Economics Unit to set the London rate.

As an increasing number of employers decided to pay the Living Wage in London, people around the UK were becoming interested in the Living Wage and local campaigns sprung up in numerous locations. It became clear that there was an appetite for a UK wide Living Wage. By 2011 London Citizens was known as Citizens UK and they worked with Living Wage campaigns around the UK, particularly the Scottish Living Wage Campaign, to settle on an agreed method for calculating the Living Wage in the UK.

# What is the Living Wage Foundation?



*In 2011 campaigners and employers came together to launch the Living Wage Foundation. We are an initiative of Citizens UK.*

*The Living Wage Foundation works with employers to help them implement the Living Wage. We recognise and celebrate Living Wage employers by awarding the Living Wage Employer mark.*



## **Accreditation:**

We offer accreditation to employers that pay the living wage, or those committed to an agreed timetable of implementation, by awarding the 'Living Wage Employer' mark.



## **Intelligence:**

We provide advice and support to employers implementing the Living Wage including best practice guides; case studies from leading employers; model procurement frameworks; access to specialist legal and HR advice.

# What is the Living Wage Foundation?

(Continued)



## **Influence:**

We provide a forum for leading employers to publicly back the Living Wage. We work with 7 Principal Partners who bring financial and strategic support to the work.

*We receive financial and strategic support from seven Principal Partners:*



**Trust for London**

Tackling poverty and inequality



**Save the Children**



**Linklaters**

**Resolution Foundation**



**Queen Mary**  
University of London

# Why should businesses pay the Living Wage?

***The Living Wage offers a number of business benefits to employers.***

80% of employers believe that the Living Wage had enhanced the quality of the work of their staff.

Improved loyalty and customer service. Fewer complaints.

Absenteeism down by 25%.

Improved retention rates and reduced HR costs. PwC found turnover of contractors fell from 4% to 1%. When turnover of contractor staff halved KPMG saved £75,000 on one contract alone.

70% of employers feel that the Living Wage has increased consumer awareness of their organisation's commitment to be an ethical employer.

Over 6 years cost of KPMG's facilities operation has reduced.



# How is the Living Wage calculated?

***The UK Living Wage rate is set by the Centre for Social Policy at Loughborough University.***

***The London Living Wage is set by the GLA.***

The Living Wage calculation takes into account the Joseph Rowntree Foundation Minimum Income Standard (MIS) research in which members of the public identify what is needed for a minimum standard of living. This is then combined this with an analysis of the actual cost of living including essentials like rent, council tax, childcare and transport to produce the Living Wage figure.

You can view full papers on the calculations on our website.



## ***Can bonuses be included in the Living Wage rate?***

Staff must receive a minimum of the Living Wage rate per hour. Guaranteed bonuses such as time away from home allowance or city living bonuses can be included. Non-guaranteed bonuses such as sales or production related bonuses cannot be included.



## ***What is is Living Wage as an annual salary?***

The calculation is an hourly figure because many low paid staff are not salaried, and because many often work several jobs in different places. People on annual salaries may get other benefits that staff on an hourly rate don't get. You can work out the annual equivalent salary by multiplying the relevant Living Wage by the number of hours worked per week, by 52 weeks of the year.

# Who does the Living Wage apply to?

***The Living Wage applies to all staff over the age of 18 that work regularly on your premises. This includes directly employed staff, contracted staff and subcontracted staff.***

***The precise definition is staff that work for 2 or more hours in any given day for 8 or more consecutive weeks of the year.***

## ***What about apprentices and interns?***

Interns and apprentices are excluded.

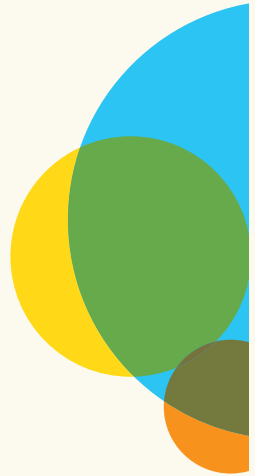
We recognise that genuine training opportunities may already make demands on an organisation's financial and human resources. Especially for smaller employers.

<http://www.apprenticeships.org.uk/Employers/The-Benefits/IER-Research.aspx>

We recommend that businesses follow the Department for Business Innovation & Skills Best Practice Code for Quality Internships.

<http://www.bis.gov.uk/assets/biscore/higher-education/docs/c/11-1068-common-best-practice-code-for-quality-internships.pdf>

# Who does the Living Wage apply to? *(Continued)*



## ***How far down the supply chain should it go?***

We encourage Living Wage employers to send out a communication to all their suppliers letting them know they have gone Living Wage and encouraging them to consider doing the same. However there is no requirement under the accreditation for your suppliers to pay the Living Wage.

## ***What about staff outside of the UK?***

The Living Wage is calculated according to the cost of living in the UK. We are a UK organisation and wages for staff outside of the UK are not covered by the agreement. We recommend companies consider the international Living Wage guidance provided by the Ethical Trading Initiative.

<http://www.ethicaltrade.org/sites/default/files/resources/ETI%20Conference%2008%20briefing%20paper%20%20Living%20wage.pdf>

## ***When is the announcement and when do I have to implement?***

The UK & London Living Wage figures are announced simultaneously in November of each year. Living Wage employers have six months from the date of the announcement to implement the rise.

# What is the accreditation process?

***The accreditation is a signed licence between the Living Wage Foundation and the Employer. In which the employer agrees to pay all relevant staff the Living Wage and in which the Foundation licences the use of the Living Wage Employer Mark.***

Some employers will be in a position to be accredited straight away however for larger organisations with multiple contracts we offer a phased accreditation option.

Employers will need to work with the Living Wage Foundation to ensure the Living Wage is applied to all directly employed staff and that there is a timetable in place for all contracted staff to move to the Living Wage. This can be done on a rolling basis as contracts expire. While there is no specific cut-off point we expect all contracts to move onto the Living Wage within two to three years.



## ***How long does it take?***

It depends on the size of your organisation. Some employers can be accredited straight away others may need to take a while to assess their existing situation and examine the costs and benefits. If an employer has a large number of contracts they will need to identify who those contracts are with and when they can be moved on to the Living Wage.

# For more information please contact:

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