Low pay and the living wage – an international perspective

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Low pay and the living wage: an international perspective

This special issue focuses 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
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. Ilsøe 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. Ilsøe 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 Ilsøe 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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The toxic politicising of the National Minimum Wage

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Abstract
Purpose – After 15 years of successful operation, the British Low Pay Commission’s management of the National Minimum Wage was threatened in 2015 by the government’s introduction the National Living Wage. The purpose of this paper is to consider the underlying principles of previous minimum wage fixing, and the additional thinking of the Living Wage Foundation and the review of the issue by the Resolution Foundation.

Design/methodology/approach – The paper draws on the 2016 reports of the Commission to argue that the two statutory wages are unavoidably interlinked and are tied to incompatible criteria.

Findings – The paper concludes that the predicted eventual impact of the National Living Wage on the labour market will be unsustainable.

Research limitations/implications – The paper is relevant to minimum wage research.

Practical implications – The paper is relevant to minimum wage policy.

Social implications – The paper is relevant to low pay policy.

Originality/value – The paper provides original analysis of minimum wage policy.

Keywords Social partnership, Living wage, Minimum wages, Wages councils

Paper type Conceptual paper

Will Britain’s National Minimum Wage (NMW) be killed by its own success? Despite the extreme scepticism that greeted the introduction of Britain’s first universal statutory minimum wage in 1999, it was quickly accepted. Its success owed much to the politically independent, social partnership constitution of the Low Pay Commission (LPC) that designed and ran it, and to the rigorous attention to evidence with which they operated. After 15 years, this was put at risk by increased political interference. The first threat came when the Labour Party’s unsuccessful election manifesto for 2015 promised to fix the NMW by decree. The threat became real when, later that year, Conservative Chancellor Osborne announced the level at which a new minimum wage for those aged 25 and over, which he called a National Living Wage (NLW), would be introduced from April 2016. Have the Commission, and consequently the NMW, been fatally compromised?

This question gets to the heart of what is inherently a very political economic policy. The factual basis for answering it lies in the two reports that the LPC have published since the then Chancellor’s announcement. The first was produced in March 2016 (Low Pay Commission, 2016a). The second came in November 2016 after the additional shock of the Cameron Government’s fatal gamble on the European Union referendum (Low Pay Commission, 2016b). In common with previous LPC reports, these are substantial, written with great care and
supported by meticulous use of all available evidence. But, to bring out the underlying political
issues, it is useful to place them within a policy debate that goes back over a century.

Let us start with the sectoral “social partnership” aspect of Britain’s first statutory
minimum wage institutions of modern times. These were the wages councils (initially trade
boards), that were established in 1909 and, except for agriculture, abolished in 1993.
These had been a response to growing public concern about inadequate, “sweated” wages
and the rising number of children who as a result were growing up in poverty. The councils
fixed basic wage scales separately for several dozen industrial and service sectors which
were typically non-unionised and had no history of bargaining. At their peak in the 1950s,
backed by their common inspectorate, they provided a safety net of around half of average
sectoral earnings for about 17 per cent of the total employed workforce. The councils had
equal numbers of representatives of trade unions and employers, with an independent chair
and typically two independent members to prevent deadlock. From early on it was
envisaged that they would foster a transition to the voluntary sectoral collective bargaining
that was then the norm although, as it turned out, this rarely happened.

Implicit to this arrangement were three important principles. The first was that the
product markets of different sectors differ in competitive conditions and in what they can
afford at any point in time, making a single NMW too blunt a policy instrument. The second
principle was that the wage rate that could be afforded was best haggled out between
representatives of established employers and experienced trade union officials, both sides
being familiar with the particular circumstances of their sector. The third principle was that,
although these rates were in principle advisory, the Secretary of State would rarely
challenge them, so that the councils were effectively independent.

The return of statutory minimum wages with the NMW at the end of the twentieth
century was a response to similar problems to those which led to the wages councils at the
century’s start. An increasingly open economy in terms of both trade and investment was
destroying the collective bargaining institutions in the private sector that had developed
earlier in the century. The consequence was a collapse of wages and working conditions
at the bottom of the labour market and consequently rising family poverty. Instead of
restoring selective, sectoral wages councils, the New Labour government decided
to introduce a single minimum wage, applicable to all sectors and regions of the UK.
This simplicity would aid enforcement. Lower rates were later added to protect younger
workers and apprentices. Otherwise the principles were much the same. The LPC had a
social partnership structure, with three representatives of employers and three of trade
unions, and three independent members, one of whom was chair. It was advisory to the
government and enforcement was the responsibility of Her Majesty’s Revenue and Customs
(HMRC). Unlike the wages councils, the LPC has consistently maintained a method of
working that places great emphasis on strong evidence, including regular field trips and
an ambitious programme of its own and commissioned research.

These arrangements have generally been considered to be successful. After a cautious start,
and despite a recession from 2008, the NMW has substantially improved in real value since it
started in 1999. In relative terms, in April 2015 its “bite”, that is the hourly rate for employees
aged 21 and over relative to median hourly earnings, had reached 54.5 per cent, its highest level
since its introduction (at 45.7 per cent). The number of workers directly benefiting from the
NMW was, insofar as can be judged, about 5 per cent, a figure greater than ever before.
Indirectly, a larger and growing number of slightly better paid workers benefited from their
employers’ consciously following NMW increases as its “bite” has increased. Yet, despite this
slow cranking up of the NMW in real and relative terms, there was still no evidence of the
substantial adverse effects on employment that had initially been feared. The LPC had become
an uncontroversial part of the institutional scenery, unaffected by its membership turnover or
by changes of government. All its major recommendations had been accepted. While it
considered that a necessary, if not sufficient, precondition of getting employers to make labour more productive might be to oblige them to pay more for it, it had no illusions that achieving such productivity improvement was other than a very gradual process.

The success of the NMW did not mean that the problem of low pay had gone away; it was merely ameliorated. In 2001, a charity called the Living Wage Foundation was set up to propose and update a higher wage rate, called the Living Wage, which was aspirational rather than statutory. It was to be a reference point for those employers wishing to be identified as “good” employers by consumers and wider society. It drew astutely on a growing concern of business with corporate social responsibility and with its downside of reputational risk. But, in complete conceptual contrast with the NMW, the Living Wage is fixed and uprated with reference to the personal living costs of workers’ needs, whereas the NMW’s concern of necessity focussed on affordability to the employer. As a campaigning tool, it makes sense for the Living Wage to seek to protect decent standards of living; to win acceptance from government, the NMW has had to concentrate on not damaging employment.

Another charity then tackled the question of whether more could be achieved with the existing NMW. A non-partisan think-tank, the Resolution Foundation, set up an unofficial but authoritative review of the NMW, chaired by the LPC’s founding chair, Sir George Bain. Reporting in March 2014 (Resolution Foundation, 2014), it proposed changes to the LPC’s terms of reference to increase its impact on low pay more widely. These included a more active dialogue with government on policy objectives, and a wider research remit to look at barriers to achieving those objectives. It proposed that this should be done within the framework of an explicit government policy on low pay, a central part of which might be a medium term, perhaps five year, target for the NMW of a bite of 60 per cent of median earnings. To get over the bluntness of a single NMW when many sectors could afford to pay more, it suggested that the LPC should be asked to analyse affordability by sector so that a debate might get under way on higher aspirational, sectoral rates. In a similar way, it suggested a non-mandatory London-weighting for the NMW, again to influence public thinking on norms of decency. The intention was to maintain the independent, social partnership constitution of the LPC, while extending its research attention to low pay more broadly, and to do so in an open dialogue with government on how best to achieve its long term objectives. An important part of this strategy would be informing a debate on feasible aspirational minima at sectoral level, thus providing an additional, more authoritative and finer grained, basis for suitable pay targets for corporate social responsibility. In this respect the Resolution Foundation review built on the successful approach pioneered by the Living Wage Foundation.

This was the setting in which Conservative Chancellor Osborne announced, in a remarkable act of political theatre at the end of his July 2015 budget speech, the introduction of what he called the NLW. It was, in effect, a new age-band for the NMW, for workers aged 25 years and older, to be introduced the following April (2016) at £7.20 an hour. This was a massive 10.8 per cent higher year-on-year than the then full rate. But this was only the first step of a much larger intervention. Picking up a headline from the Resolution Foundation report, he stated that the target for the NLW was to be 60 per cent of median earnings by 2020. Although not consulted on this extraordinary invasion of its remit, the LPC was expected to advise on how both NMW rates and the new NLW would be phased to meet this target. Osborne accepted that it could lead to job losses; the NLW consequently marked a substantial change of policy from that on which the NMW had been built. It did not help that the timing of the start of the NLW forced the annual updating of the NMW to shift from October to April. By laying this political cuckoo’s egg in the LPC’s nest, he threatened its independence, its credibility, and the acceptability of the NMW.

The LPC’s response has of necessity been measured and practical, but its two reports of 2016 leave no doubt about the challenge it faces. For one thing the initial shock to the labour market of Osborne’s NLW in April 2016 was massive. The number of workers directly
affected by minimum wages immediately rose by more than a third, from 1.4 to 1.9 million, or to 7.1 per cent of jobs. The bite of the NLW for 2016 was estimated to be 55.8 per cent, an increase from 52.5 per cent for those on the full rate of the NMW in 2015. But these national figures conceal the disproportionate impact in some regions and sectors. Six regions had bites already over 60 per cent by the end of 2016. The bite was over 70 per cent in very small firms. It was around 90 per cent in low-paying sectors such as cleaning, hospitality, food processing, hairdressing, and retail. The workers affected are disproportionately from groups with relatively high vulnerability to unemployment – workers who are older, disabled and unqualified, women, part-timers, ethnic minorities, and migrants.

The LPC’s history of caution in nudging up the bite of the NMW has always been informed by its understanding of the managerial importance of the pay structures within firms. There is a limit in terms of managing people as to how far pay differentials can be compressed between supervisor and supervised, between experienced and less experienced workers, and between the more and less competent. Among adults these crucial attributes are generally unrelated to age. It is consequently unsurprising that the LPC reports immediate upward spill-over effects to workers earning up to £9 per hour. Similarly, there are downward spill-overs to workers aged under 25, a similar proportion of whom appear to have gained from the NLW as for those for whom it was intended. As many as 7 per cent of all 16-24 year olds were lifted above the NLW of £7.20 on its introduction. The NLW is even blunter than the NMW.

This unavoidable entanglement of the NLW and the NMW greatly worsens the difficulty of the position in which the LPC has been placed. It has remits for the two rates that are inconsistent with each other. For workers of 25 and over it has to recommend the pace of increases towards 60 per cent of median earnings in 2020, subject to “sustained economic growth”. For workers under 25 and apprentices it has to “help as many low-paid workers as possible without damaging their employment prospects”. But their entanglement in practice means that it cannot allow the rates to drift too far apart. The reader can almost hear the LPC’s recommendations for April 2017 being made through gritted teeth.

The challenges that face the LPC get much worse. If Osborne’s commitment is fulfilled, the coverage of the NLW is set to rise by over a half to three million workers, or 12 per cent of jobs by 2020. That will put the bite in some regions such as Northern Ireland, Wales and the East Midlands close to 70 per cent. Nationally it will be over 70 per cent for firms with fewer than ten employees. It will be over 90 per cent for childcare, food processing, hairdressing and retail, and close or up to 100 per cent for hospitality and cleaning. The NLW will in effect become the “going rate” for these sectors, a curious legacy for a Chancellor committed to private enterprise. Official data were not yet available for the LPC to evaluate the initial impact of the NLW on employment or hours worked in their second report of 2016.

One expected response to this sharp rise will be increased non-compliance. It is already reported that under-payment doubled between 2015 and 2016 for workers aged 25 and over. This is important because nothing is more likely to erode employer respect for the NMW than increased levels of non-compliance and evasion. It should help that the first person appointed to the new role of the Director of Labour Market Enforcement in January 2017 was Sir David Metcalf, a Founding Member of the LPC who is familiar with the issues. His new role is to set strategic priorities for the Gangmasters’ and Labour Abuse Authority and for the Employment Agency Standards Inspectorate, as well as for HMRC’s NMW enforcement team. Britain is still far from having a comprehensive labour inspectorate, but the shock of the NLW makes this a timely step in that direction.

We conclude by returning to the three principles that lay behind the wages councils over a century ago. The first was that the effectiveness of minimum wages is increased if they reflect the competitive circumstances of different sectors. As when it was established, the strength of the NMW still owes much to its simplicity, although the arrival of the NLW for
workers of 25 and over has seriously compromised this. But the work of the Living Wage Foundation and of the Resolution Foundation’s review has suggested a very practical way of protecting simplicity while still encouraging sectoral improvement. That is for the LPC to publish authoritative analyses to provide a basis for the development of voluntary sectoral norms which could guide debates on corporate social responsibility on pay. This would be in the spirit of the second principle of wages councils, with norms haggled out at sectoral level. It is on the third principle, of effective independence from government, that the NMW has been so seriously imperilled.

Have the LPC and NMW been fatally compromised? It cannot help the LPC to be tied to a minimum wage that is substantially higher than they would have considered prudent in terms of its likely adverse employment effects. It may be that the economic turmoil associated with leaving the European Union will give rise to conditions that halt “sustained economic growth” and thereby remove the 2020 target. It may be that dropping the target is seen by a future Chancellor as a trivial price to pay for placating rising unrest among employers with small enterprises and otherwise vulnerable.

What we can be sure of is that Britain will not abandon a statutory minimum wage. As Osborne was well aware, statutory minimum wages now play a crucial role in limiting the burden on the Exchequer of working family support payments and tax credits. Some sort of NMW will live on. But it might be hoped that lessons will be learned from this unhappy episode. One would be that Britain’s time-honoured independent, advisory, social partnership method of fixing minimum wages has much to be said for it. Another lesson might be the folly of playing short-term political games with an institution as deeply embedded in the economy as a minimum wage.

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The UK living wage
A trade union perspective
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Abstract

Purpose – The purpose of this paper is to explore the value that UK trade unions now place on the living wage.

Design/methodology/approach – The author is the TUC’s Pay Policy Officer and examines the issue from a practitioner’s perspective.

Findings – The living wage now has a well-established place within the hierarchy of pay demands adopted by UK trade unions. This continues a tradition of unions supporting norms and regulations as an adjunct to collective bargaining. However, support had to be achieved through a process of negotiation with the broader UK living wage campaign.

Practical implications – The paper concludes that there are good prospects for the living wage, and thus for the continued trade union support.

Social implications – The living wage standard is seen as having a strong moral basis, which often helps to win agreement with good employers. This results in a steady stream of workers out of in-work poverty. The credit for such pay increases is often shared between employers and trade unions.

Originality/value – The paper is written by a practitioner with inside knowledge and experience of the entire course of the living wage campaign in the UK and how it has been adopted and integrated by trade unions.

Keywords Collective bargaining, Trade union bargaining strategy, Trade unions and pay regulation, Trade unions and the living wage, UK living wage campaign and trade unions

Paper type Viewpoint

Introduction

The need for workers to earn a living wage has long been argued, both within the trade union movement and much wider. The concept is said to have been coined by Adam Smith and has been able to generate broad enough appeal to include Pope Leo XIII, Winston Churchill and Franklin Roosevelt as its advocates. It is now embedded in respected standards like the UN Declaration of Human Rights, whilst the European Social Charter expresses the concept as “all workers have the right to a fair remuneration sufficient for a decent standard of living for themselves and their families” (Council of Europe, 1996). It is widely understood as being the minimum income necessary for a worker to meet their basic needs. It would be hard for anybody to argue that such an aspiration should not be met, but there has been plenty of room to debate how the living wage should be operationalized.

This paper examines how the living wage has developed trade union support in the UK, set in the context of their pragmatic view of the interplay between free collective bargaining and state support for workers. It is argued that the TUC view of the living wage is analogous to the way in which UK unions have supported a number of statutory measures over the years. Second, the main focus is the development of the UK campaign during the last 16 years, which has arguably established a normative voluntary accredited standard for
employers who wish to be model employers. The UK Living Wage Foundation (2017) sets the rates and has so far accredited more than 3,000 living wage employers. Third, I also discuss briefly the strengths and weaknesses of the current campaign model, as viewed by trade unions, and set out some thoughts about the TUC fit into the Living Wage Foundation campaign in a political and economic climate where we are finding it increasingly hard to predict the future.

Free collective bargaining and state support
Trade unions in the UK have sometimes taken the view that negotiating wages should be exclusively the business of trade unions through free collective bargaining. When trade unions are in a strong position, then they are, quite rationally, more likely to want industrial relations to be unregulated whilst employers prefer regulation. However, if the position is reversed to some degree, then unions are more likely to press for supportive regulations and normative measures.

In the post-war period, there was a fair degree of consensus between the main political parties that collective bargaining was a good way of bringing order and fairness to the workplace. In such a climate, trade union membership in the UK grew quite strongly (Taylor, 2000). We should also note that even when unions where in their strongest position they have generally continued to support existing regulations and norms. Even during periods of strong union growth, there has been recognition that collective bargaining could not immediately deal with all the low pay and in-work poverty problems, so earlier gains were defended. For example, unions supported the Fair Wages Resolution from its introduction in 1891, until its abolition in 1983. This measure ensured that private companies undertaking work for the public sector had to pay fairly, which came to be interpreted as the collectively bargained rate (Fox, 1985, p. 246). Unions had also welcomed the creation of the Trade Boards in 1909, which set wages in low-paying industries and their expansion, as Wages Councils in 1945, which covered more than 2.5 million workers. We also opposed the abolition of the majority of these bodies in 1993, and still support the surviving boards, which continue to set agricultural wages in Scotland, Wales and Northern Ireland (Prowse and Fells, 2016a).

Yet there has sometimes been some tension between the TUC unions’ desire to see everything done by stronger unions and collective bargaining and such regulatory measures. For example, our records reveal that the TUC’s Joint Committee on the Living Wage (1927-1929) could not actually agree on any measures on wages themselves, but instead proposed that low wages be addressed by state help in the form of a family allowance paying a benefit to parents. This became a persistent TUC campaign that eventually led to this measure being introduced 16 years later (Taylor, 2000). In the same vein, UK trade unions used to argue against the introduction of a general statutory minimum wage, arguing that it would reduce the incentives to join a union. However, by 1985, unions reviewed their position. Under pressure from a hostile government bent on driving down wages in public services through marketization, the TUC unions came around to supporting a general minimum wage.

Within its remit, the UK’s statutory minimum wage has been a success, but trade unions argue that the rates should be higher, with some also tending towards the view that the minimum wage should increase to become a genuine statutory living wage (TUC, 2016). This brief preamble reminds us that trade unions have sometimes been willing to change tactics as the times change, and that they have been pragmatic both in searching for opportunities to improve wages and in terms of what might be incorporated under the banner of a living wage campaign.
The origins of the modern living wage campaign

The story of the modern living wage campaign really starts in 2001. This was a year that saw the second Labour landslide election victory, and by November the opposition was trailing by 31 points. It was also a year when the national minimum wage (NMW) increased from £3.70 to £4.10 (10.8 per cent), but with the accompanying proviso that it would only increase by 10 pence (2.4 per cent) in the following year (Brown, 2009). There was spirit in the air that greater fairness was possible, but a significant number of trade unions and campaigners had a sense that change was happening too slowly and would not do enough to help people in poorer communities (Lawton and Pennycook, 2013).

This was the background to the year that the East London Community Organisation (TELCO) and the trade unions UNISON, TGWU (now Unite) and the GMB started the first living wage campaign (GMB, Unison and Unite, 2013). This campaign was launched just two years after the introduction of the UK statutory NMW, but seven years after the abolition of most of the Wages Councils. In the interim, real wages had fallen in some of the low-paying industries. Thus the rationale for TELCO’s community-based campaign was simply that the NMW was not set high enough to provide a real living wage, and the aim was that employers should be put under pressure to do the right thing. The development of Canary Wharf in the 1990s meant that inequalities were thrown into a particularly sharp relief (Wills and Linneker, 2012). Low-paid cleaners were working in the same offices as highly paid staff in bank headquarters. Unions could see the clear campaigning and organising opportunity to East London’s unions offered by the TELCO campaign (TELCO) had been convened by the Citizens Organising Foundation, and was later to broaden out to become Citizens UK (Wills and Linneker, 2012). TELCO had consulted both the TUC and individual unions before launching its campaign. TUC discussions included a number of meetings with the lead organiser with the campaign, to discuss what a living wage standard might look like. Unsurprisingly, support came first from unions working in East London and then gained broader traction in the succeeding years. Trade union enthusiasm for the campaign increased as it became clearer that the NMW would continue to develop fairly slowly, as the Government was going to continue to instruct the Low Pay Commission to look at what rate the economy could bear without any significant danger of causing job losses, not at how much workers needed to live on.

The organising philosophy and trade unions

In addition, the nascent campaign fitted well with the contemporary trade union philosophy. The organising model had been adopted up by a number of trade unions in the late 1990s. This social movement model was also central to citizens organising campaigns like TELCO who encouraged citizens to come together to try to improve their living and working conditions. The social movement model allowed professional organisers to concentrate on building up confidence, networks, leadership and campaigning capacity, with the aim of generating the power to solve their own problems. For trade unions, the alternative paradigm would be the “servicing model”, in which trade union officials provide representation and bargaining as services to union members. Many trade unions were increasingly focusing on facilitating on the organising model, leading to the foundation of the TUC Organising Academy in 1998 and the common practice since then of dividing organising and servicing roles between two different groups of union officers (Heery et al., 2013). Against this background, unions saw campaigning for the living wage partly as an organising and recruitment tool.

From the first campaign victories to a professional standard

By 2002, a few employers were already signing up to the living wage, largely amongst the corporate headquarters based in Canary Wharf. The rationale appeared to be a mixture of
stick and carrot, avoiding the frequent campaigns and demonstrations taking place outside bank headquarters, plus a fair degree of actually wanting to be better corporate citizens. In 2005, the Greater London Authority (GLA) established an official London Living Wage (LLW). This is not a compulsory rate like the NMW but a voluntary standard. However, the GLA immediately paid the LLW to its direct employees and started to negotiate with its contractors. Whilst this process was instigated by Ken Livingstone, it has been actively supported his successor Boris Johnson (Prowse and Fells, 2016b), and the current Mayor Sadiq Khan has continued this tradition. In the following years, trade unions played a key role in campaigns that persuaded a number of London hospitals and universities to adopt the LLW. Furthermore, unions were prominent in campaigns that resulted in a patchwork of Labour Party-controlled urban local authorities adopting their own living wage, including Brighton, Glasgow, Manchester, Sheffield, Preston and York (The Fair Pay Network, 2010).

In 2011, the campaign sharply picked up the pace. Citizens UK launched the Living Wage Foundation, which accredited employers who pay the living wage. The TUC is itself accredited as a living wage employer, as are a number of trade unions. By then, nearly 20 local authorities had adopted living wages for their areas. This had led to a proliferation of different geographically specific local living wages. However, it became clear that the existence of a growing number of local rates was actively deterring some UK-wide employers from adopting the living wage. The Living Wage Foundation campaign then helped to establish a single living wage rate for employees across the whole UK outside London, which was successfully launched in November 2011. It was no mean feat to get agreement from existing living wages areas and well-established campaigns like the Scottish Poverty Alliance and the English-living wage cities, all of which had an existing trade union stake. It was also the point where the campaign started to become a widely accepted minimum standard for businesses.

**Negotiating trade unions’ support**

The road to universal union support was not always straightforward and was the result of a long and gradual process of relationship building and negotiation. The post-2011 move towards establishing a business standard has not put an end to the more traditional campaign triumvirate of organising demonstrations, media campaigning and shareholder action. Nevertheless, it has helped to consolidate trade union support by diminishing the potential for accidentally treading on each other’s toes. One recurring source of tension was simply that campaigning for a living wage could sometimes be read as a criticism of hard-won collective bargaining agreements, making it unpopular with some union officers. Another source was that in the earlier stages of the campaign communication was an inconsistent on both sides, so there were occasionally unwanted surprises. These concerns are both present in the following anecdote:

One trade union officer complained to me that they had turned up at a London hospital to discuss the implementation of the 2004 NHS *Agenda for Change* the national pay agreement, which was the result a very complicated and long-winded negotiation process, only to find a living wage demo at the gates telling her members that “the union rates were not enough”.

The context in which unions viewed the living wage was sharpening. Even before the last recession, trade union concerns about poor quality, precarious work were growing. The TUC (2007) established a Commission on Vulnerable Employment. In the following year, a key agreement was signed between the trade unions Unite, GMB and UCATT and the Olympic Development Agency. This was later extended to guarantee all workers involved in the Olympics the living wage. As this agreement is still regarded as a model of best practice this was a significant factor in helping to consolidate trade union support for
the living wage. At the 2010 TUC Congress, the general secretary spoke at an official fringe event in favour of adopting the living wage as a campaign target. This started a process that led to the living wage being a target in our Britain Needs A Pay Rise campaign (TUC, 2014).

Since 2011, both the TUC and the Living Wage Foundation were committed to improve communication by broadening and deepening our links. The TUC nominee joined the Living Wage Advisory Council when it was established, and the TUC does much of the liaison with unions. Most recently, in 2016 the LWF established a Living Wage Commission in order to provide better governance for the standard and to address some of the issues that were growing in importance as the living wage became more successful. Most notably, the LLW and the UK rate had been devised by two different bodies had two somewhat different methodologies and tended to move at quite different speeds. The TUC General Secretary Frances O’Grady sits on the Commission, which has successfully completed its first remit. This body will continue to meet once or twice a year to deal with governance issues. The Commission held successful sessions with a range of trade unions, to ensure that living wage would continue to thrive and increase in value. There have been some lively discussions within the TUC unions about the voluntary nature of the UK living wage. The TUC also has a target of raising the NMW to £10 an hour, which we are actively pursuing, with the General Council making a decision about our short-term target each year (TUC, 2014).

There has also been some debate about how the living wage links with collective bargaining. This has particularly been the case in the public sector where the government has set a 1 per cent cap on pay increases that looks set to continue until 2020. Against this backdrop, anything less than very careful handling of the living wage may create a zero-sum game in which lower paid workers get a pay rise at the expense of more senior staff on the pay rates just above. Nevertheless, the power of the living wage as an ideal and its usefulness to unions as a moral reference point in bargaining has generally entrenched support and has broadly been integrated with other union objectives.

How do the TUC unions fit the real living wage into their strategies?
Trade unions formally adopted the living wage as a target for our pay campaign at the 2011 TUC Congress. All the unions who represent low-paid workers now see the living wage as a useful standard that they can use in collective bargaining, as part of general pay claim. So, for example, a claim may call for something like “a 2 per cent increase, plus staff on the bottom grade will have their pay increased to the living wage”. Alternatively, unions might use the living wage both as an organising tool, with a campaign goal to get a particular group of low-paid workers paid the living wage. A series of strikes by the Ritzy cinema workers in Brixton and their joint strike with Hackney Picturehouse workers (The Guardian, 2016) have been an example of the BECTU trade union using this approach.

The campaign for the living wage is now firmly rooted in the broad hierarchy of trade union demands, which might be understood as comprising the following pyramid of goals, all of which are set against the backdrop of wanting to build trade union organisation influence, whilst also trying to protect existing members from a negative race to the bottom on pay. First, to raise the statutory NMW as far as possible towards the £10 target and strongly enforce it. Second, to persuade employers to pay the living wage, which remains higher than the statutory minimum wage, wherever this can be achieved; and third, to negotiate a strong pay rise for the 80 per cent of union members who earn more than the living wage. Union campaigns to end the excesses in boardroom pay could be seen on the apex of the pay goals pyramid as it fits into TUC over-arching narrative that pay should be fairer. The emphasis varies for different unions. Retail is a difficult case. The shop workers union USDAW (2017) has achieved rates that are close to the living wage in many of their collective bargaining deals but no major unionised retail chain has yet adopted it.
At the other end of the scale, professional unions representing medical professionals and teachers simply have no members paid below the living wage but are supportive of campaigns for living wages for cleaners in schools and hospitals. Understandably, the most interest comes from the large general unions like Unite, UNISON and the GMB, who have direct contact with a range of low-paid workers and achieve quite a wide range of bottom pay rates in their agreements (GMB, Unison and Unite, 2013). In addition, the rail union RMT campaigns for the living wage for its members who are cleaners, the Communications Workers Union campaigns for agency workers in the postal service and other groups, whilst arts unions like Equity (actors), and the aforementioned BECTU (theatre technicians) also campaigns for a living wage in their industry. In the latter case, they are battling against a strong tendency for employers to want work for no pay at all, through unpaid “internships” and bogus “volunteering”. This list of unions is not exhaustive. All of these unions have had some successes in winning the living wage for their members. The idea of moving up to the living wage is understandably very popular and can be a strong recruiting tool. Unions also take part in the Living Wage Foundation’s annual Living Wage Week, when the new rates are announced in November, using the occasion as a springboard both for further grass roots campaigning and for media work.

The government’s “National living wage”
It is a truism that success often leads to replication, with new challenges for the originators. Mainstream politicians have tended to like the idea of a voluntary living wage, although the last Labour government worried privately whether it might detract from their successful NMW. However, the Labour mayor of London was an important figure in pushing the campaign forward and the Labour Party made commitments to support the further development a living wage in both its 2010 and 2015 election campaigns. Prime Minister Cameron also said that the living wage was “an idea whose time has come” at the world economic forum at Davos (Cameron, 2014). TUC (2014) ran a campaign Britain Needs a Pay Rise. At the time many commentators were still discussing bearing down on inflation, even though the inflation rate was already below the Bank of England’s 2 per cent target and continuing to fall. Former Chancellor George Osborne made the following surprise announcement in his July 2015 budget stating:

> Britain deserves a pay rise and Britain is getting a pay rise. I am today introducing a new National Living Wage. We’ve set it to reach £9 an hour by 2020 (HM Treasury, 2015).

His adoption of our campaign language shocked the TUC, CBI, the Low Pay Commission and the Living Wage Foundation, none of whom had been consulted. Such an announcement was made possible because the Conservative government had pragmatically accepted the NMW and wanted to rebrand and develop this popular measure. They also wanted to implement changes to in-work benefits, which would have disadvantaged a considerable number of working people. Increasing the NMW would at least partly counter that effect, whilst shifting responsibility back onto employees. The new rate only applied to adults aged 25 and above. This annoyed unions, who were campaigning for equal treatment for younger workers (TUC, 2015).

The “National Living Wage” threat to the “real living wage”
Clearly the announcement of the higher statutory rate posed a tangible threat for the real living wage campaign. Political support from government was cut off, whilst the title of the government’s new rate title “National Living Wage” caused confusion in the media. The TUC worked together with the Living Wage Foundation in order to differentiate the voluntary standard. The TUC agreed to describe our rate as the “real living wage”
as opposed to the government title. This campaign seems to have had a positive impact on media understanding, although hard-pressed journalists sometime still are confused.

Another obvious threat was that a rapidly rising statutory rate might erode the headroom for the real living wage. However, running economic predictions of the revised methodology agreed by the Living Wage Commission suggests that future rates are likely to broadly run parallel to the development of the government’s “National Living Wage”. Thus the “real living wage” has continued to thrive, increasing its affiliations by 50 per cent in 2016, the year after the government’s national living wage was announced and doubling them in the past two years to reach over 3,000 accredited organisations by 2017 (Living Wage Foundation, 2017).

Unions continue to support the “real living wage” and to use it in their day-to-day bargaining, as it is seen as having the power of a moral standard (Padley et al., 2017). It is also a timely bargaining figure, which can be focused on profitable employers who can afford it. Unions in the public sector also commonly use the “Real living wage” as part of their pay claims. For example, trade union evidence to the NHS Pay Review body for 2017/2018 argues for restructuring pay bands 1-3 to pay the living wage and maintain pay differentials (Joint Negotiating and Consultative Committee Staff Side Evidence to the NHS Pay Review Body, 2017-2018). In a similar vein, the local government negotiated a claim in 2016 for deletion of NJC and all local pay points which fall below the level of the UK living wage (and deletion of Greater London Provincial Council pay points below London Living Wage) with a flat rate increase of £1 per hour on all other pay points (National Joint Council For Local Government Services, 2016).

In summary, the “real living wage” has survived the test posed by the introduction of the new government target. In addition (rather sadly), pressure has also been decreased as the government target rate to £9 has been downgraded. The £9 target was actually based on relating the NMW to 60 per cent of median earnings in 2020 (HM Treasury, 2015). Pay growth has been slower than expected and the target now seems more likely to yield around £8.60.

Strengths and weaknesses of a voluntary living wage standard for trade unions and businesses

In terms of advantages, businesses gain moral authority by paying a living wage and kudos for being good “citizens”. They can also use the standard to differentiate themselves in the labour and product markets in a positive way. Unions can target bargaining efforts on employers with the ability to pay the real living wage, and those who might succumb to moral pressure, using traditional campaign methods like demonstrations. However, businesses that adopt the real living wage early get the strongest kudos. The effect is likely to erode as paying the “real living wage” becomes more widespread, although positive media responses are still quite strong at this point. For unions, some of the big employers have been hard to negotiate with as low pay has been a central part of their business model. It may be that a voluntary living wage strategy works best in the successful sectors and well-off regions. Voluntary living wage campaigns usually have less success in low pay areas, which means both sectors like bars and restaurants and the poorer parts of the UK. Similarly, it is the poorer US states who are still stuck with the 2009 federal minimum wage. Pursuit of a single rate can never be the only goal for trade unions, especially as the majority of their members already earn more, but it has been valued as a very useful measure.

One constraint is the government’s determination to limit pay growth in the public sector, which was no doubt a factor in their decision to introduce their “National Living Wage”. Lifting the public sector pay cap should be accompanied by a plan to ensure that the state always pays at least the real living wage. The government could then be in a position to return to proselyting in other sectors. Similarly, although many prominent businesses actively support the real living wage, business organisations
like the CBI and the British Chamber of Commerce feel that they can say nothing without offending some of their members. Rather than the business organisations just marching at the pace of the slowest, they could do more to support their living wage members, and those who actively want to pay more.

**Future prospects for the “real living wage”**
Those who try to predict long-term tend not to account for future obstacles so this section will only consider the next four to five years. It seems certain that the real living wage will continue to have moral authority and very likely that it will continue to have success. In these circumstances it is also very likely to continue to appeal to trade unions as a useful standard that can be used in recruitment and pay bargaining. One strong concern in recent years has been the rise of insecure work. The TUC’s (2016) Living on the Edge report calculated that 3.2 million people were now engaged in agency work, casual work, and low-paid self-employment or were working on zero-hours contracts. One of the strengths of the living wage model is that it applies to agencies workers, contractors and casual workers, provided they work on the living wage employer’s premises. It is not a panacea, as an hourly rate cannot fully compensate for short-time or irregular working, but it covers enough union concerns to be prescribed as part of the answer to low pay in the future. For economic conditions, it is impossible to predict the future days without considering the uncertainties that surround exit from the European Union. A key concern for the TUC is that workers must not pay the price for the decision to leave, and we lobby for a new deal that protects both jobs and rights, whilst managing migration better.

The initial impact, which has been to slow down economic growth and increase inflation, has had a rather negative effect on prospects for pay growth in general. However, the NMW has risen rapidly and, with inflation starting to turn up, it seems likely that trade unions will increase their focus on campaigning for the living wage. The rate of new accreditations to the Living Wage Foundation is holding up well. In the event of a severe downturn, which is an outcome that the TUC is actively working to avoid, some living wage employers may resign from the standard. However, we may take a fair degree of comfort from the fact that the Living Wage Foundation was launched at a time when the economy was unstable, yet there has been a rapid growth of business affiliations even though the economic recovery has been quite slow. It seems likely that most living wage employers would be slow to react to anything less serious than catastrophe, perhaps because to do so would risk damaging their brand identify and would send mixed messages to shareholders. It is also possible to envisage some positive scenarios where the labour market tightens post-Brexit, making it much more desirable for employers to differentiate by the living wage in order to attract and motivate their workers.

In summary, my conclusion is that the real living wage is not only certain to thrive while the economy is doing fairly well, but is also well enough entrenched to survive all but the most cataclysmic economic downturn. As long as the real living wage is quite successful, we can be sure that trade unions will continue to regard it as a useful standard, and will campaign and bargain for it to apply to more workers. The outcome is sure to benefit both low-paid workers and the trade unions that represent them.

**References**


Further reading


**About the author**

Paul John Sellers is the TUC’s Pay Policy Officer. His role is to work with trade unions, government and opposition to promote better pay for working people. He was involved in living wage campaign from the start, having joined the TUC in 1998 after completing an MA Degree in Industrial Relations at the University of Warwick. His previous career included such diverse experiences as building powerboats, working as a courier, managing a supermarket and chairing the personnel committee of his local council. Paul John Sellers can be contacted at: psellers@tuc.org.uk

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The Living Wage campaign in the UK
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Abstract
Purpose – This paper presents an account of the UK campaign for the voluntary Living Wage, an example of civil regulation. The purpose of this paper is to identify and characterize the actors involved in the campaign, describe methods used and examine direct and indirect consequences of the campaign.

Design/methodology/approach – A mixed-method design is employed, reflecting the broadly framed purpose of the research. The research used semi-structured interviews with campaigners, union representatives and employers, observation of campaign activities and the creation of a database of Living Wage employers.

Findings – The campaign originated in the community organizing movement, but has involved a broad range of labor market actors, both "new" and "old." A continuum of campaigning methods has been used, stretching from community mobilization to appeals to employer self-interest and corporate social responsibility. The campaign has recruited 3,000 employers, led to wage increases for thousands of workers and registered indirect effects by shaping the policies of governments, employers and unions.

Originality/value – The research presents a novel account of the UK's distinctive Living Wage campaign, a notable example of the civil regulation of the labor market.

Keywords Trade unions, Civil regulation, Civil society organization, Living Wage, Low pay

Paper type Research paper

1. Introduction

At a ceremony at the British Library in October 2016, Sadiq Kahn, Mayor of London, announced the new rate for the London Living Wage of £9.75 per hour. Simultaneously, Carwyn Jones, First Minister of Wales, and Nicola Sturgeon, First Minister of Scotland, announced that the out-of-London Living Wage was rising to £8.45 per hour. All three announcements were jointly arranged by Citizens UK and the Living Wage Foundation (LWF), the associated civil society organizations behind the UK Living Wage campaign. The announcements themselves were examples of what has been described as "civil regulation" (Williams et al., 2011), the unilateral formulation of standards and norms of good management practice by civil society organizations that they seek to have adopted by employers. Regulation of this kind has attracted growing attention from researchers as a rising feature of developed economies (Freeman, 2005).

This paper aims to provide an account of the Living Wage campaign. To this end, it considers three issues. First, it identifies and considers the nature of the "new actors," which have generated the Living Wage campaign, noting their distinguishing characteristics and the types of relationship they have developed amongst themselves as well as with traditional industrial relations actors. Second, it examines campaign methods, drawing a distinction between pressure tactics on the one hand and pro-business methods eliciting positive employer support on the other. Third, the paper presents original data on the outcomes of the Living Wage campaign, including evidence on the growth of the campaign.
the number of employers that have signed up to the Living Wage standard and the number and types of workers that have received higher wages. This section also considers the indirect outcomes of the campaign, including its influence over government policy and the policies of unions.

The centerpiece of the Living Wage campaign is the Living Wage itself, an hourly rate of pay that is intended to provide full-time workers with a modest but reasonable standard of living. When employers sign up to the Living Wage standard, they undertake to pay the Living Wage to all employees aged 18 and those who work at least two hours per day and for eight consecutive weeks per year. Importantly, employers also undertake to pay the Living Wage to indirect workers, that is, employees of contractors or self-employed workers who work on the employer’s premises, again for two hours per day and for at least eight consecutive weeks. The purpose of this provision is to combat the potentially erosive impact of outsourcing on the earnings of low-wage workers, such as cleaners, catering and security staff (Wills, 2008). It is possible for accredited employers to phase in this element of the Living Wage, introducing the higher rate of pay for instance when existing contracts expire.

Another defining feature of the Living Wage is that it is based on a calculation of the income needs of low-wage workers. From 2016, a common methodology was adopted for calculating the London and UK rates by the Resolution Foundation. An important feature of the method used is that it is based on research into the expenditure needs of different types of low-wage households: single and dual earner households, those with and without children and so on. The final rates are therefore aggregated estimates of different sets of worker needs. The rates themselves are meant to provide for a decent, albeit modest standard of living, and are not conceived as minima: they include the costs of leisure activity and personal development as well housing, transport, council tax and childcare. Finally, although the rates are derived from estimates of worker needs, there is some acknowledgment of the constraint of affordability, and the annual increase in the Living Wage is capped at the annual uprating of the consumer price index plus 3 percent (D’Arcy and Finch, 2016).

If employers sign up to the Living Wage standard, they are formally accredited by the LWF and can display the Living Wage logo at their premises and in their publicity. As a condition of accreditation, employers must agree to increase the pay of those who receive the Living Wage on annual basis. Each year, new London and out-of-London rates are announced in Living Wage Week in early November. Employers are then given six months to implement these new rates. Failure to uprate or to apply the Living Wage to all workers who fall within the standard’s criteria can result in the withdrawal of accreditation.

In addition to the accreditation of Living Wage Employers, introduced in 2011, the LWF has subsequently developed two additional, supplementary standards. First, there is accreditation available for Living Wage Service Providers, which are contracting businesses undertaking to pay the Living Wage to their head office employees and to include an estimate based on the payment of the Living Wage whenever they bid for work from corporate clients. The purpose of this standard is to ensure that there is a supply of cleaning, catering and other contracting businesses, which are geared to pay the Living Wage if their clients require them to do so. Second, Living Wage Friendly Funders are funding organizations which provide grants to charities where the Living Wage must be paid to employees working on grant-funded activities as a condition of their grants. The charity sector is characterized by a low pay, and the purpose of the Friendly Funder standard is to use grant-funding as a means of tackling this problem. These additional standards are designed to remove constraints in the relationships between organizations which make it difficult for employers to pay the Living Wage.

2. Research
Our inquiry into the Living Wage campaign was broad and exploratory, and made use of a range of methods of data collection. The principal methods were as follows.
First, we conducted a series of more than 40 semi-structured interviews with representatives of institutions involved in the Living Wage campaign, including Citizens UK, the LWF, the TUC and several of its member unions and a number of employers’ associations. The interview net was deliberately cast widely to identify a range of perspectives upon and experiences of the campaign. The trade union interviews, for instance, included both lay representatives and paid officers and gathered material from a wide variety of unions. Interviews were conducted between March 2015 and November 2016.

Second, we observed campaign activities in both Cardiff and London, coterminous with the interview program, including attendance at meetings of activists, Citizens UK assemblies, delegations to meet politicians, campaign actions, and conferences and seminars organized to promote the Living Wage. These meetings provided an opportunity to discuss the campaign informally with activists, union representatives and employers. In a large proportion of these observed activities, we were participants, reflecting our own involvement in the Living Wage campaign.

Third, we developed a database of all accredited Living Wage employers and Service Providers, drawn partly from the material collected by the LWF and partly from publicly available data taken from Companies House, the websites of the employers themselves and a range of other sources. The database contains a profile of all employers which currently are or have been accredited by the LWF and provides evidence of the types of employers that sign up to a voluntary civil regulation.

This mixed-method research design, bringing together qualitative and quantitative methods, was considered appropriate, given that the aim was to examine the Living Wage campaign in the round. Qualitative data have been used to examine the motives, meanings and methods of the campaign, while our numerical evidence has allowed us to make more definite statements about campaign outcomes than would otherwise be the case. The research has been pragmatic in its orientation, drawing on a range of techniques to develop a broad account of the Living Wage campaign[1].

3. Actors
A notable theme in Industrial Relations Research in recent years has been the interest in “new actors,” formal institutions other than trade unions, employers and state, which shape the world of work but until recently attracted little attention within the field (Heery and Frege, 2006). A particular focus has been on new institutions of worker representation, including quasi-unions, charities, and campaigning and social movement organizations. Commentary on institutions of this type has often focused on three issues. The first concerns their origins and purpose, with commentators emphasizing their location in the new, identity-based social movements that emerged from the 1960s onwards and their focus on “post-material” interests, such as the recognition and validation of marginalized groups. Winning respect rather than redistributing income is said to be the hallmark of these institutions (Piore and Safford, 2006). The second issue concerns the governance of new actors and their relationship to the working people they aspire to represent. Freeman (2005) has characterized these institutions as “non-worker organizations” because they typically lack a membership base amongst workers or formal systems of democratic leadership and accountability, and tend to be grant-funded rather than generating income from member-subscriptions. The final theme concerns the interrelationship between new actors, in particular, the prevalence of networking and coalition-building amongst organizations of this type (Heckscher and Carré, 2006). It has also been noted that coalition-building can embrace more traditional actors, and union-community coalitions have become a focus of interest amongst scholars researching new forms of worker representation (Tattersall, 2010).

The principal institution behind the Living Wage campaign is Citizens UK, the British arm of the American citizenship movement. Indeed, the campaign itself is an American import, an attempt to reproduce the success of the US Living Wage campaign within the UK.
The citizenship movement itself dates to the 1930s, and the pioneering work of Saul Aulinsky in Chicago, and emerged as part of the wave of social movement activity that characterized the period of the New Deal, a wave that also encompassed the revitalization of the American labor movement (Walls, 2015). The core objective of Citizens UK is to promote community organizing. Its mission is defined in procedural rather than substantive terms in the first instance therefore: to develop community organization so that poor and marginalized communities have the capacity to pursue whatever substantive goals improve their condition. To this end, the training of community “leaders” in campaigning methods is a central activity of Citizens UK.

The substantive goals pursued by Citizens UK in its campaigning include, in addition to the Living Wage, are: improved job opportunities for inner-city communities; the upgrading of social care in the interests of both care-givers and receivers; support for refugees, including safe-passage to the UK for unaccompanied child refugees; and a Citysafe initiative to help vulnerable youth escape from gang culture. Much of this activity seeks to promote the interest of migrants and of ethnic minorities as, particularly in its early years, the Living Wage campaign was rooted within immigrant communities in East London. The campaign has also sought to recognize and validate the valuable work performed by low-wage workers, making the hidden labor of cleaners, security guards and caterers visible. There is an agenda of respect and recognition in the Living Wage campaign but apart from in this sense, it is not “post-material.” Rather, the campaign is emphatically redistributive, an anti-poverty campaign that is intended to produce significant, tangible and immediate improvements in the material condition of low-wage workers.

Citizens UK is a membership organization, whose membership comprises other organizations on whom it is dependent for subscription income. The majority of its members (51.4 percent) are religious organizations, a characteristic it shares with the citizenship movement in the USA (Walls, 2015). In fact, this figure underestimates the religious character of the membership as many of the educational institutions that are affiliated are faith schools, while affiliated community organizations also often have a religious character. The religious membership itself is ecumenical, drawn from Christian, Islamic and Jewish faiths, and includes representatives of different confessional traditions within each religion. The other main group amongst the membership comprises educational organizations, including primary and secondary schools, colleges, universities, university departments and student unions. Other members include community groups catering to particular ethnic populations, local action groups and trade union branches. With the exception of the trade unions, and organizations like the Workers Educational Association, they are “non-worker organizations,” but many have either democratic constitutions or means of consulting their primary constituency. They rely on a multiplicity of sources of funding. Finally, the membership of Citizens is organized into local chapters, reflecting a commitment to community-level organization and campaigning. There are chapters in all parts of London, in major English cities, smaller towns, such as Milton Keynes, and in Wales, each with their own set of affiliates and a governing board comprised of community leaders.

While Citizens UK is the originator of the Living Wage campaign, it has worked closely with a range of other institutions, and a feature of the campaign has been the extensive network of organizations. At the center of this network is the LWF. LWF was created by Citizens in 2011 to oversee the Living Wage campaign, in large part because the latter’s success was threatening to swamp Citizens’ other activities. Its purpose is to promote the Living Wage and to recruit and accredit employers to the three standards described above. The accreditation fees are a major source of funding for LWF, though it also receives its grant income from charitable foundations for aspects of its work. There are also distinct regional dimensions to the Living Wage campaign in the form of the Poverty Alliance in
Scotland and Cynnal Cymru in Wales. These organizations have been described as franchisees in that they are contracted to promote the Living Wage within their respective countries, acting jointly with but also in lieu of LWF. The Poverty Alliance is a long-established anti-poverty umbrella organization whose work on the Living Wage is funded by the accreditation fees of Scottish employers and by a grant from the Scottish Government. Cynnal Cymru is a charity, initially set up by the Welsh Government to promote sustainable business within the Welsh economy and only assumed responsibility for promoting the Living Wage in Wales in early 2017.

In 2016, the Living Wage Commission (LWC) was created, initially to oversee the review of the method of calculating the Living Wage. It has since been retained as a body that can review the campaign and oversee future developments in the policy. Neither LWF nor LWC is a formally representative institution, though they have a range of mechanisms for consulting stakeholder groups. Both have advisory boards comprised of leading accredited employers, representatives of anti-poverty charities, church leaders and the TUC. LWC, moreover, commissioned the Resolution Foundation, the research and policy charity focusing on those in the lower half of the income distribution, to undertake an extensive consultation exercise with employers, unions and anti-poverty campaigners prior to revising the Living Wage methodology.

Other organizations have worked with Citizens or with LWF on particular projects or at particular points in time. Bodies like Trust for London, the Rowntree Foundation, Comic Relief and the National Council for Voluntary Organizations have either funded LWF projects or developed joint initiatives with them. Share-Action, the campaigning organization that mobilizes shareholder pressure to secure changes in business policy, has worked with LWF to encourage leading businesses, such as ITV, to become accredited Living Wage employers. Other organizations have acted independently and incorporated the Living Wage into their own, separate campaigns. Oxfam has included the Living Wage as an objective in its UK anti-poverty strategy, while in Wales, the Bevan Foundation, an independent social policy think-tank, has conducted research on the Living Wage and formulated proposals for its spread within the Cardiff Capital Region.

This pattern of joint work with Citizens and LWF, but also of acting independently to promote the Living Wage, can be seen amongst traditional industrial relations actors. Trade unions, as we have seen, are among the affiliates of Citizens UK and the Poverty Alliance and are represented on the advisory board of LWF and on LWC. Individual unions have also joined with Citizens in Living Wage campaigns directed at individual employers (Lopes and Hall, 2015; Wills, 2008). Much union work to promote the Living Wage, however, has taken place independently of Citizens, as unions have adopted the Living Wage standard in collective bargaining and in their own, independent campaigning (Prowse and Fells, 2016a, b).

Employers have also been amongst the organizations that have promoted the Living Wage, again sometimes doing this in partnership with Citizens and LWF and sometimes acting independently. Examples of the latter can be seen in the efforts of employers' organizations to promote the Living Wage. Brighton and Hove Chamber of Commerce has promoted the Living Wage to its member businesses, while chambers in other parts of country have run seminars for members, occasionally in conjunction with regional offices of the TUC. In addition, a number of employers' associations have negotiated industry agreements with trade unions to guarantee the Living Wage for the workers who are employed directly by their members; for example, the employers' organization for further education in Wales, and UCEA, the universities' employer body.

Employer action to promote the Living Wage in partnership with Citizens, and LWF has tended to be the province of individual employers. LWF has a number of “principal partners” who support the organization and promote its work, including KPMG, IKEA,
Aviva, Nationwide, Nestlé, QMUL, GSK, Linklaters and Burberry. Support from these organizations has assumed a number of forms, ranging from providing resources to seeking to recruit fellow-employers to the Living Wage standard. Employers are the subject of civil regulation, therefore they can also be its authors and help diffuse the standards through the business community.

The final actor that has become involved in the campaign is the state, in the form of a number of local authorities and the devolved governments of Scotland and Wales. The UK government has not been an active promoter of the Living Wage, though some parts of central government have signed up to the Living Wage standard. The Scottish Government, the Greater London Authority, 16 London Boroughs, big city authorities in Cardiff, Birmingham, Manchester and Nottingham, and a number of smaller local authorities, such as Cambridge and Milton Keynes have been particularly active supporters of the Living Wage. The actions they have taken include: funding the campaign through directly hiring organizers or making grants to the Poverty Alliance; promoting the Living Wage through procurement activity, which has included the Scottish Government issuing advice to the public sector on the lawfulness of Living Wage procurement and a number of local authorities including the Living Wage in lists of fair employment practice that they seek to have adopted by suppliers; providing a tax-incentive for local employers to pay the Living Wage through a reduction of the business rate; promoting a dialogue over the Living Wage between trade unions and public employers within national social partnership forums; and urging prominent local employers either publicly or privately to pay the Living Wage. As an example of the latter, Boris Johnston, then Mayor of London, wrote to all London-based Premier League clubs and asked them to follow Chelsea’s lead in paying the Living Wage. Notwithstanding austerity, therefore, parts of the UK public sector continue to evince a “model employer” commitment, acting as agents for the diffusion of good employment practice.

4. Campaigning

Research on new institutions of worker representation, including the Living Wage campaign, often emphasizes their ability to mobilize worker protest in social justice campaigns (Tapia, 2013). The effectiveness of this protest, coupled with media exposure, in pressuring public authorities and individual employers into concessions is also noted (Bunyan, 2016; Wills and Linneker, 2014). For some commentators on these new actors, success in mobilizing civil society to pressure those who are powerful is a defining feature. There are other currents in the literature on the methods of civil society organizations, however, which point in different directions. One current considers the relationship between civil society organizations and government. An influential distinction made in this regard is between “insider” and “outsider” organizations, the former accepted by government as a trusted and expert partner in the development of public policy, while the latter keep their distance from government and seek to shape policy through campaigning (Grant, 2004). Another line of analysis has focused on the relationship between new actors and employers. Here, research has noted the centrality of direct relations with employers for many civil society organizations and their use of membership schemes and partnership arrangements to try and shape employer behavior (Heery et al., 2012).

Citizens UK has relied upon Living Wage campaigns directed at individual employers to spread the Living Wage standard. Early targets included public services in East London and financial institutions in Canary Wharf though subsequently campaigning activity has spread to encompass all of Citizens’ local chapters. The methods used by Citizens in these campaigns varies, depending on circumstances including the degree of employer resistance, but three methods are particularly common. First, has been the use of public “actions” to publicize the campaign and exert pressure on the employer, which include demonstrations,
pickets, and other forms of protest (including, on occasion, occupation), invariably accompanied by the use of social and other media to raise awareness. The participants in these actions typically are activists from Citizens’ member organizations, often with support from religious congregations, students and trade unionists. Low-wage workers themselves, likely to benefit from the Living Wage, may play a role but in many cases this is not the case, largely because of the difficulty of mobilizing vulnerable workers employed by contractors. The second method does involve low-wage workers and is the use of worker testimony to make a moral case for the Living Wage. Presentations or video clips of workers testifying to the hardship of living on a low-wage feature repeatedly in Citizens’ campaigns, reflecting a broader use of testimony by social justice organizations, which is intended to expose those who are powerful to the consequences of their decisions. Testimony of those who have received the Living Wage is also used, attesting to the positive effect the Living Wage has had on their lives. The third method is to identify points of vulnerability of employers, in order that pressure can be applied. Examples include launching a campaign when public attention is focused on the targeted organization and its reputation is susceptible to pressure or seeking to exert influence through funders, investors or purchasers of the organization’s goods or services. Living Wage campaigns often share characteristics with “strategic campaigns” used by the labor movement (Juravich, 2007), in that activist mobilization is accompanied by the identification of additional levers to pressure targeted organizations.

In many respects, Citizens acts toward government as a classic “outsider” organization. It has a policy of not taking funding from government organizations (though some of its partners do so) and its main form of intervention in public policy are “accountability assemblies,” at which politicians are urged to offer support for Citizens’ program, including the Living Wage, in front of a large audience of activists. Assemblies of this kind are a notable feature of community organizing (Walls, 2015) and have been used by Citizens to win concessions from politicians in London mayoral elections, elections to the Welsh Assembly and Scottish Parliament and the 2015 General Election. They exhibit a number of “outsider” characteristics. While the assemblies are studiously polite – no booing or jeering is allowed – they are held to exert direct pressure on politicians, with community leaders engaging in “pinning,” trying to clarify and deepen the commitment given through questioning politicians before the assembly. The dynamic of such meetings involves mobilizing activists to exert pressure on politicians rather than relying on expertise or legitimacy to shape policy formulation, as an insider might do.

In other respects, however, Citizens does follow an insider course. One of the objectives of accountability assemblies is to win a commitment from politicians that, once elected, they will work with Citizens to implement its program. Following the 2016 Welsh Assembly election, for instance, Citizens Cymru delegates met with all of the main party leaders, apart from UKIP, to explore what action could be taken to promote the Living Wage and arranged for a point of contact, a senior civil servant, with whom Citizens could work on policy development. More generally, Citizens seeks to develop cooperative relations with politicians and other policy makers and its organizers and community leaders are often very well networked. Moreover, in the manner of other insider organizations, Citizens uses research and expertise to promote its agenda.

Citizens’ relationship with employers also faces in different directions. On occasion, Citizens has deliberately targeted employers resistant to paying the Living Wage and run prolonged campaigns using mobilizing tactics and expressing sharp criticism (Bunyan, 2016). On other occasions, however, Citizens has selected employers likely to be receptive to the Living Wage, with the tenor of these campaigns, at least in their early stages, being constructive and cooperative. The recruitment of the British Library, for instance, begun when two Citizens activists from a local church wrote to the chief executive
and requested a meeting to discuss the Living Wage. Moreover, a notable feature of Citizens’
campaigning activity is the visible rewarding of employers who do sign up. Rewards can
range from activists baking a cake for a small business owner who has become an
accredited Living Wage employer to public acknowledgment of the commitment of
employers at public assemblies and in the media. It can also include worker testimony,
an expression of thanks to the employer.

The activity of the LWF is directed primarily at employers and is overwhelmingly
positive in orientation, appealing to employers to join its campaign to tackle in-work poverty
and recognizing their contribution when they do so. This positive orientation to employers
has a number of aspects. First and most obviously it is seen in the accreditation of
employers who agree to implement the Living Wage standard. Accreditation permits
organizations to badge themselves as responsible employers and this recognition is
reinforced through other measures, including the identification of Living Wage Champions
whose achievements are celebrated publicly during Living Wage Week. Second, the
Foundation articulates a strong “business case” for the Living Wage, seeking to persuade
employers that they will reap performance benefits if they adopt the standard, and it has
commissioned a number of research studies that seek to demonstrate positive effects for
accredited organizations (Werner and Lim, 2016; Heery et al., 2017). Third, recruitment is
focused directly on employers themselves with Foundation organizers using employer
networks, business and professional organizations to contact potential members. Fourth,
the Foundation has tried to strengthen the incentives for employers to be accredited through
its own publicity. A notable feature of this effort has been an attempt to promote Living
Wage employers to individual consumers. The Foundation’s website has an interactive
map, which can be used to identify Living Wage cafés, restaurants, shops, and other service
businesses in a local area. The Foundation also widely uses social media to advertise Living
Wage businesses. Many of the methods used by the Foundation can be seen in other civil
society organizations and its repertoire of accreditation, celebration and incentivising
business is shared with a range of other campaigning organizations (Williams et al., 2011).

While the new actors involved in the Living Wage campaign have used methods that are
common to civil society, traditional actors have tended to rely upon their own distinctive
approaches. Trade unions, for instance, have participated in Citizens’ Living Wage
Campaigns but the primary method has been to include the Living Wage within collective
bargaining (Prowse and Fells, 2016a). Collective agreements on the Living Wage been
negotiated by unions at both industry and individual employer levels, often resulting in the
withdrawal of the bottom points in pay scales and a guarantee that the Living Wage will be
the minimum rate for direct employees. Action of this kind conforms to a long union
tradition of negotiating bottom-loaded pay settlements that benefit the low-paid. Unions
have occasionally also taken strike action to try and secure the Living Wage as with
BECTU’s long-running dispute with the Ritzy cinema chain. On other occasions, the Living
Wage has been secured as part of settlements to other, broader disputes with employers; for
example, at the National Gallery in London and in NHS Wales.

Government institutions have also used traditional methods to promote the Living
Wage. Unlike in the USA, where the Living Wage has been introduced through local city
ordinances (Bernhardt and Osterman, 2017), the state’s power as legislator has not been
used. The Living Wage remains a voluntary standard and has been promoted by UK public
institutions through a variety of non-legislative policy levers. Public bodies have themselves
become accredited, using the state’s role as employer to promote the standard and provide a
model for other employers. The state’s role as purchaser has also been used, through
procurement, seeking to diffuse the Living Wage amongst supplier businesses. On occasion,
the state’s fiscal power has been used through reductions in the business rate for accredited
employers, while governing institutions have used their funding power to subsidize the

The Living Wage campaign in the UK
5. Impact

To conclude, we consider the impact of the Living Wage campaign, focusing on three issues. First, we examine the success of the campaign in attracting employer support, presenting evidence on the extent of accreditation. A central purpose is to assess whether accreditation has spread broadly across different types of employer or whether it is concentrated amongst organizations with particular characteristics. Second, we examine the impact on employees, considering who and how many have benefited directly from the Living Wage. The ultimate purpose of the Living Wage is to produce a significant increase in pay for large numbers of low-paid workers. We assess whether this objective has been attained. Finally, we consider the indirect effects of the Living Wage and gauge whether the standard has registered ripple effects, leading to increases in pay for workers employed beyond the ranks of accredited employers.

Although the Living Wage campaign was launched in the early 2000s it was not until 2011 that accreditation of employers by LWF began. Figure 1 shows the cumulative trend in the number of accredited employers and in the number of employees directly employed by these organizations between 2011 and January 2017. At the latter point there were 3,125 accredited Living Wage employers who directly employed 1.4 M workers, about 4.6 percent of the UK employed workforce. In addition, there were 89 Approved Service Providers, including major facilities management business such as OCS and Sodexo, and 19 Friendly Funders, including, amongst others, the Big Lottery, Comic Relief and Trust for London.

Figure 1.
The growth of Living Wage accreditation, 2011-2017
The record of accreditation is strong therefore, especially in view of the short period of time in which it has been achieved. It also compares well with other, equivalent systems of voluntary regulation. At the start of 2017, the Government’s Disability Confident, Two Ticks scheme, launched in 1990, had 3276 employers[2], while the membership of Stonewall’s Diversity Champions and of the Business Disability Forum stood at 700 and 228 employers, respectively.

Table I shows the distribution of accredited Living Wage Employers across four criteria: sector, industry, geographical location, and employer size. The table indicates that the Living Wage standard has spread broadly across the UK economy. Nevertheless, it is apparent from the table that there are points of concentration and that certain types of employer and employers in particular contexts have been more likely to become accredited. The following observations can be drawn from the table.

With regard to sector, it is clear that there is a particular concentration of Living Wage accreditation in the not-for-profit sector. The Living Wage is an employment standard that has emerged from civil society and civil society organizations – charities, campaigning organizations, faith and educational organizations – have been most receptive to its adoption. Many of the latter themselves have an explicit anti-poverty or social justice mission and signing up to the Living Wage has been an expression of the basic purpose of organizations of this kind.

A notable feature of the industry distribution is that there are concentrations of accreditation in a number of relatively high-paying industries. These industries include professional, scientific and technical services, information and communication and “other services.” It can also be noted in this regard that most of the large banks have been accredited. This pattern partly reflects the strategy of the Living Wage campaign, which in its early years, focused on highly profitable businesses in the City of London that could well afford to pay more to low-wage workers. It also reflects the capacity of organizations in

<table>
<thead>
<tr>
<th>Sector</th>
<th>%</th>
<th>Location</th>
<th>%</th>
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<tbody>
<tr>
<td>Private sector</td>
<td>54.5</td>
<td>Northern Ireland</td>
<td>0.4</td>
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<tr>
<td>Not-for-profit sector</td>
<td>38.0</td>
<td>Scotland</td>
<td>24.6</td>
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<tr>
<td>Public sector</td>
<td>7.5</td>
<td>Wales</td>
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<td>England</td>
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<td>Manufacturing</td>
<td>6.3</td>
<td>London</td>
<td>31.5</td>
</tr>
<tr>
<td>Utilities</td>
<td>1.2</td>
<td>South East</td>
<td>9.2</td>
</tr>
<tr>
<td>Construction</td>
<td>4.4</td>
<td>South West</td>
<td>5.5</td>
</tr>
<tr>
<td>Wholesale and retail</td>
<td>6.2</td>
<td>East of England</td>
<td>4.1</td>
</tr>
<tr>
<td>Transport and storage</td>
<td>1.3</td>
<td>East Midlands</td>
<td>3.1</td>
</tr>
<tr>
<td>Hospitality</td>
<td>2.6</td>
<td>West Midlands</td>
<td>4.0</td>
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<tr>
<td>Information and comms</td>
<td>7.1</td>
<td>Yorkshire and Humber</td>
<td>5.2</td>
</tr>
<tr>
<td>Finance and insurance</td>
<td>3.6</td>
<td>North East</td>
<td>1.9</td>
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<tr>
<td>Real estate</td>
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<tr>
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<td>Employer sizeb</td>
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<td>250-499</td>
<td>4.1</td>
</tr>
<tr>
<td>Arts and entertainment</td>
<td>2.3</td>
<td>500+</td>
<td>8.9</td>
</tr>
<tr>
<td>Other services</td>
<td>11.5</td>
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</tbody>
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Notes: a n = 3,125; b n = 2,998
these industries to absorb the costs of Living Wage: many are both profitable and have relatively few workers on low pay. Accreditation is more challenging in other industries, such as retail and hospitality, where low pay is common and the cost implications of becoming accredited are more significant. In these industries accreditation is at a modest level and is largely concentrated amongst business providing niche and high value services. None of the main supermarket, hotel, fast-food or coffee chains have so far become accredited Living Wage employers[3].

The main points of geographical concentration for the Living Wage are London and Scotland, which together, account for more than half of accredited employers. One explanation for this pattern is that campaign resources are concentrated in these locations. The citizenship movement first developed in London and has particularly strong local chapters there, while in Scotland the campaign has been able to draw upon the established strength of the Poverty Alliance. In other parts of the UK the citizenship movement is a later implant, launched de novo. Another explanation is that there has been strong support for the campaign from local politicians and public bodies. The Greater London Authority and several London Boroughs were early and active supporters of the campaign and in Scotland it has been backed strongly by the SNP-led government. Political devolution has enabled Living Wage campaigners to build concentrations of accreditation.

The majority of accredited employers are small and medium-sized enterprises, reflecting the open recruitment policy of the LWF and the modest charge for accreditation. The lower membership levels of Stonewall and the Business Disability Forum reflect the higher charges levied by these organizations and their policy of targeting large corporates and public service organizations. The difference in recruitment policy is only one of degree, however. There are 196 accredited Living Wage Employers with 1,000 or more employees and the ranks of accredited organizations include 45 universities/university colleges, 55 local authorities and 32 companies listed on the FTSE 100. Attracting organizations of this scale has been important to the Foundation, partly because of their profile but also because the impact of accreditation is much greater when large employers with multiple contractors sign up to the standard.

The distribution of accreditation across the four criteria suggests that a combination of push and pull factors have been at work. The variation is partly a function of the Living Wage campaign and priorities and resources committed to recruiting employers. It is also a product of context, however, and reflects the constraints and opportunities that campaigners have faced in their task. The recruitment effort has been pushed toward priority targets but has also been pulled along paths of least resistance.

While accredited employers have a combined workforce of 1.4 million, only a fraction of this workforce benefits directly from the Living Wage. The LWF collects information at the point of accreditation on the number of workers who have received a pay increase, together with their characteristics: whether they are full-time or part-time, directly or indirectly employed or based in London or the rest of the UK. By the end of 2016 this information had been collected for just over 2,300 employers (72 percent), who reported that more than 90,000 workers had had their pay increased as a result of accreditation. Extrapolating from this figure, the LWF has estimated that about 120,000 had benefited directly across the entire population of accredited employers. In many cases these workers will have received a substantial pay increase, well in excess of 10 percent if they were paid at or close to the statutory minimum wage beforehand. The number of direct beneficiaries is, however, only a small percentage of the total number of workers who are paid below the Living Wage across the UK – estimated to be six million employees in 2014 (ONS, 2015). What this suggests is that the voluntary regulation of low pay through the Living Wage should be conceived of as a complement, a means of adding to the redistributive effect of statutory regulation of wages and of tax and benefit policy rather than as an alternative to these methods.
The Foundation’s data indicate that two-thirds of direct beneficiaries are part-time workers, reflecting the strong association between low pay and part-time employment. Many of the beneficiaries identified in LWF publicity and in our own interviews worked in jobs characterized by part-time work, such as cleaners, food service workers, care assistants and administrative assistants. The high proportion of part-timers amongst direct beneficiaries also indicates that women workers have been most likely to be impacted by the Living Wage. The Foundation’s data also reveal that a substantial percentage of beneficiaries are indirect workers, employed by contractors. More than a third (36 percent) of those paid the Living Wage fall into this category, demonstrating the value of the contracting component of the Living Wage standard. Finally, most of those gaining (86 percent) do not work in London and are paid the lower, UK-wide Living Wage rate. The relatively small percentage of beneficiaries in London is perhaps surprising given the concentration of accreditation in the capital and is probably due to the fact that many large employers have headquarters in London but a workforce that is distributed across the country.

In addition to its direct impact on low pay, the Living Wage can generate indirect effects. The Living Wage has been incorporated into collective bargaining and adopted by trade unions, employers and local and devolved government as a policy objective. The effect of this response on the part of traditional IR actors has been to spread the Living Wage beyond accredited employers. Quantifying this indirect effect is difficult but available evidence suggests that the effects are substantial. The NHS in both Scotland and Wales has adopted the Living Wage, leading to pay increases for thousands of workers, in local government about half of all authorities have introduced the standard at least in part (Prowse and Fells, 2016a, b) and there has been substantial adoption in further and higher education and in the arts, museums and galleries. Beyond public services, supermarket chains Aldi, Lidl and Morrison’s, either guarantee the Living Wage to direct employees or use the standard as a reference point, while some of the main property developers require that it form the minimum pay rate on construction sites (Land Securities, 2016). In many of these cases payment of the Living Wage is not extended to the employees of contractors but it is still the case that large numbers of workers have gained from the “non-accredited” Living Wage.

The other main indirect effect has been on public policy. In April 2016, the UK Government introduced the National Living Wage, a higher level of statutory minimum wage for employees aged 25 or over, and pledged that over time this new rate would rise to two-thirds of median earnings. Although the NLW has been subject to widespread criticism it will have a significant redistributive effect, increasing pay for about 1.6M workers (Low Pay Commission, 2016). The most obvious way in which the Living Wage campaign has influenced this policy has been in the appropriation of the “living wage” label, a development that has caused considerable difficulty for Living Wage campaigners. Beyond this, gauging influence must necessarily be speculative but it is likely that the campaign has raised the salience of low pay as a political issue and also raised the expectation that employers could and should do more to tackle in-work poverty. Prior to the introduction of the NLW, the Living Wage had won the support of prominent Conservative politicians, such as Boris Johnson and Ian Duncan-Smith, and, while calculation of political advantage and the decision to reduce public expenditure on tax-credits were the primary drivers behind the Government’s decision, the Living Wage campaign provided a conducive context. Legislation to introduce a higher statutory minimum wage was introduced in the shadow of civil regulation.

6. Conclusion
The Living Wage is a notable example of the civil regulation of the employment relationship and forms part of a growing trend for private, voluntary forms of regulation to supplement
more traditional methods derived from collective bargaining and the use of law. In this article we have developed a broad account of the Living Wage campaign, focusing on three issues: the identity and characteristics of the key actors; the methods of campaigning used, and the outcomes of the campaign. Our principal conclusions are as follows.

First, the Living Wage campaign originated from “new actors”: at its heart lies Citizens UK, a British outgrowth of the American community organizing movement. While Citizens might be regarded as a “non-worker” organization, it is a representative body and has drawn an array of civil society organizations into the campaign, including trade unions. Although launched by a quintessential “new actor,” the campaign is redistributive in purpose and embodies the characteristic purpose of community organizing – securing immediate and material improvements in the lives of the disadvantaged. In addition to Citizens and its sister organization, the LWF, the campaign has involved a variety of other actors, connected through partnerships, alliances, and contracts, though also sometimes acting independently. The campaign displays the networked quality that is said to characterize civil society organizations. The participants in this network include other civil society organizations but, crucially, also include traditional actors: trade unions, employers and government. It is the wide range of participating actors that is one of the most striking features of the campaign.

Second, the campaign has relied upon a range of different methods. Particularly in its early years but also still today, there has been use of what Bunyan (2016) describes as “agitational” methods, which rely on mobilizing activists to pressure resistant employers. A notable feature of campaigning has been reliance on worker testimony to highlight both the penalties of low pay and the positive value of the Living Wage. Much campaigning does not take this form, however, and seeks to win the voluntary support of employers through articulating the business case for the Living Wage and relying on peer-to-peer employer recruitment. A campaigning style of this type is associated particularly with the LWF. This dualism in campaign methods toward employers has been reproduced in relations with government, where there is a mix of “outsider” and “insider” methods. Citizens UK has used citizen assemblies to win political commitment to the Living Wage but members of its network have also worked closely with public bodies to promote the standard. The final point to note about campaigning methods is that traditional IR actors have tended to rely upon their established repertoire in promoting the Living Wage. Unions have made use of collective bargaining, while devolved and local government has used the time-honored methods of procurement, fiscal incentives and subsidy to promote the Living Wage.

Third, the campaign has registered considerable success. It has recruited over 3,000 employers and has recently launched new variants of the Living Wage standard for Service Providers and charity funders. More than 100,000 workers have received a pay increase as a result of the campaign and, as employer recruitment is continuing at a rapid pace, this figure will grow. Beyond the ranks of accredited employers, many other workers have benefited from the campaign often through union action to make the Living Wage the bottom-rate within collective agreements. For union negotiators and for employers in low-wage industries, the Living Wage has become either a target or point of reference shaping wage policy. Government policy has also been influenced and the Living Wage campaign is arguably one of the contributing factors that led to the introduction of the National Living Wage in 2016.

The Living Wage campaign has generated ripple effects, influencing the substance of traditional methods of employment regulation through law and collective bargaining. Its impact attests both to the significance of civil regulation within contemporary employment relations and to the hybridization of regulatory forms. New actors, like Citizens, are increasingly visible agents of worker representation in the UK employment system.
and they are an increasingly significant source of employment regulation, both directly through promoting voluntary standards and indirectly by shaping the behavior of other, more established labor market institutions.

Notes
1. The research was funded by Cardiff Business School with a small amount of supplementary funding from the LWF. We are grateful to both funders of the research and owe a particular debt of gratitude to the staff of the Foundation who have helped and supported our work in many ways. The interpretation of the campaign that is presented, however, is ours alone as are any errors of fact or of judgement.
2. The UK Government publishes an up-to-date list of Disability Confident employers on-line.
3. In recent years, it should be noted, the campaign has registered some success in recruiting chain retail and hospitality businesses. IKEA, Lush, Majestic Wine, Richer Sounds, Oliver Bonas and Brewdog have all become accredited Living Wage Employers, resulting in higher pay for several thousand workers.

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Contemporary UK wage floors and the calculation of a living wage

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Abstract

Purpose – The purpose of this paper is to describe how the voluntary living wage (LW) in the UK is set. It examines how this calculation relates to contemporary approaches to setting wage floors, both in relation to their goal of supporting adequate living standards and in relation to the place of wage floors in the labour market.

Design/methodology/approach – The paper examines how compulsory and voluntary wage floors are being determined, in the UK and in particular the role of public consensus in contributing to the calculation and adoption of a LW. It then reflects on the future sustainability of a system of wage floors in which the concept of the LW plays a significant role.

Findings – The central finding is that widespread support for wages delivering socially acceptable minimum living standards has transformed the context in which low pay is being addressed in the UK. The LW idea has stimulated more decisive efforts to do so; however, if a compulsory version of a LW were to reach a level shown to be harming jobs, this could seriously undermine such efforts. Moreover, the extent to which adequate wages are compatible with high employment levels can also be influenced by state support for households, especially tax credits and Universal Credit.

Originality/value – The paper clarifies how the setting of the UK LW contributes to objectives related both to living standards and to labour markets, and critically addresses some key issues raised.

Keywords Minimum wage, Living wage, Minimum income, Living standards

Paper type General review

1. Introduction

The central idea behind a living wage (LW) is that it should provide workers with enough income to live at a level considered sufficient in terms of contemporary norms and values. This immediately distinguishes it from a minimum wage, which refers to a statutory threshold that employers are required to pay, regardless of the basis on which its level is set. However, these concepts start to overlap where minimum wages seek in some explicit way to support adequate living standards, and in particular where the term “LW” is used to campaign for or to make claims about a compulsory minimum. The introduction in 2016 of the UK’s “National Living Wage” (NLW), a compulsory rate for workers over 25, aiming to improve workers’ living standards yet not calculated with reference to living costs, has partially merged policy debates on LWs and minimum wages that had previously been largely separate.

This paper describes current approaches to wage floors in the UK, the methods by which they are set and their distinctive and overlapping objectives. It then goes on to consider how living and minimum wages might develop in the UK over the next few years, and how they
relate to other policies. In doing so, the paper critically addresses on the one hand specific aspects of making a LW calculation, and on the other, more widely, the role that wage floors seeking to maintain living standards can play. It points to important ways in which the calculation and role of wage floors are connected.

The paper focusses on the UK, which provides a distinctive case in which explicit efforts to formulate public consensus both in researching minimum living standards and in giving stakeholders a role in approving the LW method have helped create a national concept of a LW level. This feature has strengthened the interaction between an ethically approved voluntary LW and a statutorily imposed minimum.

2. Setting wage floors in the UK: current and recent practices
In broad terms, there have been three distinct methods employed for setting wage floors over the past two decades in the UK (Prowse and Fells, 2016). The National Minimum Wage (NMW), introduced in 1999, seeks to outlaw exploitatively low pay, by setting a compulsory minimum at the highest rate that will not significantly damage labour demand. The voluntary LW used by the Living Wage Foundation to accredit “Living Wage Employers” is based on a wage rate considered adequate for a minimum acceptable standard of living. The NLW, introduced by the Government in 2016, is an enhanced compulsory minimum wage rate for over-25s, intended by 2020 to converge with and remain at 60 per cent of median pay.

The NMW is set annually on the recommendation of the Low Pay Commission (LPC) according to a simple principle in its terms of reference: “The aim of the LPC is to recommend levels for the minimum wage rates that will help as many low-paid workers as possible without any significant adverse impact on employment or the economy” (Low Pay Commission, 2017a). This implies that the NMW should be as high as possible without reducing employment levels or producing other undesirable economic side-effects, particularly an increase in general inflation. Despite having some selective price impacts and hence affecting relative prices (Wadsworth, 2007), the NMW does not affect overall pay bills nearly enough to cause significant concern about cost-push inflation across the economy (Metcalf, 2008, p. 32). The LPC’s mission can thus be seen almost entirely in terms of identifying a wage that meets a single condition: the highest rate that will not significantly reduce the number of jobs. While this is in principle a technical matter, the inclusion of trade union and employer representatives as well as independent economists on the Commission reflects the high political sensitivity of where the level should be set, under conditions of highly imperfect knowledge about what level would reduce the number of jobs. The LPC has commissioned over 140 studies on the NMW since it was introduced in 1999 and found that it has had “little adverse effect on employment” (Low Pay Commission, 2016b, p. xvi; Metcalf, 2008). This reflects extensive research on minimum wage effects in the USA suggesting largely benign impacts overall (Schmitt, 2013; Hirsch and Valadez, 2017). Yet however much research takes place, the LPC ironically has a brief for which success entails continuing uncertainty, since allowing the NMW to rise to a level that significantly harms jobs would bring more knowledge but represent a policy failure. This goes a long way towards explaining why the LPC has tended to adopt a “cautious” approach to increases in the NMW (Bain Review, 2014, p. 40; Prowse and Fells, 2016).

Most importantly for the discussion of LWs, the LPC thus focusses on labour market effects, and any consideration of what wage is adequate to live on lies beyond its brief. The setting of the LW, in contrast, starts from the perspective that, for most household types, the NMW is insufficient to produce what society regards as an adequate standard of living, even in most households whose adults work full time (Hirsch, 2015a, pp. 21-22). The Living Wage Foundation accredits LW Employers who pay all workers at least the LW, which is independently calculated with reference to living costs, using the method described in the
following section. In asking employers to commit to the LW, the Foundation and local
campaigners are setting an ethical standard, to which good employers should aspire,
rather than basing the wage rate on affordability.

The announcement of the new NLW in 2015 by the then Chancellor, George Osborne
(HM Treasury, 2015), was in practice a move to expand the ambitions of the NMW, yet in its
motives, branding and presentation drew inspiration from the LW. A year earlier, a review
of the NMW carried out by an independent commission led by the LPC’s first chair
(Bain Review, 2014) had concluded that its brief needed to be widened, from that of
effectively a “minimum pay commission” (Prowse and Fells, 2016, p. 146: italics in original,
describing LPC’s focus on NMW), focussing on eliminating extreme low pay, to address low
pay more broadly: the NMW has not had a sufficient “ripple up” effect to address the UK’s
low pay culture. The new NLW adopts the general approach recommended by Bain to seek
to reduce the number of people who have low pay relative to the median. Bain had
suggested requiring the LPC to chart a path towards a NMW of 60 per cent of median pay,
subject to an assessment of its economic feasibility. Osborne went further by making an
unconditional commitment to bring compulsory pay to 60 per cent of median earnings
within five years, albeit only for workers over 25, under the banner of the NLW, a policy

The use of the term NLW and the willingness to make a political commitment to a
particular rate not contingent on labour market consequences revealed the importance to the
government of being seen to address living standards, influenced by the political traction
obtained by the LW movement. Osborne’s slogan that “Britain needs a pay rise”
(HM Treasury, 2015) also recognised how the declining adequacy of wages since the recession
needed to be taken into account, rather than considering a statutory minimum only on the
basis of labour demand. Under this policy, minimum wages for over-25s are set to rise from
52.5 to 60 per cent of median earnings for over-25s between 2015 and 2020 (Low Pay
Commission 2016a, p. 71). While not directly calculated with reference to living standards, this
substantial pay rise, to be followed by the preserving of a rate relative to the median, will more
systematically allow low-paid workers to benefit from economic growth. It is forecast to triple
the number of workers whose pay is at the statutory minimum, from 1 to 3 million, with
potentially another 3 million benefitting from ripple effects (Low Pay Commission, 2016b,
pp. 65-66). This very decisively addresses the Bain criticism of the NMW that it only
addressed very low pay rather than the low pay culture generally.

3. Calculating the LW rate – underlying issues and the UK approach

Of the three wage floors described above, the LW is the one whose appropriate level is the
most complex. This is because the objective of setting wage floors as “the highest level that
will not reduce labour demand” (NMW) or as a fixed percentage of median pay (NLW) are
precise economic statements about pay levels, but a calculation of what is “enough to
provide workers with a minimum acceptable living standard” (LW) can be approached in
many different ways.

Ideas relating to what wage rate allows workers and their dependents to live at an
acceptable level date back to medieval and ancient thinkers such as Plato and
Thomas Aquinas (Anker, 2011; Stabile, 2008; Hirsch and Valadez, 2017). Laissez-faire
classical economic theorists believed that allowing labour markets to act freely would result in
reasonable wages (Hirsch and Valadez, 2017, pp. 4-6), whereas nineteenth century reformers
such as Oldroyd (1894), John Ryan (1912) and J.A. Hobson (Brailsford et al., 1926) concluded
that intervention was needed to rebalance the unequal market power that led to the sweatshops
of the industrial revolution. However, both interventionists and laissez-faire advocates agreed
that wages should do more than allow workers to survive, but also allow them to have the
necessities required to live in dignity commensurate with contemporary society. The father of
classical economics, Adam Smith, expressed this clearly (aptly using language appropriate to the eighteenth rather than the twenty-first century):

By necessaries I understand, not only the commodities which are indispensibly necessary for the support of life, but whatever the custom of the country renders it indecent for creditable people, even of the lowest order, to be without (Smith, 1776, p. 479).

A direct application of this principle to wage-setting came in the landmark 1907 Harvester case in Australia, which ruled that wages should not just be enough to ensure survival but must cover “the normal needs of an average employee, regarded as a human being in a civilised community”; this became the basis of an Australian minimum wage system that remains the most generous in the world (see Hirsch and Valadez, 2017, p. 10).

The ideal of a worker being able to reach a living standard appropriate for the time and place where he or she lives survives to inform modern LW movements, but has been difficult to operationalise in a consistent way (Anker, 2011; Brenner, 2002). Conceptually, thinkers about poverty lines have distinguished between well-being based on a “welfarist” approach, focussing purely on a living standard relative to others in one’s society, and a “non-welfarist” concept of having absolute “capabilities” within the context of one’s contemporary environment (Ravaillon and Chen, 2011). However, in the practice of measurement, this distinction has proved less important than finding a valid way of determining the threshold of an acceptable living standard (Brenner, 2002, pp. 6-7). Many calculations have started with scientific assessments of the cost of meeting basic material needs such as pricing a minimum food basket, but the underlying challenge is how to extend this to assess a living standard appropriate for contemporary society in a specific place.

A common approach has been to start with the cost of buying material basics, and deduce additional costs based on what proportion of low income households’ expenditure they are observed to comprise. This method has been commonly used both in the global South (e.g. in the Asia Floor Wage, Anker, 2011), and in many calculations of LWs in the USA (see Hirsch and Valadez, 2017, p. 29; Ciscal, 2002; Economic Policy Institute, 2015) as well as New Zealand (King, 2016; King and Waldegrave, 2012). In some contexts, such as the effort to achieve adequate pay for garment workers across Asian countries, this can be helpful in producing an easy to calculate formula to provide cross-national consistency. Yet it is problematic because it ignores the fact that the proportion of spending devoted to basic material essentials differs in countries at different levels of development (Anker, 2011). Moreover, since households with tight budget constraints are likely to have higher unmet needs in non-subsistence areas of their budget than in buying the essentials for survival, the observed ratio of total spending to expenditure on material essentials provides an unreliable guide to total needs (Hirsch and Valadez, 2017).

A different approach is to use budget standards (compiling lists of necessary items) to produce a fuller, more direct account of all the items that comprise a minimum household budget (Deeming, 2011). Some methods of compiling these lists are largely expert-based, using scientific approaches to specifying what is required to meet different categories of need (Bradshaw, 1993), sometimes following a rigorous theoretical framework (Goedemé et al., 2015). Others, such as the Minimum Income Standard, described below, are based mainly on what members of the public consider to be a minimum.

Budget standards work best where the objective is to measure a standard appropriate for one country without worrying about international comparability, since it allows a minimum to be defined in that country’s own terms. This is illustrated in the development of a single widely accepted LW calculation in the UK, drawing on two aspects of public acceptability. The first is that the budget standards used to calculate minimum household spending requirements result from “consensual” research, based on views of members of the public. The second aspect is that the application of this living standards calculation to the LW is the product of consensus-building among stakeholders.
The method used to produce the UK's Minimum Income Standard (Bradshaw et al., 2008; Davis et al., 2015) is a refinement of 25 years of developing budget standards, and became the dominant method used from 2008 when expertise developed by the University of York's Family Budget Unit (Bradshaw, 1993) was combined with that of Loughborough University's Centre for Research In Social Policy (CRSP) (Middleton et al., 1994), which had been developing a technique for consulting the general public. The result is a primarily "consensual" method involving decisions by groups of randomly recruited members of the public, which is regularly updated with new research. MIS involves a succession of detailed deliberations among small groups to build up a picture of how a particular family type would reach a minimum, defined as follows:

A minimum standard of living in the UK today includes, but is more than just, food, clothes and shelter. It is about having the opportunities and choices that you need in order to be able to participate in society (Davis et al., 2015).

The MIS method also involves experts in informing groups, for example on whether food meets healthy nutritional standards, but the judgements about what an acceptable living standard entails rests with the public. Socio-economically mixed groups of six to ten individuals each spend several hours identifying which household items are required to meet the definition in each part of the budget of an individual demographically similar to themselves; subsequent groups check back on and amend these decisions, and also identify how individual needs are combined into households. Researchers price the goods and services identified and draw up budgets for a wide range of family types.

The principle that budgets drawn up by members of the public can represent social consensus about what comprises a minimum standard was been vital in the adoption of a LW calculation based on MIS by the Living Wage Commission. This independent collection of employer, trade union and academic representatives was established by the accrediting body, the Living Wage Foundation, in 2016 to supervise a national method for setting LW rates for London and for the rest of the country. A national figure, it said in its first report, should "accurately reflect the views and experiences of ordinary people […] about what is required to fully participate in society, and how social norms and needs change over time" (Living Wage Commission, 2016, p. 5). A single new method based on MIS was therefore adopted to replace separate methodologies for London and outside, the London calculation having drawn on an older, expert-based method (GLA Economics, 2015) and the outside London one by CRSP, on the basis of MIS (Hirsch and Moore, 2011).

Under the authority of the Commission, the new calculation of the LW is carried out by the Resolution Foundation (D'Arcy and Finch, 2016b), and can be summarised as follows. First, the costed MIS budgets are used to calculate most costs for different types of household. Second, some costs which are hard to standardise because they differ across areas are based on a range of data, including average amounts paid for social rents, for council tax and for childcare. Private rents, which are assumed to be the minimum cost for working age adults without children, who rarely have access to social housing, are based on the average lower quartile rent across areas (to allow people some choice over housing without suggesting that the quality available for an average rent is the "minimum"). Next, for each household type, an hourly wage rate is calculated that would be sufficient to produce the required budget, after deducting tax and adding on any benefits and tax credits to which one would be entitled, assuming that the adult or adults in the household work full time. Then, a weighted average of these hourly wage requirements is calculated according to the representation of different household types in the population. This produces an overall LW calculation (separately for London and for the rest of the UK), which is applied, unless it would involve an increase since the previous year of more than 3 per cent above the Consumer Prices Index, in which case its increase is limited to that amount.
In authorising this method, the Living Wage Commission has selected an agreed approach not just to the basis for describing a living standard, but also for three other issues that frequently arise when setting a LW: how to deal with local variations in costs, how to represent multiple households requiring different wage rates to reach a common living standard and how to uprate a LW over time. Again, having an independent body to adjudicate these issues helps to produce acceptance for a single national approach.

The issue of local variations has been particularly important in the USA, where various calculators adapt local LWs to geographical cost differences such as housing (Economic Policy Institute, 2015; MIT, 2017; Ciscal, 2002). However, this can create a confusion of different rates, sometimes applied in the same area, and the averaging method used in the UK, described above, is a conscious compromise to produce a widely known and accepted figure for campaigning purposes.

A harder issue to resolve concerns the extent to which a LW covers the needs of different types of household. No one hourly wage rate will produce the same living standard for all households, since households differ greatly by the number of hours' wages that come in and by the number of household members that these earnings, combined in some cases with benefits and tax credits, have to provide for (Bennett, 2014). One approach is to ensure that wages are enough to provide for a family, for example with two parents and two children, accepting that it is unrealistic for a wage to provide for the largest families, but equally that for a single person, such a LW may be considerably in excess of what they need. LWs are based on a family of four in Canada and New Zealand, with a justification for the latter as being that this is the size of family needed for population “replacement” (King, 2016; Hirsch and Valadez, 2017, p. 33). An alternative approach argues that while employers should ensure that a worker can earn enough to support themselves, it is more the role for family benefits to provide for dependents, and that therefore a LW should be based on meeting the needs of a single person. This has been the approach in Ireland, influenced by the level at which a LW is thought to be realistic (Collins, 2014).

The choice for the UK of a middle way between a family and a single person’s LW, based on a weighted average for households of different composition, was taken by the Living Wage Commission because of its desire that the LW should cover a “broad and representative mix of family types” (Living Wage Commission, 2016, p. 5). This was based on a finding from a stakeholder consultation by the body advising the Commission: that employers and employees would find a LW less credible if it was calculated based only on the needs of one group of workers (D’Arcy and Finch, 2016a, p. 25).

The same review argued, also on the basis of consultations, that the LW calculations should be based only on households whose adults worked full time (D’Arcy and Finch, 2016a, p. 27). It is recognised that for many working households, this does not reflect reality. However, it is not realistic to think that employers will pay a wage that provides enough to live on regardless of how many hours someone works. For families such as lone parents and those with disabilities who may find it harder to manage a full-time job, the state has a particularly strong role in helping to top up part-time wages. A strong argument for a LW is that wages should at least allow the opportunity to reach a given standard of living through full-time work.

The final issue that affects any calculation of a LW is that it has to be set at a realistic, stable level. That is to say, there is no point setting a LW that few employers feel that they can afford to adopt, or that they will find it impossible to maintain as its level changes over time. These are difficult conditions to meet, at the same time as keeping the integrity of a wage based on maintaining living standards, under changing conditions. Both of the pre-2016 methods of setting LWs in the UK had stabilisers built in, but the context in which these were applied risked compromising the link with living standards. The UK LW calculated by Loughborough University (Hirsch and Moore, 2011) put a limit on the amount that the wage could increase in any one year, to the increase in average earnings plus 2 per cent.
Where the cap was applied, a “reference rate” based on actual living costs continued to produce a benchmark to which the applied rate should converge where conditions allowed. However, in the four years following the launch of this method in 2011, the stagnation of real wages combined with cuts in tax credit entitlements (which meant that substantially higher wages were needed by families to maintain a given living standard) resulted in the cap always being applied, and by 2015 the reference rate was over £1 an hour above the applied rate (Hirsch, 2015b). In the case of the London LW, half the calculation was always calculated with reference to median income rather than living costs. Moreover, for the half of the calculation that did consider household living costs, in about half of household cases annual increases were determined by the level of the NMW rather than changes in living costs themselves, since the formula did not allow any household’s wage in this calculation to fall below the NMW plus 15 per cent (GLA 2015). Thus both inside and outside London, stabilisers in the formula weakened considerably the link between changes in the applied LW and changes in living costs.

The LW calculation introduced in 2016 under the Living Wage Commission helps address this difficulty, both in the way that it is constructed and in the way that it is governed (D’Arcy and Finch, 2016a, b). In its construction the calculation is linked entirely to living costs rather than (as in the GLA calculation) relating it partly to median income or the NMW, but this living cost calculation is designed to be more stable than the preceding UK LW calculated by Loughborough University. The weighting method used in the new system has been refined to give relatively less weight to families with children and less weight among such families to those with very young children requiring childcare. LW requirements for families with children are made highly volatile in the UK by the existence of steeply means-tested in-work benefits, since a small increase in costs requires a much larger increase in the wage, to make up for the loss of tax credits as wages rise. Additional volatility for families with young children has been caused by steep increases in childcare costs combined with a changing framework of public subsidy to help with these costs. In the present system, only a third of the UK-wide weighted calculation (34 per cent) is based on families with children, down from nearly half (48 per cent) in the previous version, and a calculation based on model families all of whom were assumed to have at least one child under five has been replaced by a population-reflecting set of examples, in which only about a third of families have at least one child of that age (D’Arcy and Finch, 2016b, p. 6; Hirsch, 2015b, p. 10). Despite this smaller exposure to potentially the greatest source of fluctuation, the cap on annual increases of CPI plus 3 per cent protects against any sudden rise.

None of this is a guarantee against the previous experience of unfavourable economic circumstances triggering a permanent cap that causes the link between the LW and living costs to be weakened. However, a critical new feature lies in the way that the LW calculation is governed. The Living Wage Commission (2016, p. 8) has said that it will continue to review the economic environment and the operation of the LW. Although it is committed to maintaining a system under which people on low pay with Living Wage Employers have their pay increased to reflect changes in living costs, it may decide to phase in changes or adapt the system if circumstances require this. Having an independent body with the authority to do so is a means of ensuring that the LW remains both credible and sustainable.

4. Is the LW idea sustainable in setting wage floors in the UK?
This paper has shown that the compulsory NLW and the voluntary LW are different animals, but with a common ambition of promoting improved living standards among the UK’s worst paid workers. The NLW is a means to tackle wage inequalities among workers over-25s more ambitiously (by being higher) and more systematically (by being pegged to median pay) than the NMW has done, and continues to do for under-25s. The LW, unlike the NLW, is calculated directly with reference to living standards, with the involvement of
the general public in defining contemporary minimum needs contributing to its public credibility. This has helped promote the LW concept, and has clearly influenced the government’s adoption of the NLW, as evidenced by the adoption in 2015 of the term “LW” to characterise a compulsory minimum rate.

An interesting parallel is the prominent use of the term “LW” by President Franklin Roosevelt to describe the first federal minimum wage that he introduced into the USA in 1933. Yet in recent years, the federal minimum has declined in value: since the 1960s, it has fallen by a quarter in real terms, to less than half what it would have been had it risen with average productivity (Hirsch and Valadez 2017, p. 14). What was introduced as a “LW” is now associated with living in poverty.

In seeking to make a genuine LW more sustainable, policy makers and campaigners seek to maintain a difficult balance between its credibility in relation to living standards and realism in terms of employers’ ability to pay it. In the UK, the establishment of an independent commission to keep the method for setting the LW under review is intended to add to the authority of a wage-setting system that may need to be adjusted from time to time in order to keep these factors in balance.

For both the LW and the NLW, the affordability issue will not go away, and will be influenced by two crucial factors other than living costs themselves: the level of labour demand, which will determine what wage floor is affordable and does not create unemployment, and the level of state support for low income working households, which will influence what wage is sufficient to deliver minimum living standards.

On the issue of labour demand, the LPC continues to advise on the relationship between compulsory wage floors (the NMW and, for over-25s, the NLW) and employment levels. In the case of the NLW, however, its brief is presently limited to advising on the very narrow issue of how to stage the introduction of a politically prescribed relative pay level: 60 per cent of median pay by 2020. The Commission has warned of considerable uncertainty among employers, especially in certain sectors such as social care, about the potential impact on the labour market of future increases, but has so far chosen to recommend a straight-line trajectory to the politically determined 2020 rate (Low Pay Commission, 2016b). In the event that it finds, in future, that there has been a negative effect on the number of jobs, ministers would have to weigh the benefits of fulfilling a political pledge aiming to raise workers’ living standards against the economic costs of reduced employment, including for those on low incomes who became unemployed as a consequence.

In such an event, another option would be to make relatively greater use of means-tested support for low-income working families, notably Universal Credit (UC), which is replacing tax credits as the main state top-up based on post-tax income and family composition. Delivering the 2015 Budget, George Osborne explicitly sought to shift the balance more in the direction of wages rather than such tax-funded transfers in improving the living standards of working families (HM Treasury, 2015). Yet his proposed cuts in tax credits (although not in UC) had to be abandoned because they produced losses that would have greatly outweighed the very modest net gains that working families would get from a higher wage floor (Hirsch, 2015c). Conversely, improvements in the level of UC support, or a raising of the “work allowance” above which UC starts being withdrawn with rising income, would reduce the wage needed to produce an acceptable living standard. In the long term, a sustainable strategy for ensuring that wages are at a level high enough to provide decent living standards must necessarily consider what contribution the state should make to supporting families, in light of what employer contribution is compatible with high employment levels.

The terms of this debate have been altered by the introduction of a compulsory wage floor that calls itself a “LW” and is not set purely with regard to what wage level labour demand can support without harming employment or the economy. The voluntary LW has been taken up by employers who think they can afford to pay it; the compulsory rate applies
to all. In early 2017, the April 2020 rate for the NLW was forecast to be about £8.75 by Low Pay Commission (2017b, p. 19), 35 per cent higher than the NMW five years earlier. Such a transformational increase in a compulsory minimum will provide perhaps the biggest research laboratory ever seen for how employers respond to a large hike in minimum wages. The results are likely to inform policy, both on wages and on other support for low income working households, for many years to come.

References


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Community and union-led Living Wage campaigns  
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Abstract  
Purpose – The purpose of this paper is to demonstrate different approaches to effective campaigning in support of the Living Wage and so this paper contributes to the broader debate over the nature of the union movement’s engagement with community groups in pursuit of workplace and social issues.  
Design/methodology/approach – The paper presents a systematic comparison of a union-led and a community-led campaign, drawing primarily upon interview and survey data.  
Findings – Though different, both campaigns met with a measure of success in improving employee pay and in increasing union membership suggesting a pragmatic approach to the building of union-community relationships.  
Practical implications – The paper shows the need for campaigners to adopt a strategic approach in identifying the target for their campaign, and also the importance of shaping a persuasive argument.  
Originality/value – The paper reaffirms the importance of traditional union-led campaigning alongside campaigning through engagement with community groups and so offers a broader framework for exploring the relationships between union and community groups.  
Keywords Living Wage, Community campaigns, Social movement unionism, Union campaigns  
Paper type Research paper

Introduction  
Trade unions in Britain, as elsewhere, have faced a sustained challenge to their role and there has been extensive debate, analysis (and practical action) over the most appropriate way for the union movement to respond to these challenges (Kelly, 1998; Heery et al., 2003). At the forefront of this debate has been the notion of social movement unionism whereby unions engage with other community groups in pursuit of broader societal issues, not just workplace ones (Fairbrother and Webster, 2008; Parker, 2011). A union strategy of broader community engagement can be contrasted with more traditional forms of union activities, most particularly the pursuit of improved pay and conditions for members through industrial campaigns. Community engagement envisaged in social movement unionism and industrial campaigning are not mutually exclusive and both can take many forms.

One important aspect of social movement unionism is that it envisages engagement over a broad agenda of social and political issues. However, a significant theme of research has, 

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not unexpectedly, related to the nature of union-community campaigning over workplace issues, typically over issues of low pay and poor working conditions. The emergence of community-led campaigns about achieving a Living Wage (Devinatz, 2008; Holgate and Wills, 2007; Luce, 2004, 2007; Parker, 2011; Wills, 2008) is a good example of the blend of community and union campaigning about what is ultimately a workplace issue, though one with important social ramifications for the workers concerned. However, the Living Wage issue has also been pursued through more traditional union- rather than community-led campaigns raising questions about the nature of the respective campaigns. This paper offers one such comparison, between a community-led campaign over the Living Wage in London with a union-led campaign in the local government sector. Both campaigns provide insights into the importance of collective action, in whatever form, to achieve improved pay and conditions for workers in some of the most challenging sectors of the economy.

Union and community campaigning
The traditional workplace role of the unions in building membership strength and then campaigning on industrial issues has come under challenge from neo-liberal economics driving public policy. Union movements around the world have had to engage in soul searching as their memberships have declined (Fairbrother and Webster, 2008; Frege and Kelly, 2004; Lambert, 2013; Robinson, 2000). The globalisation of production processes poses further challenges for low paid workers and the unions (Miller and Williams, 2009) and while workplace organising may be regarded as necessary for union renewal (Heery, 2015) it is no guarantee of success (Hickey et al., 2010).

Unions have long sought to gain and exercise political influence to secure government policies and legislation thatfavours and protects employees (Webb and Webb, 1902). Although the links between the union movement and the Labour Party have become more volatile (Ludlam and Taylor, 2003) the political route to influence is still seen as a means of union renewal (Heery et al., 2003).

Besides operating in the political sphere unions have always been a social movement campaigning for issues beyond the workplace and in response to the challenges they face, they have seen the benefit of alliances with other similarly motivated organisations (Bernaciak et al., 2014, pp. 56-58; Parker, 2008). Holgate (2013) reminds us of the influence of religious teachings on the early union movement. In recent times, faith groups often find themselves campaigning on social issues that have arisen as a consequence of events in the workplace. In doing so they may find themselves campaigning alongside trade unions fighting the same issue. Other community groups can find themselves in the same situation (see e.g. Fine, 2007) and so the potential for cooperation is clear. Not only is there some commonality in the issues of concern that these various bodies are campaigning over there is also some similarity of method. The role of the lay organiser building up the solidarity and activism amongst the union membership is similar to that of those who find themselves leading community campaigns. It is often the union that has the practical experience in coalition building and organising a campaign but it is the community group that has the ability to get a crowd to rally outside an employer’s premises (Luce, 2005). However, this blend of campaigning capabilities does not always prove to be sufficient; some commonality of ideology and culture as well as of goals is needed (Fine, 2007; Holgate, 2015a).

Community-led Living Wage campaigns have originated from an American-style strategy of community organising. Having a clear local focus these campaigns place great emphasis on the training of local volunteers and potential leaders “to act collectively on their own behalf” (Whitman, 2006). Training and education is seen as crucial as it is the main vehicle used to inculcate a deeper understanding about the nature, culture and ideology of broad-based organising (Holgate, 2015a). Moreover, community organisations aim to develop a base of organised people and this is achieved through relational meetings. The basic “building block”
of community organising is the one-to-one relational conversation between community members (Tapia, 2013). Community-led Living Wage campaigns have typically involved some form of direct or public action. Classic examples include asking questions in companies’ AGMs, public marches, carol singing and events such as “flashmops”, where community alliance members congregated quickly in supermarkets with mopping and other cleaning instruments and called the employer to consider the Living Wage, in a song (Parsons, 2011). Such actions are usually accompanied by strategic use of the media.

We should here highlight the difference between a community-led campaign and the appeals made by unions and workers to the general public for community support for an industrial campaign they are waging. Unions have always sought – where they can get it – favourable press coverage and public participation in rallies, etc. Sometimes the union and workers are more creative. Cleaners working for contractors in CBD offices in Sydney developed their own version of a “flashmop” event as part of Unite’s CleanStart campaign for better pay and working conditions. To create awareness of their situation cleaners put toilets in the entrances to the plush office blocks and asked incoming workers to try to clean it in 35 seconds, the time allowed in the contract tender document. This was part of a broader union strategy to place pressure, via the occupiers of buildings on the owners and property managers rather than on the immediate employer of the cleaners (Fells, 2015).

The forms and extent of union engagement with community groups can vary ranging through an ad hoc arrangement, a simple coalition to a deeply engaged relationship (Tattershall, 2006). Ad hoc partnerships are characterised by their instrumentality and issue or event specificity. Simple partnerships have a more formal structure of decision making between union and community group but again as a sense of instrumentality about it. Where union and community groups have common interests around a broad social nature, this provides the basis for a more committed relationship and ongoing interaction with formal joint decision making and activities to strengthen the interaction between union and community members. In a sense, the actions in pursuit of the social goals are no longer “joint” actions between union and community groups (reflecting an instrumentality of interaction) but actions by a new self-sustaining entity.

Despite a potential common interest, union engagement with community groups is not inevitable as it poses a strategic challenge for unions, often at a time when low membership revenue means they are least able to respond to new challenges. When the focus of community activism is over an issue that is not related to workplace issues, such as the withdrawal of government services, or environmental concerns over a proposed business development then unions have to carefully consider devoting increasingly scarce resources to activities that are not directly related to their members’ needs for improved working conditions and employment protection. When unions do seek to engage their engagement is impacted by their organisational structures that tend to be hierarchical (Symon and Crawshaw, 2009) while community activism is more organic (Tattersall, 2015). Within unions there can be differing responses with, for example, support for community engagement at the executive level and actively pursued by individual union officials, but with less engagement at from intermediate levels within the union (Simms and Holgate, 2010; Tattershall, 2006). This merely reflects pressure on union officials as they go about the business of looking after their membership. Some unions have sought to overcome the potential tensions of engagement with community groups by opening their membership to the unemployed and others who would not typically be union members (Holgate, 2015b).

Low pay as a campaign issue
Low pay remains an international issue (Laliberte, 2012) that affects individual workers, even in developed economies (Lohmann, 2009) with, for example, workers in Italy’s high fashion industry found to be working for less than a Living Wage (Abiti Puliti, 2014). Institutional approaches – whether through collective bargaining or statutory minima – are not providing
a definitive route through which to address the issue (Garnero et al., 2015; Muller and Schulten, 2017). It is not surprising that, over time, low paid workers have looked to other ways to campaign for an improvement in their wages and in their working lives. Every successful campaign needs a repertoire that resonates beyond the immediate actors. It is hard to argue against the notion that a worker would be paid enough to live on. This notion has been embedded in the Australian wage determination system from its inception in 1904 and, as will be shown below, has been at the heart of successful campaigning in the USA and elsewhere. The economic effects of introduction of a Living Wage are still unclear, in part because of the localised nature of campaigns (Fairris and Reich, 2005) but the moral nature of the argument being raised has provided a new dimension to the more traditional debate ("wage rise or job loss") around the minimum age and has offered a counter to the market-driven argument of neo-liberalism. This reshaping of the argument over pay levels has, in the UK, assisted the emergence of employer support through organisations such as the Living Wage Foundation and increasing (but still seemingly reluctant) acceptance by government that the national minimum wage is not a Living Wage.

While the concept of a Living Wage is not new the modern Living Wage movement is viewed as having developed in America in the municipal government sector. In 1994, seeing full-time employees coming to their soup kitchens, Baltimores United in Leadership Development (a coalition of churches, trade unions and neighbourhood groups) started campaigning for a Living Wage (Luce, 2007). Their campaign spread and Lammam (2014) reported that more than 140 American municipalities have Living Wage laws. In contrast, the modern campaign for a Living Wage in the UK emerged in the commercial district of London’s Canary Wharf. The East London branch (TELCO) of the community organisation Citizens UK launched the campaign in 2001 staging protest actions which led to payment of the Living Wage at prominent city banks. The campaign became national and is coordinated by the Living Wage Foundation, established in 2011 by Citizens UK. As a direct result of these campaigns, wage increases have been secured in universities, banking and financial services, healthcare, cleaning, hospitality, catering and retail (Holgate and Wills, 2007; Lopes and Hall, 2015a). A Living Wage campaign has also developed in New Zealand where the legislative framework for collective bargaining was essentially dismantled (Parker, 2011). Campaigns to achieve a Living Wage increasingly feature in developing countries such as Indonesia and Myanmar (Ford and Gillan in this journal), often as part of grass-roots political campaigns in elections (Anker and Anker, 2017).

Holgate (2015a), Tattersall (2005) and others raise questions about why unions do not engage more fully with communities and where they do, whether such engagement can be sustained. In presenting two case studies of campaigning around the same Living Wage issue, this paper offers some insights towards an answer to this question as well as some perspectives on the nature of collective campaigning.

Methodology
Both case studies have been developed through surveys, interviews and documentary analysis. The first case is of a community-led campaign at University of East London where cleaners and other workers combined together, with the support of the East London Communities Organisation (TELCO; a branch of Citizens UK) to improve their pay and working conditions. Unison also became involved. The first stage of this research took place in 2011 and it involved a survey of the cleaning staff at UEL (n = 39, a response rate of 43 per cent). The survey focussed on the workers’ motivations and experience of migration, as well as on their experience of political activity, social and civic activities and church activities. This was supplemented by a round of eight semi-structured interviews with cleaning staff at UEL (four women and four men). The interviews aimed to explore topics that emerged from the survey in greater depth. This phase of the research was also supplemented by participant observation at different stages of the
campaign, including meetings, a complaints choir and a week-long training course delivered by Unison Hidden Workforce Unit. During a second stage, a year after the implementation of the Living Wage (2012), a second questionnaire was distributed to cleaning staff. Questions covered pay and working conditions, workloads, overtime and hours, payments and grievances. In total, 41 responses were received, a 46 per cent response rate. The same themes were further explored in a focus group and seven semi-structured interviews. All interviews were conducted face to face, either in the workplace or in the participant’s home, depending on the interviewee’s choice and where they felt more comfortable and safe. They lasted on average 45 minutes. The interviews were conducted in the participant’s first language (Portuguese or Spanish) and subsequently translated. Interviewees were invited due to their involvement in the Living Wage campaign under study. Given the small size of the total population, these reasonably small samples were deemed representative and the interviews provided a sense of theoretical saturation. Quantitative and qualitative data were stored in password protected computers. Participant anonymity was maintained at all times. This was crucial, as cleaning staff who had taken a very active role in the campaign feared bullying and victimisation.

The second case involves the General Municipal and Boilermakers (GMB) which organised a national campaign for the Living Wage in the local government sector. Interviews were conducted in 11 local authorities (see with 7 GMB officials (three national officers and two regional secretaries), 14 local lay officials involved in the campaigns and 13 HR directors between 2013 and 2016. All union interviewees were asked to evaluate the effectiveness of the local and national campaign and outline local campaigning effectiveness. The HR directors were all asked why they adopted the Living Wage and what obstacles prevented them from agreeing to pay immediately. The local authority areas in Table I included four London Councils, Lancashire (1), North West (2), Yorkshire (2), Wales (1) and South West (1). Information on the numbers of direct and sub-contracted employees and the estimated costs of the campaigns are in Table I.

The data from the two cases were analysed using a thematic analysis framework of organising questions derived from the literature relating to community-union campaigning, starting with the work of Tattershall (2006) who offers a typology of union-community relationships based on the depth of engagement.

The community-led campaign
The community-led case reported here is the campaign to implement the London Living Wage at a university in London’s East End (UEL). (For a fuller account of the campaign,
The campaign was instigated in 2010 when, in a presentation to the students, a TELCO speaker drew attention to the fact that the sub-contracted cleaning employees were not paid the Living Wage Foundation rate. As awareness began to translate into action TELCO took the lead, and this leadership continued through the campaign. The initial campaign team included academics, students and cleaning workers. Unison’s UEL branch had not recruited among the cleaning staff because the cleaners were employed by contractors, not the university. Initially the union office was unable to offer direct organising support but did find a way to do so under the umbrella of its Hidden Workforce project (www.unison.org.uk/tag/hidden-workforce/). This project was an initiative to give support to marginalised workgroups and was able to provide encouragement and practical support through workshops to help the workgroup develop and manage their campaign.

The following survey response from a male cleaning worker prior to the introduction of the Living Wage at UEL, also summarises the main issues that prompted the campaign: “Working this kind of hours – 6am to 8am – we deserve a better wage. Besides, they give us a lot of work for such few hours”. Phase 1 of the campaign was kick started by a letter requesting a meeting with the university’s vice-chancellor to discuss the Living Wage. The aim was to build a relationship with senior management and gain recognition, a strategy that was in part successful as it resulted in the vice-chancellor announcing that the university would sign up to be a Living Wage employer and that it would be introduced as contracts came up for re-tendering in 2011. The campaign then entered a new phase, aiming at speeding up the tendering process and implementation of the Living Wage. The main campaign tool used was the performance of a “complaints choir” in which the cleaning staff put their “complaints” in a song, such as by a 58 year old female Dominican worker: “Mucho trabajo, Y poca plata, Lots of work, Not enough money”.

The campaign team produced a three-minute film containing footage of the choir practices and interviews with cleaning staff. This was posted on YouTube and caught the attention of the vice-chancellor, succeeding in its aim of focussing attention on the tendering process and getting the ethical track record of the company pushed up the agenda. (The film can be viewed at: www.youtube.com/watch?v=y-aRNW-Rst.) Supportive members of community groups attended the workgroup’s activities and in doing so helped the employees feel less vulnerable to potential retaliatory action by the employer.

UEL’s cleaning workers received the Living Wage in August 2011 and in 2013 the university became an accredited Living Wage employer. In the same year, UEL students and staff launched a campaign to introduce the Living Wage at London City Airport, following requests from cleaning staff for assistance. Unlike other unions, Unison’s involvement with Citizens UK has been continuous and sustained (Holgate, 2015b).

The union-led campaign
Pay and conditions in the local government sector are established through negotiations in a National Joint Committee (NJC); in 2013 approximately 22 per cent of 446,300 local government workers were paid below the Living Wage Foundation rate. In October of that year the GMB Union, Unison and Unite established a national campaign to increase the pay of their members in the local government sector to the Living Wage Foundation rate of £7.45 and a London rate of £8.80. By 2015, 175 of 375 local councils in England, Northern Ireland and Wales had adopted this rate (GMB, 2015).

The unions’ campaign for an increase first took the form of a claim for an additional £1 per hour above the minimum NJC rate (i.e. to just above the Living Wage rate – a £1 increase being much easier to campaign for than one for 92 pence). However, the eventual settlement fell short of this. The GMB then campaigned at the local level, and extended the issue to the rates for sub-contractors (who were not covered by the NJC Agreement).
The GMB has concentrated recruitment and organising members targeting catering, cleaning, environmental services and other areas of sub-contracting areas (including schools). Consequently, the union has a greater proportion of members in these occupations than Unison and Unite and so was a major driver in the local government campaign. (For further information about this campaign see Prowse and Fells, 2016a.) The local pressure was exerted through worksite meetings, keeping to contract, overtime bans and local newspaper publicity, community campaigns and lobbying local councillors (GMB, national officer and regional secretaries). The election of local councillors’ local government offered unions an alternative route though Labour councillors, especially in Labour controlled or marginal where Labour had potential to secure electoral majority Council control. This was used directly by petitions, letters and lobby meetings with Labour councillors, and indirectly through the National Labour Party lobbying. The Union turned to the media where it did not have political influence. The numbers of direct and indirect employees that benefited from the union’s campaign and the estimated costs to the local authorities are shown in Table I. The data show a significant flow-on to employees of contract service providers.

There is little evidence in the GMB’s documentation (such as its 2013 Annual Report) or from the interviews with GMB officials and activities that the GMB actively sought the support of religious or community groups in its campaigns. Three Councils (Islington, Liverpool and Sheffield) had established “Fairness Commissions” to examine social and community issues. The Commission reports all recommended the adoption of the Living Wage by their local authority and employers as a step towards addressing these broader issues. This did not translate into ongoing involvement between community groups and the GMB as the union pursued its claims at the workplace. However, the union did draw on support when it was offered, as in the campaign at Cardiff:

It was a real political campaign but also with support from partners such as Save the Children. The joint collective agreement with GMB, Unite and Unison was praised as a beacon for the rest of Wales (GMB Cardiff Regional Officer).

All the local governments surveyed in Prowse and Fells (2016b) eventually paid the Living Wage (i.e. a rate above the NJC rate) not only for direct employees but also for sub-contractors. From the union’s perspective the campaign was a success in terms of membership but also coverage as the campaign led to wage increases not only for employees of the targeted employers, the local authorities, but also for two-thirds as many again employees of private sector companies providing contracted services (Table I). Commentating on the success of two London Councils the GMB Senior organiser stated:

GMB led the discussions with Hounslow and Barking and Dagenham. Our estimates were that 70% of the membership were both part-time and low paid women with only the £250 pay increase in 2012. In 2011 we negotiated with the Local authority Cabinet and the leader of the Barking and Dagenham Council agreed the Living wage of £8.30 per hour on 31 October 2011 for directly employed council staff and non-school staff. In 2014 Barking and Dagenham Council offered a rate of £9 per hour. This rate was above the actual rate set by the Living wage Foundation. Hounslow accepted a rate of £8-80 per hour (GMB Senior Organiser).

A comparison of the two cases
The two cases of campaigning for a Living Wage show some similarities but also a number of differences that offer insights into why and how campaigns develop. The key similarity is that in terms of the primary objective, securing a Living Wage, both campaigns were successful. Where they differ is in relation to the extent to which there was union engagement with the community. With this in mind we can use Tattershall’s (2006) typology as a starting point for analysis. The UEL case reported on here can be classified as a simple coalition between community and union. Tattershall (2006) recognises that such partnerships
are not necessarily equal but dominated by one party, typically the one that initiates the partnership. This is so in the UEL case where the lead was, and is, taken by the community, this being both TELCO and the workgroup. The union’s role is of constructive support. Deeply engaged relationships may well be established at the organisational level—a strategic alliance to use the language of business. They could, however, grow out of a more instrumental partnership (in the same way that calculus trust can develop into identification-based trust). The ongoing relationship between TELCO, the workgroup and Unison has taken on a broader perspective in being able to assist other similar campaigns in other organisations but there is no sign of an organisational superstructure emerging that would be an indication of a more deeply engaged relationship. In contrast we can conclude that that “community engagement” or partnership does not form part of the GMB’s campaign that identified all the characteristics of a traditional bargaining model. “Engagement” with the community meant creating public support for the workers but did not, for example, involve drawing community groups into the workplace campaigns and industrial action of their members. The engagement by the GMB with the community was not even ad hoc, suggesting that for completeness, we should add a “no engagement” category to Tattershall’s (2006) categories of ad hoc, simple coalition and deep engagement, if only to provide insights into why unions do not engage, as well as by how much they do.

Tattershall’s typology explores the nature of relationships. The focus of this paper, however, is the nature of campaigns, rather than the relationships per se. Campaigns are more focussed, in so far as they take place in a particular moment in time, and more dynamic. A number of organising questions form the basis for discussing the cases and these are summarised in Table II.

First, what were the strategic or motivating factors that gave rise to the campaign being started? According to mobilisation theory (Kelly, 1998), collective action is triggered by a sense of injustice or of a breach of shared social values (Kelly, 1998). The campaign at UEL was instigated by TELCO creating awareness of injustice (low pay) among academics and students as well as the cleaning workers themselves. Also, by making it clear that it was the vice-chancellor, senior management and the university board of governors who could remediate the problem of the cleaners’ low pay, TELCO invoked “attribution”, a key factor for action in mobilisation theory. (Attribution refers to placing blame on a particular agent or at least believing that a particular agent is able to remediate the problem.) Unison then became involved in an important supportive capacity. In contrast, the GMB campaign was a centrally determined strategic initiative, the joint GMB, Unison and Unite campaign. In the GMB’s case responsibility for implementing the campaign was through its regional offices.

Second, with regard to community-union engagement, what was the trigger point for any engagement to occur? In the community-led case the workgroup and community organisers realised the need for some workplace expertise and turned to the local Unison branch for assistance. Naturally Unison also sought to recruit new members and was successful in this respect. As indicated above, the GMB’s campaign was organised through its regional offices and union officials campaigned at individual workplaces as the opportunity arose. Each local campaign developed its own combination of industrial and political pressure. There was no explicit strategy at either national or local level to reach out to community groups as these local campaigns were waged.

Third, what is the breadth of social cohesion and identification, which according to mobilisation theory (Kelly, 1998) is a necessary factor for collective action to occur? In community campaigning group identity is created from a “broad-base” of groups and individuals with disparate views and agendas that come together around a specific issue (e.g. the Living Wage). The involvement of religious groups as an important element of support and as contributing to the success of Living Wage campaigns lead by TELCO has been discussed by Jamoul and Wills (2008). The UEL campaign received the support of faith
groups (as well as school groups) that were affiliates of TELCO. Local religious leaders supported the campaign by speaking at campaign rallies that took place on campus. Here student and university staff support and also religious community support were important. This contrasted with the 11 local authority cases surveyed where the GMB did not actively seek the engagement of community groups. Typical was the case in Sheffield where the local organiser was adept at getting favourable reports in the local press but otherwise focussed their energies on the workplace and the political arena (Prowse and Fells 2016b). This was an option not so readily available to the campaigners at UEL; the GMB was able to apply pressure to councillors, particularly during election campaigns to secure commitments that the council would pay the Living Wage.

Any campaign has to be pursued through persuasive argument – the “persuasion” coming through the nature of the proposition and coercive force that accompanies it (Chamberlain and Kuhn, 1965). How did the two groups of campaigners seek to persuade the employer? In wage negotiations the argument is typically economic – the ability of employers to pay, backed up by the threat of industrial action, the essence of which is to impose economic costs on the employer, making agreeing to the claim the

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<th>Initiation of the campaign</th>
<th>Community-led campaign</th>
<th>Union-led campaign</th>
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<tr>
<td>Strategy/Motivation</td>
<td>Unorganised workers seeking to improve their working and non-work lives, and their terms and conditions of employment generally</td>
<td>Centrally determined</td>
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<td></td>
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<td>i) membership growth</td>
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<td>ii) improved terms and conditions of employment</td>
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<td>iii) no broad social objective</td>
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<th>Trigger point for union involvement</th>
<th>Community-led campaign</th>
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<td>Workers approach the union which sees opportunity to increase its presence and membership</td>
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<td>National campaign</td>
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<th>Union’s action in being involved</th>
<th>Community-led campaign</th>
<th>Union-led campaign</th>
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<td>Some lay reps training (for immediate campaigning and for ongoing organising) “we’ll help nurture your activity”</td>
<td>Officer led</td>
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<td></td>
<td>Support through campaign materials, negotiating expertise, some lay reps training (for ongoing organising) “we’ll take over from here”</td>
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<th>Nature of the campaigning</th>
<th>Community-led campaign</th>
<th>Union-led campaign</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waged in moral terms: “greater good/right thing” arguments community support in similar terms, from workers’ churches, etc. non-industrial activities, e.g. complaints choir community support for the non-industrial activities</td>
<td>Waged in industrial terms: economic arguments, but also will use moral persuasion implicit/actual industrial action able (in local government) to use political persuasion</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Focus and place of activity</th>
<th>Community-led campaign</th>
<th>Union-led campaign</th>
</tr>
</thead>
<tbody>
<tr>
<td>i) with the employer: primarily at the top level (vice-chancellor, governors)</td>
<td>i) with the employer: primarily at the bargaining table</td>
<td></td>
</tr>
<tr>
<td>ii) outside the work space, i.e. to access the “target” (vice-chancellor, etc) – outside the chancellery, through YouTube</td>
<td>ii) workplace activism</td>
<td></td>
</tr>
<tr>
<td>iii) generate a media presence</td>
<td>iii) generate a media presence</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Outcome</th>
<th>Community-led campaign</th>
<th>Union-led campaign</th>
</tr>
</thead>
<tbody>
<tr>
<td>Living Wage paid, but some offsets Membership increase</td>
<td>Living Wage paid Flow-on to contractors Membership increase</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ongoing union-community relationship</th>
<th>Community-led campaign</th>
<th>Union-led campaign</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community groups’ continued involvement</td>
<td>Ongoing union activism</td>
<td>Officer led</td>
</tr>
</tbody>
</table>

Table II. Comparison of community-led and union-led Living Wage campaigns
cost-preferable action. This was the core of the GMB’s approach though, as shown above, the campaign being in the local government sector also opened the opportunity for political pressure to be exercised. The union was able to use a letter from the Leader of the Labour Party in support of the Living Wage, and also benefited the mayor of London supporting Conservative Councils to pay the Living Wage. The employers’ defence – even when agreeing in principle – was the economic one of affordability. Having an economic (and political) focus does not preclude applying moral pressure on those across the bargaining table.

The UEL campaign illustrates the different way the argument can be put. We have noted that a campaign needs a compelling narrative and the notion of a Living Wage is a proposition that is hard to argue against. The UEL campaign was shaped primarily in these terms, around the simple proposition that people working in an institution such as a university should be paid enough to live on. This was backed up by drawing attention to the ethical behaviour that would be expected of an institution such as a university. This shift in the central argument also requires a shift in the focus of the campaign. The cleaners did not have a seat at any bargaining table but, in any event, while the employer might agree to the moral argument it could rebut it with an economic defence. As in similar contract situations, the key decision maker is the contracting organisation, in this case the university, but to focus on the procurement office is again inviting a successful economic rebuttal. Instead there must be a strategic focus based not on economics but at senior decision makers. Hence, the effort to get the university’s vice-chancellor to discuss the Living Wage and the pressure on the board of governors.

The conditional nature of the campaign’s success relates to the implementation of this commitment. When the campaign entered a new phase, aiming at speeding up the tendering process and implementation of the Living Wage, the workgroup (by now many were union members) needed the evident support of their local community groups and the negotiating expertise of the union to ensure the contractor did pay Living Wage rate. The nature of the community campaigning at UEL contrasts with that of employees in the GMB-led campaign where there were protracted negotiations with both councils and contractors, coupled with industrial disputation.

How effective were the respective campaigns? The specific aim of the campaigns was to achieve the Living Wage rate for employees and by this measure both were a success. In both campaigns this success extended to sub-contracted employees, a problematic area for unions. This success was not immediate in the case of two of the councils surveyed that did not award the Living Wage until 2015. These three councils (Bradford, Cardiff and Knowsley) had not previously contracted work out and so the impact of paying the Living Wage had a more direct impact on their labour costs. In contrast, one council (Islington) benefited financially from their decision to bring sub-contracted services back in-house. Cardiff Council cited support from Labour councillors after the GMB members assisted in 2014 local elections in Cardiff and a commitment if re-elected to pay the Living Wage Foundation rate and, as indicated above, had support from other community organisations and unions.

The achievement of the Living Wage at UEL was also not clear-cut. The commitment to achieve it through the tendering process but this process was not straightforward and so led to the second phase of the community campaign to ensure the proper outcome. However, although the workers are now paid the Living Wage there have been offsets in other terms and conditions. This, however, points to another measure by which the campaigns can be judged, namely, the extent of ongoing activism and connections with community groups. In this respect, the community-led campaign at UEL has been a success. The relationship between workers at UEL and the community groups has been maintained. Even more, UEL students and staff launched a campaign to introduce the Living Wage at London City Airport, following requests from cleaning staff for assistance.
In both cases, the respective unions (Unison and GMB) report an increase in membership which, by their criteria, would be a measure of success. The local Unison branch at UEL was energised by the recruitment of a number of active members; this activism continued at the university through the broad coalition of staff, students and the union branch. There is less evidence of ongoing activism in the national campaign by the GMB where the picture seems to be more of local activity on a “care and maintenance” basis in anticipation of the emergence of the next workplace issue that needs to be negotiated over and a longer term campaign for £10 per hour in the future.

**Discussion**

A number of factors – social, economic and political – have, over the years, contributed to a situation where community groups have emerged alongside trade unions as agents for change, opening up the prospect of productive engagement between them. The two cases presented here highlight different approaches taken to pursue the same issue of the Living Wage and some broad lessons can be learned. One common feature is that in both campaigns in different ways, the persuasion strategy necessarily involves getting to a higher level in the organisation than only facing off across the bargaining table. This need for strategic engagement at executive level is particularly important when bargaining on behalf of contract employees where it is crucial to loosen up the parameters of the tendering process (i.e. more funding put into the contract) otherwise contractors have a defensible “we can't afford to pay” argument resulting in workers suffering offsets in other work conditions to pay for their own Living Wage increase. The need for this strategic persuasion is one reason, particularly in the private sector, why community engagement is important. But securing top-level commitments is not sufficient and a different form of persuasive power – expertise at the bargaining table – is normally needed to ensure the benefits flow through to employees. Hence, the instrumental blending of community and union resources to ensure the success of a Living Wage campaign.

It will have been noted that the political nature of the employer in local government opened an avenue of pressure that is not possible in the private sector; the union was able to use its network of political connections to bring pressure to bear on the local councils. An area for further research would be of a union-led campaign in a private sector where the union would not have the opportunity that the GMB had to exercise some political influence to achieve their workplace objectives. From a practical perspective, the union’s campaign demonstrates the need for campaigners to be strategic in identifying all possible avenue of persuasion.

In addition to highlighting the need for a strategic perspective to understand the nature of campaigning, the cases provide insights into the practical dynamics of campaigning. The different dimensions of campaign activity, as presented in Table II, provide a framework for the analysis of future campaigns and would permit international comparisons (thus overcoming one of the limitations of this UK-based study). As campaigns develop, unions and community groups bring different capabilities – organisational resources on the one hand, member mobilisation on the other (Tapia, 2013). As a result, particularly if they have been successful, campaigns can lead to partnerships. Arising out of the case studies we make two suggestions for developing Tattershall’s (2006) framework of union-community relations (Table III).

The first is to include the possibility of there being no union-community relationship to help explore situations from a union perspective which has to consider whether to initiate or respond to requests from a community group. Similarly, situations may arise where the nature of the issue (particularly ones with no workplace dimensions) and where the organisational capability of the groups is high, that a community group can achieve its goals without feeling the need to reach out to the union movement.

The second proposed addition is to suggest measures of success from a community group and union perspective. This highlights the fact that each party to the relationship has
different objectives and a partnership will be sustained only for so long as both parties are getting benefit from it. A partnership can, therefore, be regarded as a success by one party but not the other whereas a deeply engaged partnership would be characterised not only by the parties achieving their respective goals but the engagement itself providing benefit and so becoming self-sustaining.

**Conclusion**
The issue of low ages is widespread and it constitutes a significant challenge to trade unions in general, and particularly in the UK. Across both developed and developing economies there seems to be a disjunction between what is set as a minimum wage and what is needed

<table>
<thead>
<tr>
<th>Common concern</th>
<th>None</th>
<th>Ad hoc</th>
<th>Simple coalition</th>
<th>Deeply engaged</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Union pursuing its own agenda</td>
<td>Relationship occurs around an event</td>
<td>Relationship occurs around any issue</td>
<td>Issues of mutual self-interest to participating organisations</td>
</tr>
<tr>
<td>Structure</td>
<td>Union organisation and decision making</td>
<td>Formal meeting structure for decision making</td>
<td>If union initiated, union dominated</td>
<td>Issues framed as a broad social vision</td>
</tr>
<tr>
<td>Place</td>
<td>Workplace focus</td>
<td>Organised at any scale</td>
<td>Relationships can be at any level</td>
<td>Multi-scalar capacity</td>
</tr>
<tr>
<td>Union participation</td>
<td>Opportunistic solicitation of community support</td>
<td>Instrumental participation only</td>
<td>Union officials participate, if community initiated, junior staff participate Instrumental participation</td>
<td>Unions buy into planning process</td>
</tr>
<tr>
<td>Measure of success for a community group</td>
<td>n/a</td>
<td>Achievement of event goals</td>
<td>Achievement of event or issue goals Broadening community activism</td>
<td>Self-sustaining relationships and activism, reinforced through social achievement</td>
</tr>
<tr>
<td>Measure of success for a union</td>
<td>Improved wages and conditions for members Increased membership</td>
<td>Improved wages and conditions for members Increased membership</td>
<td>Higher levels of public support for unions and unionism Improved wages and conditions for members Increased membership</td>
<td>Union fulfilling its broader vision of being an effective agent of social change</td>
</tr>
</tbody>
</table>

**Table III.**
Suggested extension to Tattershall’s (2006) typology of union-community relations – additions in italics

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as a Living Wage. As labour markets and wage fixing processes become more decentralised the disjunction seems to increase. The case studies reviewed in this paper show that campaigns to address the need for workers earn a wage that they can live on can emerge from unions but also from community groups. That community groups involve themselves directly in core workplace issues such as wages is perhaps in part a reflection of the union movement’s declining influence in the workplace.

Unions themselves are form of community organisations, albeit with the community being defined by the workplace, but typically they have other broader social goals extending beyond the workplace. Community groups may become established for many reasons but the quality of work-life that their members experience will impact on many of the issues the group seeks to address. So there is obvious potential for cooperation and partnerships between unions and community groups, particularly around a workplace issue that has social consequence, such as the need to achieve a Living Wage. But cooperation and partnership are not inevitable. Our analysis has highlighted the need to understand the strategic motivation of any campaign and of any decision by a union or community group to seek the involvement and support of the other but also suggests that neither union or community group can – insofar as wage campaigns are concerned – can go it alone.

References
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Implementing the living wage in UK local government

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University of Manchester, Manchester, UK

Abstract
Purpose – The purpose of this paper is to understand the impact of living wages on organisational pay systems.
Design/methodology/approach – The research draws on 23 semi-structured interviews with HR managers, trade union representatives, and politicians at four UK local government case study sites.
Findings – The findings suggest that living wages can have a positive impact on directly employed workers in cleaning, catering and care services, but the research also finds that the localised adoption of living wages can lead to significant wage compression, resulting in a broad band of “low skill-low wage jobs”.
Originality/value – The theoretical contribution is twofold. In-line with earlier research the “first-order” effects of living wages are clear: hourly wages for a large number of women in part-time roles increased sharply. However, this is only part of the story as “second-order” effects such as ripples and spill-overs are less extensive than suggested by other studies. This is due to the limited scope for trade unions to restore wage differentials through collective bargaining, the slow progress in extending the living wage to contracted staff, and parallel processes of downsizing and outsourcing.
Keywords Pay equity, Trade unions, Public sector organizations, Living wage, Low pay

Introduction
High levels of income inequality and the increasing share of low wage work in many developed economies have led to calls from trade unions, social justice campaigners, and academics for a “living wage” for all workers. In contrast with collectively agreed or legally mandated minimum wages which are designed to protect workers against exploitation and extreme low pay, a living wage is calculated explicitly to provide a worker with sufficient income to reach a “modest but decent standard of living” based on the cost of accommodation, goods and services within a particular country (Figart et al., 2002). Living wage campaigns began in 1994 in the US city of Baltimore and have spread to more than 150 cities throughout the USA since then (Luce, 2014), and the UK living wage campaigns began in the early 2000s when The East London Community Organisation and one of the UKs largest trade unions, UNISON, began lobbying for a living wage some 30 per cent higher than the UK national minimum wage (UK NMW) (Wills, 2004).

The economic impact of living wage ordinances (laws) in the USA has been much discussed (see Neumark et al., 2012), but the evidence on “first-order effects” suggests that they can increase wages at the bottom by up to 30 per cent (over the federal minimum wage) with few of the adverse consequences predicted by critics in terms of the loss of jobs and working hours, or stunted economic growth and business relocation (Luce, 2014).
Wills and Linneker (2012 p. 4) note that although the UK NMW has helped reduce the incidence of extreme low pay, it has not been able to stem ‘the rising tide of in-work poverty’. The authors also observed an average increase in hourly wages of 26 per cent in firms that adopted the London Living Wage (LLW).

There are also potentially wider benefits from living wages, or “second-order effects”. These include wage gains for workers higher up as employers seek to restore differentials (a “ripple effect”), and “spill-over effects” to other businesses who are incentivised to raise rates of pay in order to remain competitive in the labour market. Reviewing the early evidence from living wage ordinances in the USA, Luce (2004) suggests that for every 100 workers who see a direct increase in wages, another 40 receive increases as a result of ripple and spill-over effects. Another important second-order effect is the scope for living wage campaigns to invigorate union recruitment, and to mobilise low paid workers in pursuit of “social justice” (Holgate, 2009; Lopes and Hall, 2015; Wills, 2004).

While the concrete gains of local living wages should not be underestimated, there are still some doubts about the ability of living wages to generate widespread wage gains across the labour market. Indeed as Freeman (2005, p. 17) argues: “just as local efforts to lower global warming cannot solve the world’s climate problem, living wage campaigns cannot solve the problem of low wages broadly”. For example, despite positive wage gains within firms Wills and Linneker (2012) estimate that just 11,000 workers received pay increases as a result of employers across the capital adopting the LLW between 2005 and 2011, which is only a small fraction of the estimated 750,000 workers in London who earn less than the living wage (KPMG/Markit, 2015).

Limited ripple effects may partly be explained by the fragmentation of wage setting in liberal market economies which means that wage increases at the bottom do not provide a platform for more general upward pressure on wages (Grimshaw, 2013). Furthermore, although the living wage is often seen as an important “proxy” for collective bargaining in low paid and non-unionised sectors, concerns have been expressed within the trade unions about the threat to “traditional” collective bargaining from living wages, leading to a more reactive than strategic approach to tackling the issue of low pay (Holgate, 2009). While living wages may create a short-term focus for union recruitment drives (Lopes and Hall, 2015), the experience of the GMB campaign in UK local government also suggests that recruitment and organising efforts among low paid workers provide the basis for strong negotiations and lobbying of employers rather than the other way around (Prowse and Fells, 2016a).

Limited spill-over effects may be explained by the narrow coverage of living wages and weak systems of enforcement. There are exemptions to the US living wage laws for smaller firms, and where municipal resources are not committed to systematic monitoring and enforcement then wage gains may be compromised (Luce, 2005). In the UK living wages have become recognised as a symbol of “business ethics” (Werner and Lim, 2016), and accreditation with the UK Living Wage Foundation means employers should abide by the annual uplift, and promote the living wage to suppliers. However, an employer may choose to pay a living wage without seeking accreditation, and there are no mechanisms by which the accreditation obligations can be enforced. The issue of extending the living wage to contracted staff is particularly relevant for the public sector where declining budgets may constrain the ability of the state to act as a “socially responsible customer”, and where outsourcing and work reorganisation are de facto leveraged to drive down unit costs (Jaehrling, 2015).

Research and methodology
This paper seeks to understand the practicalities of adopting voluntary living wages at the level of the organisation. It seeks to assess the scale of “first-order” effects (i.e. the impact on Implementing the living wage
hourly wage rates and pay dispersion), and also the “second-order effects” (i.e. the scope for
unions to bargain over the restoration of differentials, and the adoption of the living wage
for contracted staff).

Local government was chosen as the focus of the research as it is the lowest paying part
of the UK public sector and has been hit hard by austerity. Claims by the three main local
government unions (UNISON, Unite and GMB) for the living wage to be adopted through
the National Joint Council (NJC) collective agreement have so far proved unsuccessful.
UNISON is the largest trade union in the UK local government sector, and was instrumental
in the early east London campaigns, but given their strong representation among lower paid
workers (including those working for private sector contractors) both Unite and the GMB
have arguably taken a lead on local living wage campaigns (Lopes and Hall, 2015; Prowse
and Fells, 2016a). In this context, living wages have spread across the sector in a somewhat
piecemeal fashion. For example, over half of all 375 councils in England and Wales claim to
pay the living wage but only a handful are accredited with the Living Wage Foundation,
and some have adopted localised rates which fall short of the “official” figure (with or
without trade union endorsement). Furthermore, local living wage deals may come with
“strings” attached. For example, Derby City Council introduced a living wage in early 2014
but at the same time unions were not able to prevent cuts to unsocial hours enhancements
with the result that many workers were no better off overall. As Prowse and Fells (2016b, p.
158) note in their analysis of the adoption of the living wage at one council: “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 research follows a comparative case study analysis of four English local authorities.
The cases were all Labour-led unitary councils (i.e. larger councils with responsibility for
core functions such as highways, refuse and social care), located in areas of relatively high
deprivation, with union membership density of over 40 per cent. Two cases were inside
London (London 1 and 2) and two were outside (North 1 and 2). The cases were sampled
purposively on the basis of the relatively recent introduction of the living wage, but also to
provide variation in terms of geographical and labour market context, and cost of living
pressures. The qualitative data were gathered over a period of 18 months (2013-2014)
through 23 semi-structured interviews with politicians, HR managers, operational and
procurement managers, and UNISON representatives. The interview data were then
combined with extensive document analysis to provide a contextualised picture of the
development and outcomes of local living wage policies.

Findings
Against the backdrop of public sector austerity and a three year pay freeze (2010-2013) the
introduction of the living wage in all four cases appeared to be predominantly a political
strategy in order to be seen as a good or “ethical” employer (Werner and Lim, 2016).
All four councils had a substantial Labour majority, and there was a broad consensus that
public sector cuts enforced by the conservative-led coalition government (2010-2015) and
the rising cost of living was having a detrimental effect on the lowest earners. At London 1
and North 2, political leaders were instrumental in driving forward the living wage policy,
and committing the organisation to full accreditation with the Living Wage Foundation,
something which HR and procurement managers recognised might not have happened
had it remained a business-case proposal simply to reduce turnover.

Accreditation means that London 1 and North 2 have to comply with the annual
uplift (within six months of the new rate being announced in November each year) and
take steps to promote the living wage with contractors and local businesses. London 2
decided not to pursue accreditation owing to perceived difficulties with enforcing the
living wage among suppliers (discussed below). At North 1, politicians and council officers developed a localised “minimum wage” policy as part of a wider package of workforce changes which led to a more gradual approach (the base rate only reached a full UK living wage of £7.65 in March 2014), with organisational discretion maintained by not pursuing accreditation.

First-order effects: tackling low pay and reducing pay inequality
The living wage at all councils was part of wider efforts to embed “decent” employment standards within the local authority (with input from the unions), while also promoting the notion of “fairness” across the wider community. For example, in collaboration with the trade unions and charitable groups, Labour politicians at London 1 set up a “fairness commission” to address income inequality across the borough, with an explicit ambition to reduce the pay ratio across the council to less than 1:10. This was ultimately achieved by the introduction of the LLW combined with a reduction in salary for the chief executive’s role in 2012 (when the post-holder left).

At London 2, the adoption of the London living wage was a pragmatic response to of the sector wide pay freeze. During the late 2000s, the LLW steadily caught up with the bottom of the pay spine (although no staff were on the lowest spine point 4 of £7.83 per hour), and the LLW figure for 2011/2012 of £8.30 (an increase of £0.45 per hour on the previous year’s figure) moved above the four lowest rates within the council which remained unchanged (Table I). According to the HR director, introducing a supplement to the hourly wages of those workers on the bottom four spine points was the most expedient way of matching the LLW figure, in order to help tackle poverty and improve the economic well-being of the borough.

HR managers at North 1 reported that the minimum wage policy had more than halved the turnover rate for entry-level jobs (particularly in school catering), which helped offset the cost of higher wages. At North 2, the living wage formed part of an “employment standards charter” developed by the directly elected mayor that would act as a reference point for businesses across the city, as well as enhancing the reputation of the council. The living wage was implemented slightly later than the other cases as part of a wider pay and grading review (started in 2012) to shorten long overlapping pay grades. At North 2, the new base rate was £7.39 per hour and therefore a supplement of six pence was required to bring it up to £7.45 which has since been increased to £7.65, £7.85 and eventually £8.25 in late 2015.

The vast majority of staff covered by the living wage at all four cases were women working in historically low paid part-time jobs such as cleaning, catering and school support roles who (at the time of writing) received wage rates more than 20 per cent above the NMW and well in excess of median starting salaries for similar work across local government and the private sector. At London 1 and North 2, this was bolstered by a full living wage for apprentices, which was almost three times the minimum rate of £2.65 per hour at the time. In addition, by altering pay grades at London 1 and North 2, the living wage was automatically consolidated and pensionable, and any premium rates were calculated at

<table>
<thead>
<tr>
<th>Outer London spine Pt</th>
<th>Hourly rate (£)</th>
<th>LLW hourly rate gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCP 4</td>
<td>7.83</td>
<td>-£0.47</td>
</tr>
<tr>
<td>SCP 5</td>
<td>7.89</td>
<td>-£0.41</td>
</tr>
<tr>
<td>SCP 6</td>
<td>7.96</td>
<td>-£0.34</td>
</tr>
<tr>
<td>SCP 7</td>
<td>8.11</td>
<td>-£0.19</td>
</tr>
</tbody>
</table>

Source: London 2 internal pay data

Table I. The gap between the 2011/2012 LLW (£8.30) and the lowest rates of pay London 2
multiples of the new higher base rate. At London 2 and North 1, the payment of a supplement to hourly rates left underlying grades unchanged, meaning that premium rates and pension payments did not increase.

Although not related to higher wage costs per se, as a result of austerity since 2010 all four councils reduced staffing levels through downsizing and outsourcing. The HR director at North 2 explained that paradoxically, the living wage had a significant impact in parts of the council where the total hours available to staff were being reduced and vacancies “held open” as part of departmental efficiency savings. This was not an explicit trade off (e.g. a better hourly rate for fewer hours) but it demonstrates that higher wage costs may be at least partially offset by staffing reductions and increased work intensity:

[…] so they are saying “oh well thanks very much you’re paying me more but you’ve cut my hours’ or “I’m working really hard now because where there used to be four cleaners there is just me […]”

(HR director North 2).

Second-order effects: ripples and spill-overs

Across the four cases there were varying proportions of staff in lower paying roles, and the centrality of job evaluated pay structures resulted in different strategies to managing differentials between groups of staff. Broadly speaking, within the two London councils the main issue was incorporating the living wage into external contracts, whereas within the two North councils the management of internal differentials was more of a problem.

Compressing wage differentials

In 2013, the national local government pay spine started at point 5 (equivalent to £6.45 per hour) but individual councils are free to set entry rates at a higher level. Previous phases of outsourcing at London 1 and 2 left very few workers on the lowest pay points, and the cost to raise the pay of directly employed staff at London 1 was around £60,000, and at London 2 it was estimated that around 100 part-time cleaning and catering staff would see their take home wages increase by a relatively small figure of £160 per year (at a total cost to the council of around £25,000). The main issue at London 2 was sharp increases in the LLW figure which meant that by 2013 the bottom six spine points effectively disappeared. Staff in non-supervisory cleaning roles all moved onto the same basic rate of £8.80 per hour in 2013, with a higher rate reserved for cleaning supervisors of between £9.50 and £10 per hour.

At North 1 and North 2, the number of staff in lower grades meant much higher initial costs (£600,000 and £900,000, respectively) and also meant that ongoing adjustments were necessary as the living wage was increased between 2013 and 2016. At North 1, the local minimum wage equated to £6.74 at the bottom in 2009, which was then increased in £7.01 in 2012, and £7.15 in 2013 for all staff who had completed a six-month probation period. In 2014, discretionary (i.e. non-contractual) supplements were added to spine points 8, 9 and 10, which smoothed out the differentials between points either side of the living wage, and late in 2015 when the living wage rate was increased to £8.25 supplements were added to spine points 11 and 12. Although the use of supplements prevented the complete collapsing of the bottom pay points, between 2013 and 2016, the gap between spine points 7 and 12 decreased from 16.4 to 5.1 per cent (Figure 1).

At North 2, the faster increase in the rate at which the living wage has been uplifted compared with national collectively agreed rates means that spine point 11 has effectively been subsumed by the living wage, and the gap between the spine points in the bottom two grades decreased from 11.5 to 4.6 per cent (Figure 2).
Spill-over effects – the importance of accreditation

Living wages can have an effect far wider than just the gains in hourly wages for directly employed staff. At North 2, waste, cleaning and catering services were still delivered in-house meaning that most workers saw an immediate uplift, and the creation of an employee-owned mutual company allowed for the implementation of the living wage in complex social care services (although at the time of the research the council had not adopted a living wage policy for contracted out domiciliary care services). In addition, the council’s employment standards charter led to 11 local businesses adopting the living wage even though they were not under contract to the council. At North 1, the decision not to pursue accreditation, and the payment of a supplement (rather than the permanent alteration of the pay spine) meant that the new base rate was not technically “contractual”
and according to the procurement director progress in extending the policy to partner organisations and contractors typically proceeded on a case-by-case basis.

London 1 had relatively few directly employed staff that were affected by the LLW, and the main focus of the policy was to work with contractors to increase wages throughout the supply chain. Although social care was tackling last, contract renewals were used to negotiate the addition of living wage “clauses”, which a senior councillor stated was achieved at no extra cost to the council and without any loss of jobs or hours for contracted staff (with no legal challenges to date). By using the council’s purchasing power the chief executive was able to renegotiate the management fees charged by external providers and use this to offset the additional cost of the LLW. The councillor explained:

You are in a good [bargaining] position when you have multi-million pound contracts [...] in some ways it’s actually a lot easier to work with contractors than to do it for your own directly employed staff because no-one else will pick up the tab [...].

At London 2, the living wage was introduced in 2012, but an outsourcing exercise undertaken in 2014 actually transferred a number of cleaning staff to the private sector. In contrast with London 1, procurement officers at London 2 viewed living wage clauses in contracts as an issue for “soft” negotiation rather than enforcement for two main reasons. First, there was no provision within the council’s quality criteria for specific HR standards such as terms and conditions (other than relevant statutory provisions). Second, as the living wage figure applied to London only, the council could not adopt a blanket wage policy for providers who were based outside the capital. Prospective bidders for the building cleaning contract were asked to calculate costs both inclusive and exclusive of the LLW, and in the end 75 staff TUPE transferred over to the successful bidder at the LLW (£8.30 at that point). However, neither the council nor the contractor had allowed for any uplift in the contract value to reflect increases in the hourly rate. The low unit cost of the contract was instrumental in the private provider securing the contract, but the need to achieve further labour cost savings from the contract overall saw the increased hourly rate for TUPE transferred cleaners offset by job cuts of over 30 per cent.

A final “second-order” effect identified in the literature is the scope for unions to leverage the tangible gains from living wage campaigns to organise low paid workers who might not otherwise join a union (Holgate, 2009; Wills, 2004). Although the three locally recognised unions were supportive of the efforts to tackle low pay, the living wage was not generally viewed as a recruitment strategy in and of itself for three reasons. First, the adoption of the living wage was driven by the political ambitions of council leaders rather than extensive local campaigns or episodes of industrial action led by the unions. Second, the outsourcing of those services most affected by the living wage such as cleaning and catering partly undermined the perceived “gains”, and the fragmentation of services and staff across the private sector meant that targeted recruitment on the back of the living wage would be difficult. Third, UNISON branches in particular appeared to be wary of strongly endorsing local living wage deals, which meant their role was not as prominent as observed in other Unite and GMB campaigns (Lopes and Hall, 2015; Prowse and Fells, 2016a). This in part was a product of the perceived adverse trade-offs associated with living wage negotiations at other local authorities, but there also appeared to be a more fundamental reluctance to allow living wages to become the central plank of the union’s strategy. In fact rather than local living wages being viewed as a positive outcome at a time of austerity, one branch secretary argued that they reflected badly on national bargaining:

[...] it’s the failure of national bargaining that puts us in this situation [...] (UNISON Branch Secretary North 2).
Despite these reservations, in-line with research from US city ordinances (Luce, 2005), the unions were closely involved in monitoring the policies and pushing local politicians to maximise the wage gains for local workers. At London 1 and 2 the unions actively monitored the living wage by surveying contracted staff to check for non-compliance; and the unions pushed North 1 to eventually increase base rates up to a full living wage.

**Discussion and conclusion**

The aims of this study were to explore the implementation of the living wage in large organisations and their impact on embedded wage structures and procurement processes. In-line with other research (Luce, 2014; Neumark et al., 2012; Wills and Linneker, 2012), the findings suggest that the first-order effects of living wages for directly covered workers are significant: the hourly living wage represented an increase of more than 20 per cent over the UK NMW and lifted pay rates for a cohort of mostly female workers in historically low paid occupations such as cleaners and catering assistants well above starting salaries for comparable positions in the private sector. Moreover, this was achieved at no direct detriment to jobs or working hours for directly employed staff, despite the additional costs to all four councils studied.

However, the second-order effects such as the scope for the trade unions to achieve wider wage gains by bargaining for the restoration of differentials, and to extend the coverage to other private sector firms were less clear cut than observed by others (Luce, 2004). The cost burden of fully restoring differentials for those staff paid just above the living wage meant that the unions were not able to use the living wage as a platform to create a ripple effect upwards throughout the wage distribution. This finding aligns with studies of the UK minimum wage which show a wage compression effect in many low paying sectors as a result of the relatively weak position of the trade unions, and low collective bargaining coverage (Grimshaw, 2013). Although the flattening of wage hierarchies in this way to accommodate cost of living considerations potentially reduces the pressure on employers to make savings through job cuts, it also removes skill differentials and weakens internal hierarchies which can be important for the earnings growth of low wage workers over the long run (Gautié and Schmitt, 2010). The magnitude of spill-over effects also hinges on accreditation with the Living Wage Foundation which obliges employers to raise wages throughout the supply chain. The two accredited councils (London 1 and North 2) moved further to extend the living wage to contractors, but even then progress was slow in tackling low pay in outsourced care for older people.

There was also limited evidence that the unions attempted to use the success of local living wages to recruit low earners. This perhaps reflects idiosyncratic local circumstances which mean that campaigns follow different trajectories (Lopes and Hall, 2015; Prowse and Fells, 2016a), but also reflects the fact that it was local Labour party politicians rather than the unions who took up the mantle of pursuing “social justice”. An interesting finding is that within UNISON there appears to be an unresolved tension between the pragmatic “quick wins” of local living wages and the efforts to raise pay across the board through the local government NJC agreement. As the largest and most occupationally diverse union within local government, UNISON is perhaps understandably reluctant to pursue local deals that potentially threaten the institutional legitimacy of national bargaining (Holgate, 2009), and further erode the relative position of other relatively low paid members. This somewhat ambiguous stance means that even if the living wage in this research was not quite the “unilateral employer decision” observed by Prowse and Fells (2016b), employers may increasingly be inclined to press ahead with “egalitarian” wage strategies with or without union involvement.
The living wage is clearly an important means by which to protect low earners at a time of stagnant real wage growth, and is a welcome instrument of social justice in a UK context where union membership is low and collective bargaining is highly fragmented. However, a voluntary pay initiative which relies on either a business case, or “employer benevolence” is clearly at risk of atrophy once the initial publicity fades away. Furthermore, even in the public sector it appears that the relative isolation of localised living wages from coordinated systems of wage setting serve to contain the positive effects among a relatively small number of workers, who are at the same time most exposed to market forces as a result of organisational restructuring, downsizing and outsourcing.

References


Further reading

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A new living contract: cases in the implementation of the Living Wage by British SME retailers

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Abstract
Purpose – The purpose of this paper is to provide evidence for the motivations of SMEs for introducing the Living Wage (LW), focusing on retail as one specific sector. It develops understanding of the strategic benefits and challenges these employers face in balancing financial, ethical and social considerations in small businesses.

Design/methodology/approach – The study employed mixed method: a survey and semi-structured interviews. The interviews are presented as part of three case studies.

Findings – Findings indicate that employers were, for the most part, motivated by personal ethics and beliefs about fair wages and social justice. They suggest that SMEs accrue benefits from LW accreditation such as reputational benefits and higher employee morale, but that there are also potential pitfalls of LW adoption related to pay structure and incentives. The sustainability of the LW emerged as an issue in terms of the long-term strategy and brand positioning of the companies involved.

Research limitations/implications – The nature of the research was exploratory and thus the study only allows for limited generalisation. Recommended avenues for further research include gathering data from different levels of organisations and from different stakeholders.

Originality/value – This is the first paper to investigate the drivers for, and implementation of, the LW in SMEs. The specific characteristics of SMEs – their ethos, low visibility, reliance on trusting relationships and limited resources, among others – make the study of why and how they choose to implement the LW very interesting. This study is the first to gather and analyse data from SME retailers and wholesalers that have implemented the LW.

Keywords United Kingdom, Case studies, Ethics, Living wage, Small- to medium-sized enterprises (SMEs), Retail/Wholesale

Paper type Research paper

Introduction
Over the past few decades, developed economies in the west have continued to grapple with a series of seemingly intractable problems in the context of labour productivity, intense competition from emerging markets, the rise of low-skilled and low-paid jobs, chronically un- and underemployed workers and stagnant or decreasing wages (Eurostat, 2016; Clarke and D'Arcy, 2016). The more recent rise of the “gig economy” involving zero-hour work contracts and “forced” self-employment has further intensified employer-employee conflicts (Pennycook et al., 2013; Broughton and Richards, 2016).
The specific issue of low wages is a persistent concern in the UK. It was estimated in April 2015 that 21 per cent, or 5.7 million individuals, were “low paid” in Great Britain (Clarke and D’Arcy, 2016). In response to this, there has been a growing debate around the Living Wage (LW) in the UK (Wills, 2009) and elsewhere, as employers seek to balance profit-seeking with increasing demands for fair wages. Part of the impetus for introducing the LW, a wage that enables workers to meet the cost of living, is the restoration of a greater degree of social and economic justice and fairness in the economy as it seeks to address the twin problem of in-work poverty and societal inequality (Waltman, 2004; Wills, 2009). Neo-liberal critics, however, have been more sceptical as to the business and economic sense of the concept (Bourne, 2015).

A policy response to the issue of low wages in the UK has been the introduction of a mandatory National Living Wage (NLW) for over 25s, which was implemented in April 2016. Its current rate (£7.50 in April 2017), however, is not deemed to be sufficiently high enough for people to make ends meet (Inman, 2016). A more suitable benchmark for addressing low pay remains the “real” or “full” LW which is set by the Living Wage Foundation (www.livingwage.org.uk/). The current LW rate is £9.75 in London, and £8.45 elsewhere in the UK.

Unlike the NLW, the “full” LW is paid voluntarily by employers. The voluntary nature of this scheme makes it an interesting research opportunity, for several reasons: it allows to explore the motivations of employers for adopting a higher than legally required wage rate, the impact of its adoption on organisational strategy, as well as challenges, costs and benefits of LW implementation for the organisation (Werner and Lim, 2016a).

Following on from previous, published research that analysed the philosophical and political dimensions of the LW in both the UK and the USA (Werner and Lim, 2016a), this paper focusses on empirical research findings of SME employers in the UK. This study is the first of its kind to explore the adoption of the voluntary LW in small- and medium-sized enterprises. To date, the motivations and implementation of the LW in British SMEs have not been researched in depth; despite the fact that 99.9 per cent of all private sector businesses are SMEs, and SMEs contribute £1.8 trillion to the UK economy, employing over 15.7 million workers (Department for Business, Enterprise, Innovation and Skills (DBEIS), 2016).

Private sector SMEs constitute over half of all accredited LW employers (at the time of writing 3,300 in total). The large number of SMEs among accredited LW employers may appear somewhat surprising, given that small businesses are usually perceived as having fewer resources available (Carland et al., 1984) and thus less able to afford paying higher wages to their staff. At the same time, characteristics of SMEs, such as the co-incidence of ownership and control, may also enable SMEs to act responsibly (Spence, 1999; Egels-Zanden, 2017).

This paper focusses on SMEs in a range of sectors including hospitality, care, retail, construction and manufacturing, many of which are perceived to be low-waged sectors. To keep this paper tractable, we focus on the retail industry. This study makes several key contributions to the subject. First, there is a paucity of empirical research on the motivations of SME employers for signing up to, and paying, their employees the LW. This study provides important insights into the drivers and motivators for the decision to adopt the LW in a neglected segment of the economy: SMEs. SMEs contribute hugely to the British economy and yet, their contributions to making Britain a fairer society is still under-recognised. This paper addresses this imbalance in the literature on employee relations, wages and the economy as a whole. Second, this study identifies the benefits and challenges employers face when implementing the LW within their organisations. Last, but not least, this study paves the way for a better understanding of the likely future of the LW and its implications for future policy and research in industrial relations.
The paper is structured as follows. Following this introduction, it will set out the philosophical arguments for the LW, explain the reasons as to why SMEs are able to act on social responsibility issues such as the LW, and provide some background to the retail sector as the chosen context for this paper. Further, a description of the research methodology is given. Then, a summary of the survey findings and three case studies (an organic grocery retailer, a specialist computer retailer and a multi-channel clothes retailer) will be presented and discussed. The concluding section reflects on the limitations of the study and makes some suggestions for further research.

Literature review

The Living Wage

The Living Wage (LW) relates to people’s subsistence and needs and can be defined as the amount of remuneration that is sufficient to provide a decent standard of living for the worker (and his/her family) (Ryan, 1912). At its core, the LW is an ethical concept, as it challenges neo-classical assumptions of wages being “a market estimation of what a worker adds to the production of goods and services that society wants” (Stabile, 2008, p. 2). Thus, concept of the LW has direct implications for business organisations as it concerns what they pay their workers at the bottom of the pay scale (Werner and Lim, 2016a). At the same time, questions arise as to how much should be paid and who, in fact, is responsible for ensuring that workers can make ends meet.

Three key arguments have been put forward by key thinkers to support the idea of a LW: sustainability, capability and externality (Stabile, 2008). All three rationales given for paying the LW carry significant advantages for employees and employee relations (Werner and Lim, 2016a). A sustainable wage facilitates self-reliance, organisational resilience and focused energy and efficiency from employees. Instead of scattering their attention across two or three jobs, workers who earn a LW are able to devote their time and energy to one employer, thus being more productive in the process.

The LW also enables capability. Capability can be understood to mean empowerment of the individual, a way by which she or he exercises the freedom to achieve the “doings and beings” they have reason to value (Sen, 1992). While a higher income will enhance individual well-being, an argument can also be made that enhanced capability also helps people to become better citizens and workers. For example, if a worker is no longer forced to hold down several jobs and work long hours to make ends meet they will have more time available to spend with their family, to get involved in their communities, or to attend evening classes.

Last but not least, externality is deeply relevant to arguments in favour of the LW. Workers who are paid very low wages inevitably impose costs on society, as people, for example, will have to claim means-tested welfare payments (such as tax credits and housing benefit) to make ends meet. Continuing to subsidise “low wage” employers, therefore, may have a negative effect on the social contract between business and society. From an economic perspective as well, wages that are below subsistence levels allow incompetent employers to continue to exist and thus distort true economic competitiveness.

Although the benefits of paying a LW to employees appear to outweigh the disadvantages, however, adopting the LW – whether as a mandatory requirement (as, e.g., in a number of municipalities in the USA) or as a voluntary commitment (as favoured in the UK) – carries risks for business organisations. The most obvious downside is the higher wage bill that paying the LW often entails. Some scholars (e.g. Waltman, 2004; Pollin, 2005) counter this argument by referring to efficiency and productivity gains that businesses may enjoy, for example, through reduced absenteeism and turnover and a subsequent reduction in recruitment, training and supervision costs, as well as a better motivated, and thus more productive, workforce. Paying higher wages may also “force” employers to think about how
their resources, both labour and non-labour, could be more efficiently employed (e.g. through investment in better equipment).

In contexts where a voluntary adoption of the LW is encouraged, LW employers may also enjoy reputational benefits (and those employers who do not pay a LW may face negative reputational consequences), although they may also find themselves at a competitive disadvantage if they adopt the LW while their rivals do not. In such contexts, the responsibility of customers and other stakeholders to recognise, and reward, LW employers, and shun those who do not pay a LW, will become more pertinent (see Ryan, 1912, p. 264).

The UK and SME context
The LW has a long history (Werner and Lim, 2016a). In the UK, the concept was revived by campaigns spearheaded by civil society alliance Citizens UK/London Citizens in the early 2000s, which started as a response to high incidence of “low-wage” jobs in East London immigrant communities. Wills and colleagues documented and analysed these campaigns (Wills, 2004, 2008; Wills, Datta, Evans, Herbert, May and McIlwaine, 2009), and examined the experiences of low-waged workers who received the LW (Linneker and Wills, 2016; Wills and Linneker, 2012) as compared to those who did not (Flint et al., 2014). Much of this work, however, focussed on contract service providers. The study presented in this paper complements this strand of research by examining the role of SMEs in promoting the LW.

The fact that private sector SMEs today constitute over half of all accredited LW employers bears testimony to the fact that there is both the will and the capacity among SMEs to implement the LW, not just among large employers such as universities (Wills, Kakpo and Begum, 2009), local councils (Prowse and Fells, 2016) and large corporations (Groom, 2014). Egels-Zandén (2017) summarises why SMEs are able to act on social responsibility issues, such as the LW. He acknowledges the fact that SMEs have limited resources available to them (see also Carland et al., 1984), but points out that other peculiarities of SMEs are, in fact, enablers for them to act ethically and responsibly within the societies they serve. Central to this ability to act are the co-incidence between ownership and control in SMEs and the vital role of SME owner-managers in the business (Spence, 1999). Egels-Zandén (2017) states that numerous scholars have demonstrated that SME owner-managers engage in social responsibility due to ethical, rather than profit, motives. Ownership and control often lie with the same people in SMEs, and they have thus more autonomy and legitimacy to exercise discretion in how to use company resources and are less pressured by quarterly results. Egels-Zandén (2017) demonstrates the capability of SMEs to act responsibly by giving the example of a Swedish SME retailer that implemented the LW in its supply chain, which was perceived as a rather unusual move. The present paper, by contrast, focusses on SMEs and their direct employees.

The retail context
The retail industry deserves considerable attention in the context of LW debates because of its reputation as a low-wage employer (Tait, 2017). In fact, retail, wholesale and repair of motor vehicles is the second largest industry sector in the UK (after the professional, scientific and technical sector), accounting for 14.5 per cent of all businesses and employing over four million people (Office for National Statistics, 2016).

At the same time, some larger retailers such as IKEA have been reported to have become accredited LW employers whilst supermarket chains Aldi and Lidl have adopted the full LW but without formal accreditation (Butler, 2016; Sky News, 2017). The adoption of the LW in SME retailers, however, has remained largely unexplored, despite the fact that there are over 540,000 SMEs operating in the sector, accounting for 15 per cent of all SME employment and over a third of all SME turnover in the UK (DBEIS, 2016).
The retail sector in the UK has been perceived to be standing at a crossroads with regards to its future (Tait, 2017). A number of industry reports on future trends in the industry that have recently been published (BRC, 2016; DWF, 2016; Tait, 2017) have pointed to the narrowing of margins due to cost pressures, and the growing influence of technology in the sector, which has many implications for jobs and wages. The reports have also assessed the impact of the introduction of the mandatory NLW, with law firm DWF finding that only 27 per cent of retailers see the NLW as a key threat to growth over the next three years, as areas such as regulatory change, and IT and data security are being viewed as bigger issues (DWF, 2016). The British Retail Consortium, whilst being supportive of the idea of the mandatory NLW “in principle”, is concerned that the potentially negative effects on employment have been underestimated and that they could lead to an even steeper decline in employment, but potentially also to the creation of better if fewer jobs (BRC, 2016).

Scepticism around the NLW is also voiced by the Centre for Retail Research (Bamfield, n.d.), which argues that the NLW could lead to staff reduction, fall in store numbers, higher prices and the implementation of more self-scanning and self-service technology.

The report published by the Fabian Society (Tait, 2017) sets out three future scenarios for the retail industry: squeezing the cost base (finding new ways to reduce costs to keep existing business models alive, including minimising labour costs and thus perpetuating a low wage model), automating to efficiency (investing in new automated technologies and moving large parts of business online, thus reducing staff and store numbers but also requiring higher skills from staff) and competing on connectivity (investing in highly engaged workforces and in forging stronger relationships with customers to compete on the strength of their “human touch”). The report favours the last model, and policy recommendations set out in the report include a push for training and skills development (also supported by the BRC), as well as government support not just for further rises in the mandatory NLW but also more support for the voluntary LW. These recommendations concur with the conclusion of the DWF report that the ability to retain and motivate the best staff is key to industry growth, that wages are clearly crucial to help achieve this, and that it is, therefore, fundamental that retailers buy into improved remuneration (DWF, 2016).

The findings from these reports echo earlier academic studies such as Hart et al.’s (2007) research into employer perceptions of skills gaps in UK retail (multiple retailers and SMEs). Hart et al. (2007) stated that the sector had to grapple with a “low skills, low pay” image, and people did not consider retail a long-term career choice due to perceived poor working conditions and pay. The industry’s negative image was also felt to have a significant impact on retailers’ ability to recruit and compete for long-term staff with the necessary skills to succeed in the sector. Hart et al.’s (2007) research also highlighted that some SME employers, in particular, showed a lack of awareness of the need for their workforce to have specific skills (such as IT skills) and of the need for future skills development to maintain competitiveness against larger retailers (see also Byrom et al. 2002). Hart et al. (2007) further point out that reducing staff turnover needed to become a higher priority in order to retain skills levels and retail as a whole needed its profile raised to make retailing a first choice career destination.

The question arises as to how the voluntary LW may contribute to addressing these issues.

Whilst the literature on SME retailers remains limited, some studies have focussed on the marketing and branding aspect of these companies (Mitchell et al., 2015; Hutchinson and Quinn, 2012; Coca-Stefaniak et al., 2010). An interesting insight pertains to the central role of the owner-manager in managing the branding in SME retail companies (Mitchell et al., 2015). This stream of literature, highlighting as it does features of successful branding – such as a strong company brand image/identity, niche strategies (Hutchinson and Quinn, 2012), high-level customer service and personal interaction with customers (Coca-Stefaniak et al., 2010) – opens up the opportunity to explore how LW accreditation may be used in SME retail branding (Werner and Lim, 2016a).
Method
The study employed mixed-methods research (Creswell, 2009). A survey as well as semi-structured, in-depth interviews were used. The purpose of the survey was to gain initial insights into SME's experience of adopting the LW. Survey questions asked about reasons for signing up to the LW; implementation, challenges and benefits of the LW; as well as about the company's current and future LW strategy. The survey was also used as a recruitment tool for follow up in-depth interviews. The interviews, which were semi-structured, probed for further detail on the topics covered in the survey but also allowed for new topics and issues to emerge.

For the purposes of the survey, a sample consisting of 250 private sector SMEs was selected from the membership database managed and owned by the Living Wage Foundation. Following a pre-test, the survey was sent out using the Qualtrics platform. In total, 60 responses were received (12 of which from retailers), which were analysed using Qualtrics and Excel. Totally, 38 respondents indicated that they would be happy to grant the researchers an interview about their experience as a LW employer. From these responses, 23 companies were selected to be interviewed.

Interviews took place between May and August 2016. Interviews lasted between 25 minutes to an hour and a half, with an average interview time of about 40 minutes. The respondents were in one or more of the following categories: founder/owner/managing director/functional director (HR, marketing, etc.). The interview sample included six retail companies. All interviews were fully transcribed and anonymised in accordance with Middlesex University’s Code of Research Ethics. Interview transcriptions were then coded in NVivo10 using a thematic analysis approach (Braun and Clarke, 2012).

The data presented in this paper comprise of a summary of the survey results for LW SME retailers, as well as three retail case studies from the study’s interview sample. The case studies were not selected to generalise a population but on the grounds that they reveal, and enable discussion of, emergent issues with regards to LW adoption in SME retailers (Yin, 2014).

Findings
Survey findings
As out of the 60 survey responses only 12 came from retailers/wholesalers, any analysis of the data needs to proceed with extreme caution. Nevertheless, the data allowed for some interesting insights.

Whilst in the overall sample moral reasons were overwhelmingly cited as the main motivations for signing up to the LW (Werner and Lim, 2016b), the percentage among retailers/wholesalers were even higher (“the right thing to do” and “in line with company” values were both cited by 92 per cent of retailers/wholesalers in the sample, compared to 77 and 87 per cent by the total sample).

A much higher percentage of retailers/wholesalers than the total sample stated that they had to increase staff wages in order to receive accreditation (92 per cent compared to 50 per cent), which indicates that LW accreditation has more implications for a retailer’s wage bill compared to other SMEs. Approximately, 75 per cent of retailers/wholesalers, however, said they had made no changes to the way they run their business (compared to 55 per cent of the total sample). Exactly 41 per cent relied on higher staff productivity to absorb the cost of the LW, whilst 34 per cent regarded a higher quality of service as an option to absorb the cost, and only 25 per cent engaged with the options of charging higher prices or investing in labour saving technology. The sample identified 50 per cent of retailers/wholesalers were willing to accept lower profit margin, compared to 36 per cent of the total sample.

The main challenges with regard to LW adoption mentioned by retailers/wholesalers were “keeping up with the cost of the LW” (58 per cent), the ability to compete with low-cost employers (50 per cent) and the maintenance of pay differentials (41 per cent).
The most frequently cited benefits of LW accreditation among retailers/wholesalers were enhanced brand reputation (75 per cent), good/better employee relations (58 per cent) and more motivated, productive employees (50 per cent).

We will now turn to three case studies that examine issues around adoption and implementation of the LW in more detail.

Three case studies

Case 1: OrganiCo – the ethical retailer. OrganiCo’s core business is an organic vegetable box scheme, which supplies customers within a 20 mile radius of the company headquarters. The company also has a wholesale arm: it supplies organic fruit and vegetables to shops in the local area. The company was founded 18 years ago by its current owner-manager; it employs ten people, about half of which are part-time.

The LW was first introduced to the owner-manager by the local council, which had been very active in promoting the LW. The owner-manager says that it “resonated with me because […] it was in line with the ethical principles that underpin the company”, referring to OrganiCo’s aim to be a “people organisation” and “nurture an environment of wellbeing for employees”. The thought that he would be “trail blazing” as one of the first small businesses to sign up to the LW also appealed to him, and, so he argues, he “also wanted to be recognised as being someone who was in a low wage industry but going for [the LW]”. He also sees a clear link between the company’s LW accreditation and its core business: “You want people, society, to be able to earn enough money to be able to afford good quality food and to be educated about nutrition”.

As a result of LW adoption, OrganiCo had to raise the wages for about half of its employees to meet the threshold. However, no organisational changes were made to absorb the cost of the LW. The owner-manager does not believe, either, that LW rate rises should be simply passed on to the consumer as “providing good value for money for our customers is almost as important as providing a good level of remuneration for staff”, and that he rather accepts a narrowing of the gross profit. The owner-manager says that all they do to absorb the costs of the LW is to try “to trade well”; he also says OrganiCo has no specific LW strategy in place.

At the same time, the owner-manager is very much aware of the benefits paying the LW brings. He says that “it makes your staff feel good, feel valued by the company” and that staff turnover is very low. He feels that LW accreditation has liberated him as he no longer has to worry about having to calculate a fair wage himself but that he can now rely on the LW rate as a benchmark.

OrganiCo actively uses the LW logo on social media, and in the company’s newsletters that are sent out to customers. The owner-manager believes that the company’s LW accreditation improves OrganiCo’s reputation amongst its customers with customers having responded with positive comments. The owner-manager has also become a champion for the LW in his local area and speaks at local business events promoting the LW.

Case 2: CompuCo – the strategic retailer. CompuCo started out as a PC repair store 20 years ago. In recent years, under the direction of the son of the company’s founder, CompuCo has evolved into a specialist retailer, building and selling custom made desktops, laptops and work stations, which are primarily sold online (whilst still retaining a physical store presence). The company sells its wares all across the UK and exports them to 13 countries. It has recently experienced annual growth rates of 25-30 per cent. CompuCo seeks to distinguish itself from larger competitors through offering a high-level personalised customer service. The company employs eight full time and two part-time staff.

The trigger for adopting the LW was the 21st birthday of an employee, which would have required the owner-manager to raise the employee’s pay to the over 21 minimum wage rate.
This made him stop and ask why that employee was today “worth more” to the company than the day before, and should not all employees be on that same higher wage rate? The company’s accountant then brought up the LW and was subsequently asked to find out more about it.

Having become a convert to the LW, the concept has for the owner-manager a strong moral dimension: “If we can’t give our team enough money to live on then there is something wrong in our business model”. At the same time, he is very much aware that paying the LW aligns well with his business strategy. He argues that in order to build high performance PCs, the employees should be given financial security so that they “provide the best level of customer service”. CompuCo provides a lot of training in the area of customer service. The owner-manager says that he tends to hire people that have good people skills as a prerequisite and who then can be trained up to understand the products and technical side of the business. He also takes an active interest in the developing his employees’ skills in line with their interests and talents, so that they can be deployed in the parts of the business in which they can give the most value to the company. The link between wages and level of customer service provided is also communicated to customers so that they realise that “they’re not just paying for the [service], they are paying for everything that supports [it]”.

Implementation of the LW has not been without challenges for CompuCo. As it initially increased the wage bill by £10,000 the decision was made (in consultation with the employees) to flatten the pay structure in the business, as well as to accept a lower gross profit and to postpone plans to move into bigger company premises. However, the owner-manager sees that the initial investment is being absorbed by the company’s business growth. He also aware of the benefits LW adoption brings: “Morale is higher, pride in what we’re doing”, productivity (measured in amount of order shipped on time and successfully) has increased, and the company no longer has a retention issue. The owner-manager takes satisfaction in the fact that his employees can enjoy their lives more as they can afford to things that are “inspiring, exciting and energising”.

CompuCo is very outspoken about its LW accreditation, using the logo on its website, social media and its shop window, and the owner-manager has – similar to OrganiCo’s owner-manager – been invited to speak about the company’s accreditation on local and regional public platforms on several occasions.

Case 3: ApparelCo – a failed experiment? ApparelCo is a multi-channel clothing retailer. Approximately, 70 per cent of its business is conducted online, and the remaining 30 per cent in the company’s five retail outlets. The online business reaches customers worldwide with the UK, Europe, North America and Asia its main markets. The company was founded 20 years ago by the owner-director and employs 52 people, of which 40 per cent are part-time.

At the time this study was conducted ApparelCo was contemplating leaving the scheme. The company’s adoption of the LW a few years back had been driven by the owner-director’s moral motivations: “I think it was sort of the morally right thing to do to ensure that our lower paid members of staff are earning enough to get by on”. He had acted on some employee feedback that had indicated that people felt they were not paid enough. At that time, ApparelCo only had to adjust pay for half a dozen members of staff, and it was felt it was a feasible undertaking.

However, since then the company had hired about 20 new employees, and the LW rate had increased, and thus the owner felt it was no longer financially sustainable to be a LW employer.

The main problem was that the company had a pay structure in place that also took into account “annual objectives and appraisals” for pay rises, and it was felt among the staff that the LW was, in effect, undermining this structure. People who had been with the company for a longer period of time felt aggrieved about the fact that the LW was eroding pay differentials. Despite the fact that their objective wage rate was above market average, staff
continued to complain that they were not paid much above the entry pay level – in other words, they felt that they were not “valued enough”.

As a result of these sentiments, the owner-director was forced into increasing everybody’s pay by the same percentage rate as the LW increase. He said, however, that he felt that doing this was not sustainable for the company. He said he did not want to take away performance incentives or the profit-dependent bonus that was shared out among the staff each year because doing so would be unfair to staff. He also acknowledged that the LW, in fact, acted as a disincentive for some employees: “The warehouse team, they wanted to get rid of objectives because they said ‘this is completely pointless, because we can get the best score in our objectives, but we know that we are already guaranteed an increase of at least that amount because we’re going to be paid the LW, so why should we bother?’”.

The owner-director felt that there was only limited room for the company to absorb the cost of the LW elsewhere in the business, as it had no option of increasing prices (as the company operates within a recommended retail price environment and has to deal with decreasing margins) and only limited opportunities for savings in operational areas. He further stated that he did not feel any tangible benefits of LW accreditation: staff turnover was still high, and there had been no discernible appreciation of the company’s LW commitment – neither from customers nor from staff, despite efforts to promote ApparelCo’s accreditation. The owner-manager insisted that he was “not a minimum wage employer, that’s not where I want to be”, but the commitment to the voluntary LW may have been one step too far in his efforts to reward staff fairly.

Discussion
The findings of this study highlight that in the overwhelming majority of cases employers are motivated by strong moral values and personal beliefs in “paying a fair wage for a fair day’s work”, which came across strongly in both the case studies and the survey findings.

A surprising finding of this study is that the majority of the retail respondents surveyed stated that they made no changes to the way they ran their business following LW accreditation, although the vast majority had to increase wages to receive accreditation. OrganiCo’s approach to implementing the LW is a case in point here. The case also illustrates the apparent willingness of a number of LW accredited retailers to accept the possibility of lower profit margins as a compensation strategy, which is in line with research that found due to their ownership structure SMEs are able to engage in profit satisficing rather than profit maximising (Spence and Rutherfoord, 2001).

The survey highlighted “keeping up with the LW rate” as the main challenge that SME retailers face. The example of ApparelCo in particular illustrates how lack of planning for the LW and LW rises may lead SMEs to run into difficulties. ApparelCo also illustrates the difficulty of introducing the LW sustainably in an organisational environment where the existing pay structure takes into account employee performance and incentives, and the LW may erode resulting pay differentials (another challenge also highlighted by the survey). It appears that in such cases, the LW clashes with other considerations of wage fairness.

This study also provides insight into the perceived benefits of LW accreditation. Its survey showed that “reputational benefits” ranked most highly among SME retailers, followed by better employee relations and more motivated and productive employees. In the interviews, the latter was particularly emphasised by CompuCo, whilst OrganiCo’s owner-manager talked especially about improved employee relations. Both, OrganiCo and CompuCo’s owner-managers also stated low staff turnover as a main benefit; whilst interestingly, OrganiCo also appreciated the ability to delegate the calculation of a fair wage rate to the Living Wage Foundation. Their accounts show that different companies may appreciate different benefits related to LW accreditation. The personal moral benefit of LW
accreditation for SME owner-managers, such as pride in being a trailblazer, and satisfaction at seeing how employees’ personal capability is enhanced as they enjoy more freedom as a result of being paid the LW (Sen, 1992), should also not be underestimated. The absence of any perceived benefits in ApparelCo is thus telling; it is likely that the grievances regarding the erosion of fairness in the company overshadowed any positive effect of the LW.

Another dimension related to benefits that is important, and comes through in the case studies, is the importance of engaging with the company’s customers (and also wider audiences) about the business’ LW accreditation. Positive reinforcement from customers (and others) appears to strengthen commitment to the LW, and is also linked to perceived reputational benefit.

Whilst the moral dimension appears strong across the research sample, there were differences as to how the LW fitted in the overall business rationale. Unsurprisingly, perhaps, the LW formed an important aspect of the business model and ethos for companies that regarded themselves as being “ethical” or “green”, as could be seen in OrganiCo’s example. In such cases, the LW fits well with the niche branding strategy (Hutchinson and Quinn, 2012) chosen by the retailer, and it is perhaps those retailers that already have an “ethical” business model that are especially open to the idea of adopting the LW.

CompuCo, on the other hand, provided an example of how the LW tied in with the employee skills strategy the owner-manager had put in place in order to provide a high level of personalised customer service. Whilst CompuCo was the only company in the interview sample that took such a strategic view, it is perhaps the best illustration of a company that fits in with what Tait (2017) calls a “competing on connectivity” scenario. This scenario, with its focus on investment in highly engaged workforces and the forging of stronger relationships with customers as basis for competitiveness, has been hailed as the most promising scenario for future developments in retail. Linking the LW with the development of staff skills and engagement to enable a high-level customer service is likely to make commitment to the LW both desirable and more sustainable.

Conclusion
This was the first study of its kind that investigated in-depth the implementation of the LW in SMEs, responding to the call for more empirical research into LW employers (Werner and Lim, 2016a). New insights into the motivations, challenges and benefits of paying the LW emerged and should serve as timely and significant bases for companies to examine, especially those thinking of paying the LW to their staff. As such, the study’s findings provide valuable insights for those wishing to encourage LW adoption among SMEs. Furthermore, this study makes an original contribution to the literature on SME retailers as well as to the literature on ethics in SMEs.

This study, naturally, has its limitations. As one of the very few studies focussed on SMEs’ adoption and experiences of the LW, the research was (necessarily) exploratory in nature, focussing on a few companies. Although our wider survey of SMEs (Werner and Lim, 2016b) provides rigorous triangulation, findings cannot claim to be broadly generalisable, not especially since the SME sector in the UK is so vast and diverse. Nevertheless, some findings stand out in our study.

First, an overwhelming number of participants clearly felt that adoption of the voluntary LW was primarily driven by moral motives. This sentiment was echoed over and over again by the owner-managers interviewed in this study. This rationale for adopting the LW show a marked contrast to the studies that report on retailers’ attitudes towards paying the mandatory NLW: the voluntary LW in accredited SMEs is perceived as part of the company’s ethos, and not as a threat that needs to be resisted or managed.

The study also shows that there are manifold benefits to adopting the LW in SMEs, with enhanced brand reputation being cited as the most frequent benefit, which gives an
indication that in the long-term LW adoption might not be perceived as a cost for SMEs. Further, the research findings show that a more planned and strategic approach to implementation is likely to make commitment to paying the LW more sustainable for SMEs. In addition to the fact that this study was exploratory and focussed only on a few companies, our sample was also limited to owner-directors or similar top managers in SMEs. There was no verification of their views from the companies’ employees. Whilst employee responses to the LW have been studied elsewhere (e.g. Linneker and Wills, 2016; Flint et al., 2014) it would be desirable in the future to ascertain employees’ views in case studies such as ours, including the views of middle managers (where applicable).

Comparative studies with larger companies are another avenue for future research. More systematic research may also tease out any differences between medium, small and micro enterprises. Future research should examine in greater detail, and more systematically, the business case for paying the LW, beyond the, often intuitive, perceptions of the owner-manager (see Mitchell et al., 2015). Other research avenues may also include more systematic studies investigating the link between the LW and chosen business strategy, and investigating the strategies employers use to ensure they would be able to continue to pay the LW for the foreseeable future.

At the time of writing, only a small percentage of British SMEs have implemented the LW in a meaningful way. There is enormous scope for many more companies to follow the lead of this small group of pioneers and so make a vital contribution to reducing the externalities associated with low pay. Understanding the motivations, strategies, benefits and challenges surrounding the LW, such as set out in this paper, should enable policymakers, campaigners and intermediaries to better promote among SMEs the implementation of a wage rate that will contribute to the dignity and flourishing of their employees.

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Abstract

Purpose – The purpose of this paper is to provide background on the US living wage movement, with particular attention to recent victories, and also the ways in which the US movement differs from living wage movements in other countries. It begins with some technical distinctions of terms, then analyzes the campaigns and movement for higher wages, and considers some of the challenges the campaigns have faced. It will conclude with some discussion about the future of the movement.

Design/methodology/approach – This is a general review of living wage campaigns in the USA. This is based on a review of existing literature and the author’s own prior research and participant observation.

Findings – The author argues that the initial living wage movement that began in the early 1990s was limited in scope but successful in building coalitions and political power to launch a much more expansive movement to raise wages in 2012.

Originality/value – This paper is a general summary of the last 20 years of living wage campaigns. It does not include new research.

Keywords Labour, Living wage, Minimum wage

Paper type General review

Introduction

The USA has had a federal minimum wage since 1938, but the initial legislation, the Fair Labor Standards Act, contained no formula for setting the wage level; neither did it contain a mechanism for adjusting it in the future. Instead, the wage was increased only with an Act of Congress – something unlikely to happen without strong pressure from social movements or trade unions (US Department of Labor, 1988; Waltman, 2000). The wage was raised at various times in the first 30 years, but peaked in 1968, and was raised infrequently afterwards. By the early 1990s, the federal minimum wage had fallen far below the hourly wage a worker with a family needed to meet the federal poverty line (Bernstein and Schmitt, 2000). Advocates appeared unable to pressure Congress to raise wages at the national level.

In response, labor unions and community organizations began to launch local “living wage” campaigns. These were limited in scope but began to put in place the foundation of a much larger movement that would over the next 20 years form one of the most successful recent social movements in the country (Luce, 2004; Moberg, 2000).

This paper provides background on the US living wage movement, with particular attention to recent victories, and also the ways in which the US movement differs from living wage movements in other countries. It begins with some technical distinctions of terms, then analyzes the campaigns and movement for higher wages, and consider some of the challenges the campaigns have faced. It concludes with some discussion about the future of the movement. The paper is based primarily on a synthesis of existing literature as well as the author’s own experience working with and researching living wage campaigns for 20 years.
Developing minimum wages and the living wage

The first minimum wage in the USA was passed by the state of Massachusetts in 1912, and a few other states passed similar laws in the next few years. It was not until 1938 that Congress passed the Federal Labor Standards Act that set the minimum wage at 25 cents per hour, with no particular rationale or formula behind it. Over the years the law has been amended to cover new categories of workers, change the exemptions, and, periodically, raise the wage level (Waltman, 2000).

In addition to the federal minimum, states can set their own state minimum wage. Some states have greater coverage than the federal. For example, the state of Hawaii covered domestic service workers before the federal law did. And while the federal minimum wage sets a much lower minimum wage for tipped workers, eight states mandate that tipped workers receive the full state minimum wage. Furthermore, some states give cities the authority to establish their own minimum wage regulations (US Department of Labor, 2017; Dalmat, 2005; Sonn, 2006).

While the minimum wage level has varied over time, recently it has been relatively low. The USA has a formula to set a poverty threshold for different family sizes: single adult, adult with child, two adults and one child, two adults and two children, and so on. For most of recent history, a worker working full-time (40 hours per week) and earning the minimum wage would just pass the poverty threshold for a single adult, but would not earn enough to support a family (Waltman, 2000).

Most experts agree that the poverty threshold is outdated and inadequate for measuring the true cost of living, particularly because the formula does not vary by geography, but also for other technical problems (Pollin et al., 2008). Instead, researchers have developed various formulae to measure the true wage needed to cover basic costs. There are variations of these formulas, such as the “self-sufficiency standard” developed by the Wider Opportunities for Women, the Basic Family Budget Calculator created by the Economic Policy Institute, and the Living Wage Calculator developed by Dr Amy Glasmeier and the Massachusetts Institute of Technology (Glasmeier, 2017). Each of these methodologies uses publicly available data, adjusts wages by geography, and constructs an hourly wage needed to cover basic costs for different family sizes (such as one adult/no children; one adult/one small child; two adults/two children). These three methodologies all include the following categories of expenses: housing and utilities, food, transportation, childcare, healthcare, personal and household necessities (such as clothing, toothpaste, soap), and taxes (including tax credits). These methodologies vary depending on some additional costs that could be considered as part of a basic living wage such as savings for higher education, emergencies and retirement.

For much of the 1990s and 2000s, there was a great gap between the minimum wage, poverty threshold, and what the methodologies defined as a wage needed to cover basic needs. For example, when Boston enacted its living wage in 1999, the minimum wage was $5.25 per hour and the new living wage started at $8.23 per hour. By 2001, the state had raised its minimum wage to $6.75 and the city living wage had increased to $9.11. But according the Economic Policy Institute Basic Family Budget, a worker in a household with two adults and two children would need to earn $13.03 per hour just to cover basic needs. A single adult with two children would need to earn $23.24 per hour (Brenner and Luce, 2005).

It was in this context that the modern living wage movement was born.

The evolution of living wage campaigns in the USA: recent history

The first modern living wage campaign in the USA was launched in Baltimore, Maryland in 1994. Activists from community organizations, the public sector union American Federation of State, County and Municipal Employees (AFSCME), and faith-based groups built a campaign to pressure the city to raise wages. The mayor asserted that the city had no authority to set a citywide wage. A coalition launched a campaign and eventually pressured the City Council and
Mayor to pass a living wage ordinance. That ordinance set a minimum wage of $7.25 per hour for any firm holding a service contract with the city. This meant the impact was relatively small, covering around 1,500 employees on contracts for services such as school buses, janitorial and security guard work at city buildings (Niedt et al., 1999).

Within a few years, a national living wage movement blossomed. Coalitions formed in cities around the country, demanding their city councils pass ordinances. These primarily took a similar form: activists lobbied their elected representatives and used public education, media, rallies and protests over one to two years in order to get the city to pass a law. The law mandated firms doing business with the city to pay the higher wage, which included holding service contracts but also sometimes included firms receiving economic development assistance from the city (such as low-interest loans). In some cases the ordinances covered direct city employees, and employees on city-owned property such as an airport or sports arena (Luce, 2004).

The living wage campaigns were fairly successful, in that over 125 cities and counties passed variations of living wage ordinances between 1994 and 2010. Most of these set the wage to the federal poverty line for a family of four, and the wage was indexed to increase each year with the cost of living. Some of the ordinances included additional provisions, such as supplemental pay if the employer did not provide health insurance, unpaid and paid days off, and some job protections for workers (Luce, 2004).

However, there were a few concerns raised about the ordinances. First, the wage rate, $7.25 per hour, was not a “living wage” as defined by a basic needs budget. Instead, it was the hourly rate needed to reach the poverty line for a worker with children. Some critics asserted that setting a poverty wage as a “living wage” was a setback. Others argued that it was a large jump from the current minimum wage and a way to begin a stronger movement for higher wages. For example, Madeline Janis, lead organizer for the Los Angeles living wage campaign, remarked in 1995 that beyond winning a raise for workers, the goals of the campaign included to “develop a tool for union organizing and to promote successful organizing actions” (Pollin and Luce, 1998). Amaha Kassa, an organizer in Oakland noted the way in which the living wage concept was useful for building political alliances, “As important as the policies we pass are the coalitions we build. The coalition will outlast any policy if we do our job right” (Moberg, 2000).

Second, the ordinances covered only a small portion of the low-wage workers in the country. Whereas approximately 25-30 percent of all US workers earned wages below the poverty line (about 35 million workers in 2012), the ordinances covered only a small fraction of those. This was in part due to the wage level but mostly the low coverage was also due to the way the ordinances were structured. They covered workers connected to city contracts or subsidies, and not all low-wage workers. Some cities tried to establish citywide wages in the 1990s and 2000s but faced legal challenges and stiff opposition. Only three cities succeeded in establishing a citywide wage: San Francisco, California; and Albuquerque and Santa Fe, both in New Mexico, all enacted citywide minimum wages in 2004. (Washington, DC, its own legal entity, had its own minimum wage for decades).

For the most part, living wage advocates understood these limitations but persisted with the campaigns for several reasons. First, the movement still hoped to raise and improve the federal minimum wage but lacked the power to do so. The local living wage campaigns were seen not as an alternative to raising the legal minimum wage, but a complementary step. The campaigns helped build new alliances and coalitions and develop political experience pressuring candidates to take wages on as a priority.

Second, the campaigns were a way to build worker power and, in many cases, assist union organizing. One of the main players in the movement was the Hotel Employees and Restaurant Employees union, but other unions, including SEIU, AFSCME, the National Education Association, and others, played a role in different campaigns. For unions, the campaigns were a
way to work with low-wage workers that were not yet organized into unions. By fighting together for a living wage, workers could gain confidence to unionize. Living wage campaigns were also a way to assist already unionized workers in collective bargaining. Particularly in the public sector where it was difficult to win raises, unions could work with community allies to pressure public authorities to grant higher wages in collective bargaining agreements. Organizers were correct on their assessment: the local living wage campaigns did help build momentum to raise state minimum wages. By 2006, 19 states had minimum wage rates above the federal level. Then in 2007, the federal minimum wage was increased, to go up from $5.15 to $7.25 over three years (US Department of Labor, 2017).

The movement regains momentum
After 15 years of success with wage campaigns, the 2008 economic crisis hit, and brought wage campaigns to a halt. For several years after 2008 there was little progress, despite promises made by President Obama for an increase. Even some Democrats in Congress stated that raising the minimum wage would be a “job killer.” The Democratic City Council in New York City would not even allow a proposal to expand the city’s living wage ordinance to come to a vote. Then in 2011, Occupy Wall Street emerged, bringing the issue of inequality and low wages to the forefront. The next year, fast food workers went on strike in New York City, demanding $15 per hour and union recognition. At the time, the New York state minimum wage was the same as the federal: $7.25 per hour. The city of New York had a living wage ordinance in place that set the living wage at $10 per hour. The demand for $15 seemed impossible, as it would mean more than doubling the minimum wage, and even far surpassing the established “living wage” (Rolf, 2016).

Where did the $15 demand emerge from? There are a few explanations, suggesting that the demand was brewing in difficult locations and happened to coalesce at the same moment. In New York, SEIU had been working through a coalition called Fight for a Fair Economy (FFE). This coalition has been working for several years to create a broad political coalition with community organizations to knock on doors, identify potential voters and talk to them about their issues, and be able to turn out voters for important elections and issues. Through the door knocking efforts, FFE organizers found a lot of low-wage workers disgruntled with their jobs, and a large number of people employed in the fast food sector. FFE decided to pull together some of these workers to see if they could launch a campaign. According to some sources, when it came time to form their wage demand, workers thought the current New York City “living wage” rate of $10 was far too low to live off. They thought $20 was likely too hard to win. They settled on $15. There was no formula or methodology behind the demand, but it seemed like a good one (Luce, 2015).

Low wages were not only a problem in New York, but throughout the country. At the same time New York fast food workers were organizing, unions were working to organize airport workers in Washington State, particularly at the Seattle Airport, located in the town of Sea-Tac, Washington. As part of that campaign, organizers decided to put an initiative on the ballot for voters to approve a minimum wage for Sea-Tac of $15 per hour. The state of Washington already had one of the highest state minimum wages in the country, at $9.10, but still, $15 would be a large jump. Sea-Tac organizers say they picked $15 per hour because the current living wage ordinance rate covering airport workers on the west coast were around $13 or $14 per hour, and so $15 seemed an appropriate demand (Rolf, 2016; Rosenblum, 2017).

Fight for $15
The fast food strikes spread quickly around the county. From 2013 to 2016 workers and allies launched one-day strikes in hundreds of cities with the same demands: $15 per hour wage and union recognition. On December 3, 2014, the national day of action included
strikes in over 190 cities (Gittleson, 2014). An action on November 29, 2016, saw strikes in 340 cities. Other workers joined the actions along the way, including home care, airport, childcare, university adjuncts, Walmart associates and others, all demanding a $15 hour wage (Berman, 2014a; Greenhouse, 2016). In addition to the US strikes, the campaign garnered international support. Solidarity actions and protests in support of domestic wage increases took place in hundreds of international cities in countries including Japan, Brazil and the UK (Berman, 2014b).

The effort was bold and innovative. First, as mentioned, the wage demand was much higher than prior minimum wage and living wage campaigns. Second, the call was somewhat open-ended: who should pay the $15? Who was the target? Workers struck at multiple fast food chains, including McDonald’s, Burger King and Wendy’s. It was unlikely they could win an agreement from each of these large transnational corporations, and each of them was run under a franchise model, making it difficult to see how to win a union campaign or set collective bargaining unless agreed at the corporate level (Rosenblum, 2017). Instead the campaign took shape as a legislative effort, building pressure for cities or states to raise wages. In 2012, only four cities had citywide minimum wage ordinances. Unlike a city living wage ordinance, a citywide minimum wage, higher than the state wage, covered all workers in the city, public and private.

In late 2012, voters in Sea-Tac, Washington approved the $15 per hour ballot initiative. The following year the Seattle, Washington City Council approved a $15 minimum wage spreading, passed citywide wages. By 2017, more than 40 cities and counties had set their own local wages, ranging from $8.50 to $16 per hour. In most cases the higher wage was phased-in over several years. Many included indexing.

In the same period, dozens of states raised their statewide minimum wage, to rates ranging from $7.70 to $15 (while the federal level remained at $7.25). Others added in indexing; there are now there are 18 states with automatic adjustment to the state minimum wage.

The Fight for $15 has blurred the line between the “living wage” campaigns and the minimum wage. Now, the standard wage demand is for $15 per hour, which is higher than the federal poverty line for a worker with a family (about $11.70 per hour in 2016). While $15 is still not a “living wage” for workers in many cities, it is a major jump from what it had been.

Impacts of living wage on workers and employers
When the modern living wage movement began in the 1990s the dominant mainstream view within the economics profession was that wage mandates were a destructive policy. When employers were forced to pay wages higher than a worker’s marginal productivity they would choose to cut jobs. Policymakers often echoed this sentiment, claiming that living wage ordinances were “job killers.” Opponents further argued that living wages could lead to higher prices for consumers, higher taxes in cities, and industries leaving cities for fear of an anti-business climate (Janis, 2011).

By the late 1990s as more living wage ordinances were enacted, it became difficult for opponents to maintain their arguments. While a few studies asserted harmful impacts on employment, an increasing number of “natural experiments” compared cities and counties with higher wage mandates (in the form of living wage ordinances or state minimum wages) to those that did not raise their wage. Increasingly, the studies found little to no impact on employment. Furthermore, surveys of employers found some positive impacts: lower turnover, higher productivity, and in some cases, greater efficiency (Chapman and Thompson, 2006; Schmitt, 2013; D’Arcy and Davies, 2016). Still, a few studies still find evidence of job loss, particularly for teenagers (Neumark et al., 2014; Neumark, 2015).

Some critics argued that the wage increases would have little impact on workers lives because higher incomes would mean that workers lose eligibility for government programs,
such as food stamps and tax credits (Burkhauser and Sabia, 2007). Worker surveys find that there is a range of outcomes, with some workers (particularly single parents with several young children) losing more benefits, but that on average, workers are better off with the pay rise (Chapman and Thompson, 2006; Pollin et al., 2008).

The US experience of living wage campaigns
Living wage and minimum wage issues are now common in many countries, but there are three factors that are relatively unique to the USA. First, compared to the UK and Canada, the living wage campaigns have primarily aimed at passing compulsory regulation on employers, rather than persuading employers to voluntarily adopt higher wage policies. This is perhaps because the USA has a strong reliance on “hard law” vs “soft law,” and it may be because US unions view US corporations with great distrust. There is little or no tradition of social dialogue or much reliance on partnership in the USA. In fact, activists saw one of the benefits of municipal living wage ordinances was that they could provide additional mechanisms to monitor employers, and penalties for employers who violate labor laws. Federal labor law is relatively weak and not always enforced. A local living wage ordinance can provide workers with some additional protections for organizing on the job. For example, the Los Angeles living wage ordinance protects workers who discuss their wages with co-workers. Under federal law, employers can fire workers for discussing their wages at work, but the Los Angeles ordinance includes “non-retaliation” language that has provided some protections for workers who want to organize.

Second, the US case may differ from other countries in that the line between “living wage” and “minimum wage” is blurry. The activists involved in each have not seen the efforts as distinct or in contradiction. Rather, the living wage campaigns were an effort to organize at the local level to raise wages, but also build political power to eventually increase state and federal minimum wages. This distinction has been stronger in other countries, such as Canada, where there have been some tensions in strategies for raising wages (Evans and Fannelli, 2016). (However, the distinction is less clear in the UK now that the government set a national “living wage” for workers age 25 and above in 2015).

Finally, the third aspect that characterizes the US movement is that it has been a vehicle for building coalitions between labor unions, faith-based organizations, community groups and other elements of civil society. While other countries have had some degree of alliance and movement building, it has not usually taken to the same degree as the USA. In other countries the campaigns have tended to be led primarily by unions, such as in Japan, where the public sector union Jichiro has been the main advocate (Suzuki, 2008), community organizations in the UK (Holgate, 2009), or policy organizations in Canada (Evans and Fannelli, 2016).

The living wage movement in the USA was unusual in that while there were a number of national organizations involved, the local campaigns were led by a variety of different forces. Each city and campaign looked different. The main actors included some unions, and some Central Labor Councils, as well as the community organization ACORN, the faith-based group Industrial Areas Foundation, and the labor-community coalition Jobs with Justice. But a long list of local organizations was also heavily involved. In many cities, the living wage campaign was launched in particular as a way to build a coalition of allies – ideally for longer-term political work (Luce, 2004).

The Fight for $15 campaign has been particularly notable for its linkages to the Black Lives Matter movement and the immigrant rights movement (Jaffe, 2014, 2016). In part because many low-wage workers, and fast food workers in particular, are black, the campaigns seem natural allies but that alliance was not inevitable. Many union campaigns have steered away from addressing race and racism directly – indeed, the union movement has a sordid past in many dimensions of race relations (Roediger, 1994; Korstad and
Lichtenstein, 1988). The alliance took an intentional effort and nurturing on behalf of some activists key to both movements, as well as faith-based movements. Labor organizer and author Jonathan Rosenblum (2017) notes that the Fight for $15 campaign brought together an “unlikely alliance of Sea-Tac airport workers, union and community activists, and clergy” and united a “diverse, largely immigrant workforce.”

**Challenges and questions for the US living wage movement**

There is no doubt that the movement for higher wages has been very successful in the last few years in the USA. But some major challenges exist. First, the movement continues to demand $15 per hour, but there is no methodology or formula to support the rate. There is also major regional variation in cost of living, with $15 per hour in New York City actually impacts a smaller share of workers than $12.50 per hour in upstate New York (Milkman and Luce, 2016). While a few scholars have proposed formulas for calculating a regional wage, there is nothing close to consensus – or even a move by policymakers – in that direction.

What is the right wage? Some economists who support a higher wage have suggested that the wage should be high enough to improve worker incomes but not so high that it leads to job loss (Krueger, 2015). They have attempted to find the right “tipping point” at which employers can withstand the higher cost without cutting jobs. Indeed, the UK minimum wage was set according to this exact principle from 1999 to 2015, when a national “living wage” was established for workers age 25 and older. Others argue that the wage should be set primarily based on the cost of living – workers’ basic needs – rather than employer needs or job losses. This argument suggests that some job loss may be acceptable if it means a larger number of workers are able to earn a self-sufficient income. The minimum wage could be supplemented with public programs to reduce some of the major expenses workers face – in particular, free or subsidized childcare. This would mean that workers with small children would not need such a high hourly wage to survive (Howell et al., 2016).

Second, higher wages are of limited use if workers do not have access to full-time work hours. In many low-wage industries there has been an increase in involuntary part-time scheduling, and the rise of practices such as on-call and irregular hours. This means that even with a big wage increase, total take-home pay may not go up by much (Prowse and Fells, 2016). As with the “zero-hours” campaigns in the UK and New Zealand, the US activists have worked to address the problem of work hours through legislative campaigns, media attention and workplace organizing. For example, a coalition led by the labor-community group Jobs with Justice got the San Francisco City Council to pass a “Retail Worker Bill of Rights” in 2015. This applies to all businesses with 20 or more employees in San Francisco, and 20 or more locations globally. Before a covered employer can hire new direct or temporary agency employees it must first offer all current part-time employees the right to more hours of work. Employees must receive their schedules two weeks in advance, and employees must be compensated when “on-call” shifts are canceled (DePillis, 2015). In 2017 the New York City Council passed “Fair Workweek” legislation that outlaws on-call scheduling, requires two weeks’ notice for posting schedules, and mandates that employers offer new shifts to existing employees before hiring new ones. If an employer changes a schedule within two weeks they must pay a bonus (City of New York, 2017).

Similarly, in addition to low wages and low and variable hours, workers have little job security, few or no benefits, and no grievance procedure. Some of these jobs, particularly fast food, are dangerous as well. In industries like retail and fast food, workers can be stuck for years with few pay rises or promotion opportunities. The career ladders are weak in these industries. And even a promotion to management might still be a low-wage job. The higher wages movement is only addressing one single issue.

Many of these problems could be improved if workers had a union, which is the second demand made by Fight for $15. But while the Fight for $15 campaigns has had major...
success on raising wages, it has had almost no success on its other demand: unionization. Union density in the “restaurant and other food services” industry is only 1.7 percent. In other low-wage sectors, like department stores, it is 2.2 percent (Hirsch and Macpherson, 2003). Unions remain rare in many of the workplaces where we see job growth.

Could it be that employers and policymakers are willing to allow higher wages as a way to keep out unions? (Logan, 2006; Royle, 2010). Indeed, more than a dozen major companies have raised their internal starting wages in the wake of the fast food strikes and labor protests (Carew, 2015). Several of these companies, such as Walmart and Target, are known for their anti-union practices. The effort to unionize large numbers of low-wage workers will be quite challenging - not only due to direct anti-union practices - but also due to the franchise system utilized by many fast food companies. This would mean that workers would have to establish a union restaurant by restaurant, for tens of thousands of workplaces across the country. But if a group of workers at one McDonalds was successful in unionizing, it could mean that store would threaten to close.

Another concern is the threat of mechanization. This is not new, of course: employers have always threatened to replace workers with machines when wages increased. Certainly the technology already exists to establish self-check-out lines in grocery stores and fast food restaurants. To what extent should workers worry that their demand for a higher wage (and union) will lead to displacement? As noted above, the research to date does not find that the higher wages are resulting in job loss. Of course, the $15 wage is a significant increase that is only now being implemented, so the longer-term impact is not yet clear but there is nothing inevitable about a labor-technology trade-off. In some industries, employers have implemented technology only to find it was not successful: customers preferred human interaction, or the machines were unreliable and costly to maintain. The use of technology instead of human labor is political, and contested, and the outcomes are not certain (Frase, 2016).

**Future directions of the US living wage movement**

The living wage movement that began in Baltimore in 1994 had considerable success. The campaigns won in most places they were launched, with over 125 cities and counties passing ordinances over 15 years. The ordinances did not cover a large share of low-wage workers but they helped unionized some groups of workers, and more importantly, built coalitions and alliances that were then in place to help expand the movement to the bolder, more expansive efforts to raise wages to $15 per hour. On November 8, 2016, voters approved four new ballot measures to significantly increase state minimum wages. With those victories, the number of workers receiving minimum wage increases since 2012 reached 20 million – a good portion of the low-wage workforce (National Employment Law Project, 2016; Hirsch, 2016). Not only are more workers now receiving wages, but the wage increases are much higher than they had been in previous eras of state minimum wage rises.

Minimum wage increases remain popular among voters, including among those who voted for Donald Trump for president but what can we expect now that he is in office, along with a Republican majority in Congress that opposes minimum wage increases (and some of whom even oppose any minimum wage legislation at all)? Every move President Trump has made to date suggests a minimum wage increase is unlikely. On the other hand, the last increase to the federal minimum wage came under President George W. Bush, in 2007, after Democrats fared well in the mid-term elections. In some ways, it could be a wise move on Trump’s part to approve a minimum wage increase that is so popular with voters. But if this were to happen, it would likely come along with exemptions or other cuts. For example, some policymakers (republicans and democrats) have approved statewide minimum wage increases along with new restrictions on localities setting their own minimum wage (Ritsche, 2015). Note that this is similar to the UK experience when the Chancellor George
Osborne announced the creation of the new “living wage” in 2015. This came alongside an effort to cut back in-work benefits (Clarke and D’Arcy, 2016).

According to some analyses, many voters who elected Trump did so because they felt the mainstream candidates and parties had ignored working class issues. This suggests the wage issue is still ripe for organizing, and public support will remain high. A current bill to raise the federal minimum to $15 by 2024 would benefit 41 million workers (Owens, 2017). However, the movements must stay resolute in their demands to make the minimum wage a living wage, and not agree to concessions that divide the movement – such as concessions that might exempt new categories of workers and undermine the ability of unions to organize.

Conclusion
The last few decades have seen a sharp increase in attention to minimum wage and living wages in many countries. As inequality continues to rise, and low-wage work expands even in the context of economic growth, policymakers and activists look for solutions. The US living wage movement attempted to challenge this burgeoning low-wage labor market growth in the 1990s. It had some success in passing local ordinances, but for the most part, these covered a very small fraction of workers and did little to slow the growth of low-wage jobs. The emergence of Occupy Wall Street, and then the “Fight for $15” movement, created an opportunity to raise wages to much higher levels and for many more workers.

The National Employment Law Project estimates that in four years, from the first fast food strike in November 2012 to November 2016, over 19 million workers won raises via local and state increases, for a total of almost $62 billion (National Employment Law Project, 2016).

Still, the federal minimum wage remains at $7.25 per hour and it seems unlikely to be raised any time soon. Instead, organizers are focusing heavily on the local and state level where political coalitions are stronger and they have greater opportunities to influence legislators. The USA case provides a few lessons that may be relevant for other countries. First, the success of US campaigns suggests that at this point, workers may have more power in the legislative arena than in the workplace. This does not mean that workplace action is ineffective. Indeed, the huge success of Fight for $15 may be a result of the rolling strikes and workplace actions. But the wage gains have come via policy, for the most part. Organizing unions and winning demands solely through strikes is still possible, but much harder than winning gains through legislative action. It may be that both components are necessary.

Second, legislators are unlikely to set or raise wages on their own without pressure from movements. However, once a movement has begun and the issue is popular, some legislators may take advantage of the opportunity to increase wages in order to garner political support. Activists must be wary of compromises that cut benefits or rights alongside wage increases.

Third, while there is considerable time and effort put into developing the best formula or methodology to determine minimum wages and living wages, the US movement has for the most part, treated this issue as of secondary importance. The early living wage campaigns chose to use the federal poverty line for a worker with a family of four as a target rate while realizing that that level was not a true living wage based on the cost of living. There are several methodologies available to calculate a more realistic living wage but the campaigns have not utilized them. In fact, the most recent successful movement has adopted a wage demand, $15 per hour, with no formula behind it at all. On the one hand, this may be a weakness for the movement, and it results in a real wage that varies greatly by region ($15 per hour is much higher in a low cost of living city than a high cost of living city). On the other hand, a single demand of $15 per hour is clear, consistent and bold, and this has perhaps fostered more excitement for the movement. This suggests that while finding a
credible formula has been an important component in the Canada and UK living wage campaigns, it might not be necessary for success everywhere (Richards et al., 2008; Living Wage Foundation, 2017).

Fourth, the living wage movement has had some success raising wages but higher wage mandates are only one policy of many, and on their own, they will not be enough to dramatically improve workers’ lives. Workers also need regular and stable hours of work, job protections, health benefits and pensions. The best mechanism to provide these outcomes is more likely through union representation and a collective bargaining agreement. Some employers and policymakers that may be open to higher minimum wages will be the same to vigorously oppose unionization.

Finally, reversing the extreme inequality found in most countries and altering the shape of the labor market will take major political restructuring. To that extent, the promise of the higher wages movement lies heavily in the ability to continue using the campaigns as a vehicle for building alliances and broader political movements. In the earlier years of the movement, living wage campaigns successfully united labor unions with faith-based and community organizations. In more recent years, the Fight for $15 movement has been building alliances between labor groups and racial justice groups like Black Lives Matter. Any effort to seriously restructure labor markets will require strong and broad alliances and the popularity of minimum wage and living wage may be the issue on which to build.

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The living wage as an income range for decent work and life

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Abstract
Purpose – A “living” wage (LW) is conventionally defined as enabling meaningful participation in society above subsistence through, for example, recreation, supporting a family, and savings. There is increasing debate over LWs due to growing inequality, rising living costs and welfare reform but this remains largely framed by the econometric cost-benefit parameters that apply to minimum wage regulation. The capabilities approach advocated by Sen (1999) offers a different perspective that is inclusive of choice, contingencies and the inter-connections between quality of (paid) work and private life. The paper aims to discuss these issues.

Design/methodology/approach – The paper adopts this framework and utilises a qualitative exploration of the narratives of 606 New Zealand employees to understand perceived wage effectiveness. The results suggest that a focus on a specific LW rate might be conceptually limiting, in comparison to a LW range.

Findings – First, the findings indicate that there is a pivot range in which people move from self-assessed “survival” to “decent” income. Second, a LW may have more than a simply monetary effect in better meeting employees’ living costs; it can also improve well-being through subjective perceptions of valued freedoms to do with job satisfaction, equity and security.

Originality/value – The results thus draw attention to a wider notion of a LW in terms of personal and family well-being, utilising a capabilities approach, with implications for organisational practice, policy and theory concerning sustainable livelihood and the UN Sustainable Development Goals.

Keywords Quality of working life, Decent work, Human capabilities, Living wage

Introduction
Most countries regulate pay through “minimum wages”, usually by law but also through collective bargaining (International Labour Organization, 2013). Wage minima may vary by sector, region or individual criteria such as age but the arrangements are usually designed both to provide a degree of income protection for workers, in combination with transferable benefits, and to prohibit “unfair” competition based on labour exploitation.

The declining wage share, rising inequality and increased cost of living observed across the developed world has recently shifted attention to “decent” income levels beyond...
minimum subsistence or market-clearing rates (Werner and Lim, 2016). This broader notion relates to quality-of-life and the ILO’s conception of “decent work”, which is also linked to work intensification and insecurity (Fleurbaey, 2015). In this context, a “living wage” (LW) is usually defined in terms of enabling meaningful participation in society beyond mere survival through, for example, recreation, supporting a family and saving against future risks (Clary, 2009; Ryan, 1996). Implicit in this notion of a LW is that not only is there an income level below which people risk further deprivation; above a certain threshold, there should be a qualitative upward shift in human freedom and capability (Parker et al., 2016).

This broader perspective of a LW also recognises the impact of work-related factors on workers’ well-being (Waltman, 2004). Perceptions of workplace equity and justice, job satisfaction and life satisfaction generally can be regarded as indicators of human “thriving” that are theoretically enabled by a LW (Carr, Parker, Arrowsmith, Watters and Jones, 2016).

A fundamental problem of any form of standardised wage regulation concerns the diverse circumstances of the employment parties. Arguably, this complexity is more problematic in the case of LWs since they are usually calculated at a significantly higher rate than the usual minimum (Anker, 2011).

Empirical evidence of the real or hypothetical effects of a LW is limited and dominated by econometric analyses that focus on organisational and social outcomes. For example, recent research has examined the effects on poverty reduction (Neumark and Adams, 2003), economic development (Freeman, 2005), employment levels (Fairris and Reich, 2005), and social welfare policy (Chandler, 2009). Generally, LW studies tend to assume that employers are hesitant about LWs because raising pay will increase their costs and reduce investment (Karjanen, 2010). However, the implications for employees are less well understood, particularly along subjective dimensions such as perceived equity, job satisfaction and overall well-being. This means that one of the arguments for an LW, that higher pay can (as indicated by efficiency wage theory) increase skills development, retention and discretionary effort, remains under-developed and tested (Carr, Parker, Arrowsmith and Watters, 2016).

This paper addresses some of these issues through a qualitative analysis of employee perceptions relating to pay and aspects of work-life quality. It adopts a broader notion of a LW using a “capabilities” framework to explore individual needs, circumstances and preferences and provide empirical evidence concerning the potential implications of LWs as perceived by employees themselves. A literature review follows, focussing on our understanding of the LW concept and the utility of the capabilities approach. The next section outlines the study methodology, data collection and analysis procedures. Findings are then reported and used to inform a discussion of the potential impacts of a LW on individual and wider well-being. The paper concludes with a consideration of context and implications for future research.

Dimensions of a LW

A LW can be defined as dependent on context, shaped by objective considerations such as the cost of living and subjective (culturally or historically specific) expectations of needs. In practice, a LW is often defined and calculated on the basis of econometric analyses that use basic cost of living estimates, income distribution as a percentage of median income, or a combination of both (Carr, Parker, Arrowsmith and Watters, 2016). This notion of a LW rate is usually based on narrow assessments of the basic economic needs of a “typical” household unit (Anker and Anker’s (2017) recent definition is more workable but is still not broad). Though useful in itself, this neglects employee agency. A broader perspective would approach the LW in terms of employee understandings and impacts. In this paper, we define a LW as a wage level at which employees perceive and experience a step-change in their capability to enjoy meaningful organisational, personal and social lives.

Pay rates are not simply the outcome of “market forces”. Notions of what is fair and appropriate inform pay-setting structures and outcomes as much as labour market supply
and demand due to the potential for conflict and need to elicit productive behaviour (Arrowsmith, 2009). Conflict may arise because pay is the means of livelihood for employees yet a foremost cost to employers; however, this is attenuated if pay correlates with productivity such that increases are offset by reductions in unit labour costs. Pay has potentially important behavioural effects because much effort and performance is exercised voluntarily (Colling and Terry, 2010), and perceptions of “decent” levels and processes of pay combine with job content, conditions and hours to shape employee commitment and work motivation (Stevenson and Wolfers, 2013). Pay is thus not simply a function of the external labour market but reflects the need of employers to recognise employee concerns in order to motivate discretionary effort (De Saá-Pérez and García-Falcón, 2002; Jawahar and Stone, 2011).

The LW concept incorporates but goes beyond such instrumental performance considerations by focussing on quality-of-life as a goal in itself. This perspective is grounded in traditions of morality and humanism (Bennett, 2014), reflecting an age-old idea that “wages should be sufficiently high to enable the labourer to live in a manner consistent with the dignity of a human being” (Ryan, 1906, p. vii). This dual focus on human well-being and productive development closely resembles the capabilities approach that has been applied across the social sciences (Deneulin, 2009). In Sen’s (1999, p. 75) seminal account, a person’s capabilities are essentially the meaningful freedoms he or she enjoys to lead the kind of life, and quality-of-life, they have reason to value.

Essentially, capability does not depend on the actual resource endowment that individuals may have (such as income) but rather on what people manage to achieve with their resource endowment given the freedom to choose through the exchange of resources. A human capability approach to LWs thus emphasises the impact of income on the autonomy of workers’ choices in the exchange of resources such as time and effort for money, as well as of money for goods and services. These choices, which are context specific, help to shape work motivation and perceived life quality, themselves subjective measures of individual capabilities.

Operationalising a LW using the capabilities approach is not straightforward given the diversity of individual characteristics and context and because there a large number of constructs and measures that can be used, whether for individuals (Waltman, 2004) or incorporating wider understandings of well-being such as at the household level (Stabile, 2008). These considerations of capability acknowledge not just material conditions but also sense of empowerment, commitment, psychological contract and job or career satisfaction (Clark, 2005). Ideally, an evaluation of the effectiveness of a LW in terms of its impact on human capabilities should involve broader considerations of a holistic evaluation of individual, family, organisational and social well-being.

We attempt to adopt this broader view here, accepting work motivation and perceived life quality as subjective indicators of individual capabilities which may be related to pay (Chiu and Chen, 2005; Riketta, 2008). Similarly, the organisational psychology literature highlights the relevance of factors such as wage relativities in informing perceived job satisfaction and well-being (Brown et al., 2008). Here, we use an exploratory capability approach based on selected indicators of work and life well-being. It is not our intention to utilise an exhaustive list of potential “capabilities” and “functionings” (in Sen’s (1999) terminology, the desired outcomes of a person’s capabilities), but rather to examine how income levels might relate to human capability or, more simply, perceived quality-of-life. This might be understood as qualitative since individuals define, for example, their sense of accomplishment or purpose in distinct family, work and community settings, in accordance with their goals (Clark, 2005).

A key concern regarding a LW, and an objective of this paper, is thus to explore the actual and relative levels of income that impact on workers’ perceived realiseable
opportunities, that is, their capabilities. More specifically, we explore the meaning of a LW based on qualitative insights as reported by employees in order to address two research questions drawn from the human capability perspective:

RQ1. Is there an income – most likely a threshold or “pivot range” rather than a universal rate or “pivot point” – that might transform the perceived capability of workers in transitioning from “survival” to “decent living”?

RQ2. What contextual factors might impact on workers’ perceived work-life quality in this respect?

Methodology
The research was based on an online survey delivered in 2014 through various media platforms, details and overall quantitative analyses of which have been presented elsewhere (Carr, Parker, Arrowsmith, Watters and Jones, 2016). A sample of 1,183 employees participated in the survey under conditions of informed consent and confidentiality, following a low-risk screening process framed by University Ethics Committee protocol. Respondents were invited to respond to an open-ended question where they were asked to evaluate their wage or salary and provide views on the factors impacting on work-life quality. A total of 712 (60.2 per cent) participants provided comments but 106 of these were removed due to irrelevance or incompletion. This produced 606 usable participant narratives for this qualitative study.

The sample was diverse in terms of age, region, gender, occupation and income level though no claim is made for representativeness. For example, 41 per cent (n = 249) were aged between 51-65 years (compared to 28 per cent under 40 years) and 24.4 per cent (n = 148) were male; the former might reflect a tendency for younger respondents to reply via social media, which circumscribed narrative comment, and the latter a higher concentration of females in low-paid work (New Zealand Ministry for Women, 2016). Promotion of the survey was targeted at lower-waged workers (though community groups, trade unions and media appeals) but job status and occupation ranged from part-time, entry-level jobs to managerial and professional roles. Annual individual salary data thus ranged from New Zealand Dollar (NZD)3,000 to NZD400,000 (mean = 60,787; SD = 34,773). This range of pay and job types did, however, facilitate analyses of respondent perspectives concerning the different contextual relationships between pay, perceived work-life quality and job characteristics.

A template analysis of the data was adopted (King, 1998); this approach lies between content analysis, which applies a predetermined list of codes (Krippendorff, 2004), and a grounded theory approach in which themes surface within a loosely structured framework (Glaser and Strauss, 1967). The qualitative analysis software NVivo 11 was used to classify, sort and arrange the narrative data and to examine relationships between the themes that emerged. A two-step analytical process was adopted. The first stage involved “descriptive coding” (Richards, 2009). In order to understand the potential “pivot range” of income related to capability mobility, participants’ perceptions of the sufficiency of income was coded according to classificatory nodes extracted from the qualitative data. These nodes/categories were obtained using the search function of NVivo 11 to extract the most frequently used word(s) to describe subjective views of the quality of income. This approach generated six categories that we labelled, based on the content of responses, “struggle” (frequency = 227), “barely enough” (109), “low pay” (203) “fair” (246), “comfortable” (99) and “really good” (84). These nodes were then used for coding. This is, of course, an interpretive rather than objective process, and the challenges of categorising narrative data into usefully descriptive and explanatory “variables” are familiar in qualitative research (Black, 2006), especially as it is important to “let the participants
speak for themselves” (Maykut and Morehouse, 2005, p. 42). In order to ensure consistency during the analytic process, working definitions of each variable were generated and applied based on common respondent references to basic material and lifestyle factors, and research team members independently categorised and where necessary discussed each comment. Any coding discrepancies were reviewed and adjustments made until consensus was reached among the coders.

The second process involved “topic coding” (Richards, 2009) to develop understanding of the factors impacting on perceived work-life quality. A list of nodes was generated, in a similar fashion to the above coding process for salary references, concerning perceived capabilities and wider contextual factors. Coding was then applied to explore the components of these topics, based on participants’ comments. The coding framework was refined through a collective process of reading and re-reading the self-completed documents. Nodes were then compared and merged to form categories, with each category thoroughly analysed to identify recurrent patterns and themes. The “constant comparative method”, which is commonly used in grounded approaches (Lofland et al., 2006) was used to compare how different themes were discussed by different participants. This process served as an internal validation tool to enhance the credibility and potential transferability of the research (Guba and Lincoln, 1994).

Findings
The results are organised according to the two research questions. First, participants’ perceptions of income effectiveness are explored and, in particular, income ranges in which participants might move from “survival” to perceived “decent” income resulting in a transformation of the perceived capability. Second, contextual factors which impact on perceived work-life quality are explored. In both sections, quotations are used to illustrate important themes.

Pay, capabilities and exploring a pivot range
Individual narratives were coded according to participants’ evaluation of their income. Using a demographic question in the survey regarding annual income, we can construct a matrix to identify the numbers of participants in each category of perceived capabilities (using self-assessed well-being as a proxy) from each income group (Table I). Individual income is clearly related to perceptions of well-being though, as the narratives show, this is mediated by personal circumstances (e.g. number of earners and dependents) and perceptions of job content and worth.

Taking each of the capabilities proxy indicators in turn, 8 per cent of participants (n = 49) said that they struggled to get by. Examination of the data narratives for this subset revealed that a sense of insecurity was common among these participants. They found it difficult to meet current basic needs and were worried that the future could be still more difficult. Low income hindered capability development due to an impact on quality-of-living and psychological well-being. For example:

It doesn’t work well for me at all. I cannot afford to live in my own home as I cannot afford a mortgage or rent plus all other expenses. If my car broke or I needed dental care, I struggle to pay. I am too scared to ask for more as I could only get a casual contact and I think my employer will get rid of me if I ask for more pay. I work 10 and seven hours without one break […] I’m living on a knife edge from week to week wondering how I can make ends meet (Female, 51-65 years, beauty therapist, NZD25,000 per annum)[1].

It is very difficult because we fall into the category that we don’t make enough to live on properly but we don’t make less enough to get help i.e. community service cards etc […] ☹ (Male, 41-50, Community Service Coordinator, NZD28,210 per annum).
Another 12 per cent of the participants (\(n = 75\)) described their remuneration as “barely enough” in that current basic needs were usually met but there was little or no provision for eventualities. As one respondent put it:

I feel that I am able to meet my basic needs but find it difficult to save money despite earning “above minimum” wage. This is disconcerting since I believe I am good with money such as having low living costs, no debt and limiting spending on “extras” (Female, 31-40 years, customer service, NZD29,681 per annum).

These respondents also reported personal and family stress:

I worked hard in not-so-good jobs to finally secure a good job but I find that I barely earn enough to pay for daily needs. I can pay the mortgage and food and almost all the basic living costs but I can’t afford to put money away for any maintenance or savings. I can’t always afford to pay insurance unless we eat rice or cheap non-nutrionally balanced food. We can’t afford good quality fruit, vegetables and meat. The kids don’t have holidays, Sunday drives never happen and they buy their treats like ice-cream or lollies [sweets] out of pocket money which I give them from savings of buying less meat. I feel sad when others invite me out and I have to say no because I don’t have tidy clothes to wear as I save them for work. I don’t have money to pay for outings or babysitter! (Female, 41-50 years, early childhood teacher, NZD39,681 per annum).

A further 9 per cent of participants (\(n = 55\)) assessed their income as “low pay”. Basic needs were generally (just) met but there was frustration over considerations such as pay relative
to work and related effort. These participants tended to explicitly extend consideration of capabilities beyond meeting basic living needs to include psychological fulfilments including through work. They were also more likely to reference the pay and perceived job experiences of others:

It sucks – yet [rent, petrol and food] the things I classify as essential basics in any family) go up. It is good I have a job – I can help my family in a way of making our cash flow easier but when you travel 100km a day to get to and from your job, collecting kids from after school care programs running around for sports etc. and eating on the run, there is never enough hours in the day. Sometimes wonder whether it is at all worth it. I just wish work would appreciate the staff a bit more for what and how much work we actually do considering we should all be paid a lot more – especially because a lot of us do the so called unpaid hours at work (Female, 41-50 years, patient care assistant, NZD35,400 per annum).

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I am paid less than other people I know working in the same profession for other companies. The business I work for generally has a high staff turn-over, primarily due to the low pay (Male, 21-30 years, software developer, NZD40,000 per annum).

In the next respondent group, more than 41 per cent participants (n = 249) considered their income to be “fair” in terms of meeting their needs. This was often linked to personal circumstances, especially household size and needs, and/or to satisfying work:

I am just under the LW and it is liveable. My children have all grown up and have left home, so my wages do go a little further these days. I am still not able to save a lot – I do try to save 10% of my wages, for holidays and extras but it doesn’t seem to get much higher than NZD2,000 before something needs doing such as work on the car or house maintenance. I am in KiwiSaver [a state-sponsored pension scheme] so there is regular saving for my retirement (Female, 51-65 years, community support worker, NZD38,272 per annum).

In the next group, almost 24 per cent of participants (n = 142) reported a level of well-being enabled by their income. Narratives indicated a growing sense of freedom of choice and a more positive future orientation. For instance:

I feel that my pay is slightly generous for what I do, and fair for the amount of effort, skill and expertise I bring to the role. As a household, we have more than enough to live on, which enables us to save for the future and also to share our resources with others. We never have to worry about money, but we are still modest in our spending (Female, 31-40 years, academic information coordinator, NZD58,000 per annum).

I am a comfortable, middle class self-employed contractor. I live on a lifestyle block where I am endeavouring to become self-sufficient in food production before I retire in a few years. I look forward to enjoying more of my hobbies (Male, older than 65 years, senior procurement specialist, NZD98,680 per annum).

Finally, a small number of participants (6 per cent; n = 36) considered that their pay served their needs and aspirations “really well”. These were mostly, but not exclusively, in higher income brackets. In contrast to many lower earners who perceived a mismatch between their experience, qualifications and levels of pay, higher income earners expressed a sense of satisfaction as a result of pay more closely and fairly approximating their skillset, scarcity value and work-effort. Again, satisfaction with pay was linked to personal circumstances such as satisfying work and ability to save:

I receive a very good wage, but I believe I am fairly compensated for my skills, efforts and especially the hours/extra hours I devote to the job (Male, 51-65 years, associate professor, NZD124,000 per annum).
I am very happy with my income; it is allowing me to save for a house [but] I realise that not everyone has [that] ability (Male, 21-30 years, union organiser, NZD67,000 per annum).

The findings suggest that increased income is positively linked to individual capabilities – what Sen (1999, p. 87) refers to as “the substantive freedoms he or she enjoys to lead the kind of life he or she has reason to value” – but that this relationship is mediated by personal circumstances and job-related features. In order to further explore whether there might be any particular income or income ranges that might be linked to a step-change in perceived capabilities, the six categories were collapsed into two labelled “survival” (comprising struggle, barely enough, and low pay responses) and “decent” (comprising fair, comfortable and really well responses). The latter included more than two thirds of respondents (n = 427) tended to be more numerous as income rose, with a drop in the middle-income bracket and a peak at the NZD100,000-$119,999 band (Figure 1). The survival category demonstrated a clear peak in the third income range with a sharp decrease in representation to category four. This category also serves as the transition point at which there is more “decent” pay than “survival” pay respondents per income category. Hence, we observe (in purely numerical terms) a clear general association between higher incomes and pay evaluation in terms of enabling work-life capabilities (with the gap between “decent” and “survival” widening with increases in income as the latter group diminishes in size), and a decrease in the representation of negative perceptions of work and life quality at a pay pivot range of between NZD30,000-$39,000. This indicates a qualitative transformation in employee capability at such a pay range.

**Contextual influences on perceived work-life quality**

As indicated, participants’ comments not only identified how perceived capabilities link to pay in a categorical way but also provided insights into the dynamics that shape personal
evaluations of work-life quality. Essentially, respondents reflected on whether their pay met their (financial) needs and whether their job itself met their (emotional) needs. The former links objective, job-related factors such as pay rates and hours of work to costs of living and household circumstances. The latter refers to self-evaluation of skills and abilities and the perception of how well people are treated at work in terms of management and supervision, work scheduling, job security and job content itself. Integrating the objective and subjective perspectives of pay quality offers a broader understanding of a LW.

A high cost of living was commonly referred to by respondents, especially in the major conurbations. Here, higher earners reported that they too were struggling with house price and rent inflation, and lower-paid workers often had to work multiple jobs. Pay was thus seen as inadequate not necessarily because it was an “unfair” rate for the job but because of increasing strain in meeting financial obligations:

My wage isn’t enough for the costs of everyday life. Power, rent (because I am part of the generation that will never be able to afford a house, especially not in Auckland), internet, food. I am more concerned with the cost of everything else. I would like to see a wage increase mean that I am better off for the long term, rather than a minimal increase that is less than the inflation rate (Male, 21-30 years, early child education, NZD49,000 per annum).

I have recently separated from my partner, and can barely afford to live on my own. What has this country come to?! I feel like I am receiving a decent wage. I have studied a long time to get a good job. But I would be better off overseas. The rate of inflation, and the cost of goods and services in this country are the problem, along with high tax rates, and GST [VAT in UK]. More money won’t fix the problem [...] We need to be lowering costs [of living] (Female, 21-30 years, school social worker, NZD56,800 per annum).

In terms of treatment at work, working time emerged as a source of dissatisfaction. The insecurity and variability of work was a key concern for many in the “survival” pay-capability groups. Many felt trapped in precarious, fluctuating or time-poor work while looking for future alternatives:

I work four-hour shifts in an airport. The only way I can earn extra money is by doing a split shift [...] There are no night rates, fuel allowance or double time for delays and public holidays. It’s disgraceful! [...] I save more when I am actually not going to work in fuel costs than what I actually earn from a four-hour shift. A job is a job and it looks better on paper to have employment regardless of what it is, but for a company to be able to take advantage of this fact is an outrage! (Female, 31-40 years, cashier, NZD32,500 per annum).

My hourly rate is reasonably good for a waitress. However, what makes life difficult is that all employees at my work who are not in management are contracted as casual workers so some weeks you may be rostered on for 40 hours (over the high seasons) and other weeks there will only be 15 hours (during the quieter seasons). It all comes back to supply and demand. It is tough raising a family in such an unstable financial environment (Female, 31-40 years, waitress, NZD36,650 per annum).

In comparison, many in the “decent” group felt privileged to have a job that pays and treats them well. Among them, 17 used the word “lucky” to describe the quality of their pay or living standards, which also enabled some to lend assistance to family members in the survival group:

I am very lucky to have a job that I love and to earn a very good wage. It means that I am able to help out my niece who lives with me. She is 20 years old and has been employed as a contractor when she should be employed as an employee. The work is precarious and she has no protection under employment law. Sadly, her story is common among many young workers (Female, 51-65 years, regional secretary of a private sector union, NZD68,000 per annum).

These comments further illustrate the importance of understanding employee pay evaluations in a relative manner, taking account of external linkages to living costs and internal features such as job content, workplace relations, and opportunities for development.
Discussion

Analysis of participant narratives reveals both unique and shared themes, pointing to links between pay and the dynamic capabilities that shape perceived work-life quality. Capabilities understood in this way become a basis for assessing equality of opportunity in terms of an individual’s ability to choose and achieve what he or she has reason to value. The narratives provide glimpses of self-perceived capabilities and ultimately what makes life experiences valuable (Sen, 2009). For example, many employees, especially those on low incomes, reveal the constraints on their personal choice not just in terms of wage expenditure but in wage generation, and not simply in financial terms but as being employed in jobs that do not satisfy their intrinsic or perceived future needs.

This paper uses the categorisation and reconciliation of qualitative data around pay and broader perceptions of capabilities to explore how employees connect pay to quality of (working) life. One finding was the suggestion of a pay range around which employee capabilities may be significantly changed within a specific (New Zealand) context. A pivot range of between NZD30,000-40,000 was indicated whereby people are more likely to perceive income in “decent” than “survival” terms. This shift from struggling to make ends meet to a relative well-being zone suggests a potential LW which enables individual capabilities. Interestingly, the findings were consistent with the 2014 LW hourly rate of NZD18.80, as campaigned for by the LW Movement Aotearoa New Zealand which is approximately NZD33,400 per annum for a full-time worker. The then statutory minimum wage was NZD14.25 per hour, or approximately NZD25,300 per annum.

The modal response category for each of the three highest income ranges was “fair” rather than comfortable or “really well” (Table I). This might emphasise the subjective nature of pay evaluation and the need to consider how individuals themselves interpret pay in terms of reward for and enabler of the application of capabilities. At the same time, for some individuals perceived needs and relativities might adjust to income so that real satisfaction is difficult to achieve. As one participant, who earns NZD167,000 explained:

It [my pay] doesn’t work for me well. I wanted to change my boat but wasn’t able to do it this year (Male, 51-65 years, senior manager).

This paper offers an analysis of employees’ own perceived efficiency of income in terms of capabilities. The focus on capabilities as a measure of the personal and indeed social effectiveness of remuneration provides some practical insights into a potentially impactful LW pivot range, but is equally important in furthering understanding of the potential quality of a LW by exploring the social embeddedness and contextualised nature of work and wages. For example, many studies have given due attention to the importance of relative as well as absolute income in determining perceived work-life quality (Kifle, 2013). Our qualitative findings support this, highlighting that “fairness” is widely used to compare and evaluate wages – and jobs. This extends beyond pay to embrace a package of perceptions around treatment at work. Job security, for example, was a major concern to emerge as an important contextual factor in the research, linked as it is to income security but also perceived value at work. There are clear linkages between job security and work motivation (e.g. Sverke et al., 2002; Reisel et al., 2010). Our findings go further, suggesting specific, wage-related job security concerns that impact on individual perceived work-life quality. For example, some part-time workers were satisfied with their hourly rate but the uncertainty of working hours created significant stress. Others found the fragmentation of working schedules disruptive and incurring costs in transportation and dependent care. Our findings are in line with the argument that economic precarity such as job insecurity and poor work-life balance is a major challenge experienced by the working class (Warren, 2015). Pay rates cannot thus be considered in isolation from working time and working conditions. This leads us to call for a more holistic consideration of the potential impact of a LW.
Conclusion

This paper contributes to an understanding of the LW concept and practice by utilising an exploratory approach based on a capabilities theoretical framework and categorical analysis of employee narratives. In response to two research questions, we first examined and identified a pivot range for a LW, highlighting a discernible income range (NZD30-40,000) within which employees might perceive a step-change in work and personal empowerment. The findings complement business-case arguments that a LW can act as an “efficiency wage” (Marshall, 1920) and draw attention to spill-over and reinforcement effects between work and non-work.

These different contextual factors were explicitly addressed in response to question two. The findings indicated that respondents adjudged the effectiveness and legitimacy (“fairness”) of pay in multi-dimensional terms, relating to perceptions of personal inputs (skills and attributes), treatment at work, pay relative to others and according to their own contingent household needs. All of these factors provide the context for the impact of pay on well-being. However, it was also suggested that increased income, especially at and above the “pivot (LW) range”, has the capacity to deliver multiple gains outside the workplace as well as within in terms of enhanced capabilities and satisfaction. The findings tentatively suggest that a policy context framed by narrow economic cost-benefit analyses (e.g. wage costs vs employment) might miss the positive social externalities generated by higher pay.

Opportunities exist to extend our research. First, we acknowledge the generalisation problems associated with qualitative, exploratory studies, especially with relatively small (cell) numbers. More specifically, related to our methodology, we accept that the categories used are not to be reified and may be tendentious but they are generated and deployed in order to best capture and represent the overall subjective evaluation of pay efficiency by the participants themselves. The exploratory analysis of a body of narratives may be effectively supported by categorisation but deeper examination might be enhanced by alternative approaches such as semi-structured interviews.

Second, Figure 1 is provided for illustrative purposes to support the empirical finding that, notwithstanding differences in personal circumstances, a “pivot range” might be identified that distinguishes basic from decent income in terms of potential thriving. The approach was to apply a thematic analysis via manual and NVivo techniques to identify any consistencies within the diverse sample that shed light on the link between income and self-perceived capabilities. No claims can therefore be made about statistical rigour. Furthermore, this research was conducted in New Zealand. Although its insights will be most relevant to similar country contexts, the focus on the relationship between income and capabilities is of more general concern. Subsequent comparative studies could provide more knowledge on the context-specificity of a LW.

We hope our findings offers insights into the dynamic nature of the impact of incomes on individual perceived capability, and future research might apply different methods (e.g. surveys, mix-methods) to test and extend our results. Ideally, too, information about income and career transitions over time would be beneficial. In particular, longitudinal research would enhance understanding of whether a LW has short-term or enduring effects on individual, family, workplace and societal well-being, and could fruitfully inform policy debates around pay.

Note

1. Some participants provided information on their annual income while others (mostly part-time/casual workers) provided hourly rates. Hourly wages were reconciled to an indicative annual total based on provided average hours of work.
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Living hours under pressure: flexibility loopholes in the Danish IR-model

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Abstract

Purpose – The purpose of this paper is to investigate the effect of part-time work on absolute wages. The empirical focus is wages and working hours in three selected sectors within private services in the Danish labour market – industrial cleaning, retail, hotels and restaurants – and their agreement-based regulation of working time and wages. Theoretically, this analysis is inspired by the concept of living hours, which addresses the interaction between working hours and living wages, but adds a new layer to the concept in that the authors also consider the importance of working time regulations for securing a living wage.

Design/methodology/approach – The paper builds on desk research of collective agreements and analysis of monthly administrative register data on wages and working hours of Danish employees from the period 2008-2014.

Findings – This analysis shows that the de facto hourly wages have increased since the global financial crisis in all three sectors. This is in accordance with increasing minimum wage levels in the sector-level agreements. The majority of workers in all three sectors work part-time. Marginal part-timers – 15 hours or less per week – make up the largest group of workers. The de facto hourly wage for part-timers, including marginal part-timers, is relatively close to the sector average. However, the yearly job-related income is much lower for part-time than for full-time workers and much lower than the poverty threshold. Whereas the collective agreement in industrial cleaning includes a minimum floor of 15 weekly working hours – this is not the case in retail, hotels and restaurants. This creates a loophole in the latter two sectors that can be exploited by employers to gain wage flexibility through part-time work.

Originality/value – The living wage literature usually focusses on hourly wages (including minimum wages via collective agreements or legislation). This analysis demonstrates that studies of low-wage work must include the number of working hours and working time regulations, as this aspect can have a dramatic influence on absolute wages – even in cases of hourly wages at relatively high levels. Part-time work and especially marginal part-time work can be associated with very low yearly income levels – even in cases like Denmark – if regulations do not include minimum working time floors. The authors suggest that future studies include the perspective of living hours to draw attention to the effect of low number of weekly hours on absolute income levels.

Keywords Living hours, Low-wage workers, Private services, The Danish IR-model, Working time regulation

Paper type Research paper

Introduction

The scholarly debate around living wages and minimum wages have regained momentum in the last few decades as western economies have witnessed a rapid growth in low-wage work, earnings inequalities, in-work poverty and contracts other than full-time employment, particularly in private services (Garnero et al., 2014; Parker et al., 2016). However, much of the literature focusses on Anglo-Saxon countries – primarily the UK and the USA, where the living
wage debates often are organised around various wage-indicators, particularly the effects of minimum wages and national wage-setting systems on employment (Manning, 2016), low-wage work (Bosch, 2009), earnings inequalities, including gender gaps (Rubery et al., 2005) and businesses practices (Bell and Machin, 2016). Less researched is the situation in the Nordic countries and the importance of variables other than pay such as weekly working hours and working time regulations for securing living wages. Indeed, most living wage calculations are based on the assumption of full-time work, even if recent research emphasises that full-time employment is no guarantee for many workers (Anker, 2011; Warren, 2015).

Based on monthly administrative register data on all Danish employees from the period 2008-2014, this paper offers new insights into the effects of working time, including working time regulations, on annual earnings in low-wage private services such as industrial cleaning, retail, hotels and restaurants. We built on the concept of living hours (Ilsøe, 2016) since it considers not only the hourly wage, but also the number of weekly working hours as important when evaluating employees’ ability to uphold living wage. However, similar to other living wage research, the national working time regulations tend to be overlooked by Ilsøe (2016), although it seems just as pivotal as national wage-setting systems regarding employees’ ability to secure living wages. Most national working time regulations, besides setting a strict threshold for the maximum length of the working week, also encounter various regulations on work scheduling and distribution of working time, but rarely include a minimum threshold for working hours (Berg et al., 2004; Seifert, 2005).

Our analysis demonstrates that although the Danish collective bargaining system ensures a certain wage floor – often above the minimum hourly wages elsewhere in Europe – (Grimshaw et al., 2014); a growing share of Danish private service workers struggle to secure a yearly income above the poverty line – defined as less than 60 per cent of the national median of gross hourly wages (Bosch, 2009). Their short hours and marginal part-time employment often force such employees to hold multiple jobs; and although part-time work is often considered a strategy to facilitate work-life balance among mothers in particular (O’Reilly et al., 2014), this rarely is the case in Danish private services. Unlike young people, Danish parents, including mothers, are less likely to work within retail, hotels and restaurants compared to elsewhere in the Danish labour market, and if they do, parents often hold full-time positions or part-time contracts of longer hours. The working time regulations and wage-setting systems seem pivotal as to the incidence of marginal part-time work and the number of young people within Danish private services. Unlike industrial cleaning, the sectoral agreements within retail, hotels and restaurants fail to secure a threshold for minimum weekly working hours and furthermore they differentiate wages according to age with the agreed hourly wages for young people being nearly half of their older co-workers. This appears to contribute to increased segmentation and polarisation within Danish private services. Employers seem to exploit the various loopholes within the IR-system to curb costs and secure flexibility by offering contracts of limited hours and replacing older workers for cheap young labour – employment practices also seen elsewhere in Europe (Walsh, 1990; Grimshaw et al., 2014; Schulten, 2016). Therefore, our paper calls not only for adding working time and national working time regulations to the discussions on what constitutes a living wage. It also points to that even in highly regulated labour markets with generous collectively agreed wage floors like Denmark, wide sector variations exist, even within private services regarding employee’s ability to accrue enough work hours to secure a sufficient income. This indicates that similar to wage-setting systems, working time regulations play a key role in determining living wages.

The next section briefly engages with contemporary literature on living wages with a specific focus on studies stressing the importance of working time and sectoral institutions for securing living wages.
the key features of how wages and working conditions are regulated in Denmark. Thereafter, the effects of part-time work on earnings in the selected private services industries – industrial cleaning, retail, hotels and restaurants – are examined and compared to the rest of the private labour market in Denmark. Finally, we discuss the findings in relation to concepts of low-wage work used in studies of other western economies.

Securing a living wage in private services – a literature review

Distinct strands of literature have documented that industrial cleaning, retail, hotels and restaurants are highly labour intensive industries dominated by fierce price competition, and employers’ needs for a highly flexible workforce to match demands (Walsh, 1990; Bosch, 2009; Kalleberg, 2011; Schulten, 2016). Studies also point to a deterioration of employment conditions with a rapid growth in contracts other than full-time employment and low-wage work – characterised by wages significantly below average wages on the labour market (Bosch, 2009; Larsen and Mailand, 2014). The risks of employees struggling to secure a living wage seem greater within the aforementioned sectors than elsewhere on the European labour markets, even if the concept of living wage is highly contested and often vary depending on the national context, the theoretical, the methodological and the empirical approach (Parker et al., 2016; Anker, 2011). In this context, living wages are often defined as a country-specific measure, which calculates the hourly pay rate that a full-time employee needs to earn to support a family of four at the poverty line (Anker, 2006, 2011). However, such calculations tend to concentrate mainly on wage-setting indicators, particularly minimum wage levels and national wage-setting systems’ importance for securing living wages (Grimshaw et al., 2014). Variables other than pay such as weekly working hours and working time regulations are often ignored in such calculations as they typically are built around the notion of full-time work, although early living wage research and more recent studies, stress that full-time employment is no guarantee for many workers (Rubery, 2015; King and Rueda, 2008; Anker, 2011; Warren, 2015). Likewise, much working time literature concentrate on long work hours, whilst the effects of too “few hours” are less researched, even if it may have just as severe implications for the individual in the short and long term (Warren, 2015, p. 194).

Living hours

To encounter these shortcomings within the literature, we seek in this paper to build on the concept of living hours by Ilsøe (2016). The concept of living hours draws on the ideas by King and Rueda (2008) who argue that there exist two types of low-wage work; standard (open-ended full-time employment) and non-standard (part-time, temporary employment). Employers in a given national setting will often rely on one or the other type of low-wage work with countries such as the USA and the UK demonstrating a high incidence of standard cheap labour. By contrast, Nordic countries like Denmark display similar, or even higher levels of non-standard low-wage work in parts of the labour market such as private services work compared to the UK and the USA (Ilsoe, 2016, p. 43; King and Rueda, 2008). Therefore, the concept of living hours by Ilsøe (2016, p. 43) considers not only the hourly wage, but also the number of weekly working hours and suitable work schedule – i.e. unsocial work hours – as important when evaluating employees’ ability to secure a living wage. In this context, although overlooked by Ilsøe (2016), the national working time regulations can be argued to play equally as an important role as national wage-setting systems in employees’ ability to secure living wages. Most national working time regulations, besides setting a strict threshold for the maximum length of the working week, also encounter various regulations on work scheduling and distribution of working time, but often fail to include a minimum floor for the number of weekly working hours (Berg et al., 2004; Seifert, 2005; Grimshaw et al., 2014).
Institutional factors: working time and wage regulations

The living wage literature often deals with working time in relation to how minimum wages affect employment with some studies reporting of reduced earnings inequalities, particularly for part-timers and low-wage workers (Rubery et al., 2005; Garnero et al., 2014) and limited negative effects on employment (Manning, 2016). Others document that employers’ adjust employment and business practices to counteract minimum wage increases by relying on contracts of limited hours (Schulten, 2016) casual employment (Arpaia et al., 2017), outsourcing of services (Grimshaw et al., 2014; Bell and Machin, 2016), cheaper young labour and migrants rather than older workers (Neumark and Wascher, 2006) and/or being less generous with aspects of the employment contract, which are open for interpretation such as fringe benefits and further training, etc. (Croucher and White, 2010). Such research suggests a close link between wages and working time. However, the impact of national working time regulations on living wages is rarely researched, but seems pivotal as such regulations may add another layer of institutionalised polarisation and segmentation on the labour market. Indeed, working time regulations may lead to some employees struggling to secure a living wage, particularly as working time – similar to wages – are regulated differently across European countries (Eichhorst, 2017; Eurofound, 2016; Grimshaw et al., 2014).

The role of working time outcomes for employees’ wages highly depends on the institutional settings for regulating working time. Eurofound (2016) identifies four types of national working time regimes based on the role of legislation, scope of collective bargaining and agreements, the decentralisation of bargaining powers to lower institutional levels and the importance of individual employers in determining working time standards. Denmark belongs to the so-called “negotiated working time regime”, where working time is primarily regulated through collective agreements, which can be further complemented by company-based bargaining, although legislation also sets the legal framework for working time negotiations (Eurofound, 2016). Therefore, the Danish institutional setting gives social partners considerable latitude to adjust working time standards in terms of the length, scheduling and distribution of working hours at sectoral and company levels. In fact, unlike most national wage-setting systems, including the Danish, which set strict wage floors for the hourly pay rate, most national working time regimes rarely guarantee a minimum number of weekly working hours (Grimshaw et al., 2014; Garnero et al., 2014). Ample research reveals an increased fragmentation of the work day with a rapid growth in marginal part-time work, zero-hour contracts, unsocial work hours, various forms of casual employment along with a rescheduling of hours to when workers are most productive. This indicates that employers often exploit the loopholes in existing working time regulations to curb costs and secure flexibility to match demands with the inherited trade-offs that workers struggle to accrue enough hours to secure a living wage (Warren, 2015; Cornick and Jacobs, 1996; Heyes et al., 2017; Rubery, 2015; Campbell and Price, 2016; Katz and Krueger, 2016). In addition, numerous work-life balance studies envisage part-time work as a strategy facilitating employees’, especially mothers’ and students’ ability to organise work around care-giving or study activities during periods of childrearing or active student life (O’Reilly and Fagan, 1998; Price et al., 2011; Warren, 2004). In this context, the national working time regulations attribute to employees’ possibilities to work reduced hours as they provide different leeway for flexible working that may consider the needs of both employers and employees. Part-time employment is often considered beneficial to both sides of industry in terms of facilitating work-life balance for employees (Warren, 2004), whilst securing flexibility and cost curbing for employers. However, the inherited trade-offs may entail increased risks of precariousness for employees and for employers involve less committed workers, high employee turnover and difficulties in attracting qualified staff (Walsh, 1990; Grugulis and Bozkurt, 2011; Price et al., 2011). Therefore, working time
regulations, including weekly working hours, appear pivotal to secure a flexible workforce and living wages, particularly in countries, where employers and employees opt for part-time work for various reasons.

In sum, four main questions arise from this brief literature review:

1. How are weekly working hours regulated in the collective agreements covering industrial cleaning, retail, hotels and restaurants in the Danish labour market?

2. What are the effects of weekly working hours – marginal part-time work in particular – on annual income levels within industrial cleaning, retail, hotels and restaurants?

3. Do we see different employment practices across the three selected sectors as to the incidence of part-time work and its implications for service workers’ annual income?

4. To what extent do working time regulations affect part-time workers’ annual levels within private services in Denmark?

Methods and used data sets
Our strategy of analysis is twofold. First, we examine the regulation of wages and working hours in the sector-level agreements covering industrial cleaning, retail, hotels and restaurants. Here, we compare minimum hourly wages, wage supplements for unsocial hours and minimum floors of working hours. The second part of our analysis builds on Danish register data covering everyone in the Danish labour market with any form of official taxable income in a Danish company; as such, it represents the entire population of workers in Danish companies in the Danish labour market. Drawing on information from the tax filings of the individual employers, data provide information on individuals’ employment relationships at the level of the individual workplace in terms of, e.g. length of employment, monthly income and monthly working hours as well as on demographic characteristics, etc. Administrative register data are ideal for analysing labour market-related research questions as they contain detailed information on every employment relationship, an individual has had each month. Employment in specific sectors is often calculated based solely on the primary job, the number of employment relationships is therefore often underestimated. This is especially the case in private services, as a comparatively large share of the employees in the sector due to the low number of working hours hold more than one job. We, therefore, include the variable multiple job holdings in our analysis.

We define, service sector employment using the NACE classification as employment relationships in retail trade (47.00-48.99), hotels and restaurants (55.00-56.99) and industrial cleaning (81.21-81.23).

Total labour market-related income in private services is measured as the total income related to the individual’s job(s) in the specific sector.

Working hours’ categories are defined using the average weekly working hours in industry job(s) in periods of employment which is measured as the total number of working hours in one or more jobs in the industry divided by the number of weeks worked.

Our strategy of analysis regarding the register data falls in four steps. First, we examine the development of the actual hourly wages since the crisis (2008-2014) in the three selected sectors compared to the private sector average. Second, we analyse the share of full-time (30+), part-time (16-30) and marginal part-time (0-15) workers in the selected industries in 2014. Third, we compare the actual hourly wage among full-time (30+), part-time (16-30) and marginal part-time (0-15) workers the three sectors in 2014. Finally, we calculate the yearly job-related income among full-time (30+), part-time (16-30) and marginal part-time (0-15) workers in the three sectors compared to the private sector.
average. Finally, we compare our findings with the regulation of weekly working hours in retail, hotels and restaurants and cleaning to evaluate the effect of the regulations on working time practices and income levels.

Regulating low-wage work in Denmark: the Danish IR-system and collective agreements on wages and working time

The Danish retail, industrial cleaning, hotels and restaurants sectors differ in many respects from other parts of the Danish labour market, but share some commonalities with similar sectors in other European countries (Westergaard-Nielsen, 2008). The three sectors employ 18 per cent of the Danish workforce – most in retail – and are dominated by an overrepresentation of young people, women, migrants, low-skilled workers without any educational credentials and high levels of part-time work. The figures vary slightly across the three sectors, but are somewhat higher compared to the rest of the Danish labour market (Danish Statistics, 2017a). However, parents – both fathers and mothers – are less likely to take up employment within retail, hotels and restaurants compared to industrial cleaning and elsewhere in the Danish labour market (Danish Statistics, 2017a), indicating that the high incidence of part-time work in Danish private services may not necessarily be down to work-life balance concerns only.

Retail, industrial cleaning, hotels and restaurants are also highly labour intensive industries and are dominated by fierce price competition and small companies – notably self-employed and a few large players (Danish Statistics, 2017b). They also have a relatively high turnover among employees and companies and particularly industrial cleaning has witnessed an increased outsourcing of cleaning services to private contractors (DI, 2016).

The Danish collective bargaining model appears relatively weaker within private services as union densities, collective agreement coverage and shop steward presence are lower than in other sectors (Toubol et al., 2015; Larsen et al., 2010). However, similar to other parts of the Danish labour market, wages and working conditions are regulated primarily by collective agreements signed by social partners at sectoral and company levels within private services. In areas of private services without collective agreement coverage or Danish labour law, wage and working conditions are regulated by the individual arrangements and practices of the private company and may not necessarily offer similar wage and working conditions as outlined in the collective agreements, which recent studies, court rulings and media reports also confirm (Larsen and Mailand, 2014; Korsby, 2011; Andersen and Felbo-Kolding, 2013).

The collective agreements within private services allow for company-based bargaining, but are rather detailed regarding wages and working conditions compared to other sectors such as manufacturing and construction (Ilsoe and Larsen, 2016). When looking at selected aspects of the wages and working time regulations, we find that the collective agreements within private services differ depending on the sector, type of contract and employee group under consideration. For example, the collectively agreed minimum wages are less generous in retail followed by hotels and restaurants and industrial cleaning. In addition, the collective agreements often differentiate wages according to age, where the agreed hourly wages for young people within retail, hotels and restaurants are nearly half of their older co-workers, whilst the wage gap is somewhat narrower within industrial cleaning (Table I).

Besides regulating wages, the collective agreements also include various working time regulations regarding the length (weekly working hours, part-time work, overtime, etc.), scheduling (shift work, weekend work, on-call duties, etc.) and distribution of work hours (flexi-time, varied weekly working hours, time-off, etc.). In this context, only industrial cleaning guarantee all employees, including young people, a minimum number of weekly working hours and secure overtime payment, even if it is voluntary and exceed
7.5 working hours per day. In retail, hotels and restaurants overtime payment only applies when induced by employers and when exceeding a specific threshold of weekly working hours, which is less restrictive than the one applied within industrial cleaning (Table I). These variations may, along with the wage differentials for distinct employee groups affect employment practices across the three sectors with employers having greater incentive to rely on part-time work within retail, hotels and restaurants and less industrial cleaning due to differences in the collectively agreed standards and thereby implicitly the institutional set-up.

**Actual hourly wages and yearly income levels – full-time workers and part-time workers compared**

When comparing collective agreements across the Danish labour market, it becomes evident that the three selected sectors for this study – industrial cleaning, retail, hotels and restaurants – have some of the lowest agreed hourly wages in Denmark (see previous section). This picture is repeated when comparing the actual hourly wages in the three sectors with the private sector in general. In 2014, the de facto average hourly wage in the Danish private sector was DKR212 (€28), but somewhat lower in industrial cleaning (DKR166 – €22) and lowest in retail, hotels and restaurants (DKR140 – €19), even if the average hourly wages are higher than the collectively agreed minimum wages within the three sectors (see Figure 1 and Table I). That the average hourly wages are higher than the collective agreed standards within private services is not surprising as the sectors are characterised by a preponderance of unsocial hours, which entitle workers to certain wage supplements (Ilsoe, 2016).

### Table I.

<table>
<thead>
<tr>
<th></th>
<th>Industrial cleaning</th>
<th>Retail</th>
<th>Hotels and restaurants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Union density</td>
<td>54</td>
<td>32</td>
<td>33</td>
</tr>
<tr>
<td>Collective agreement coverage (by number of companies)</td>
<td>40-50</td>
<td>57</td>
<td>–</td>
</tr>
<tr>
<td>Local bargaining</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Collective agreed minimum hourly wages</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General</td>
<td>122.48 DKR</td>
<td>112.42 DKR</td>
<td>120.77 DKR</td>
</tr>
<tr>
<td>Young people</td>
<td>104.66 DKR</td>
<td>63.86 DKR</td>
<td>71.81 DKR</td>
</tr>
<tr>
<td><strong>Minimum wage supplements for unsocial hours</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General</td>
<td>13.82 DKR</td>
<td>25.20 DKR</td>
<td>18.08 DKR</td>
</tr>
<tr>
<td>Young people</td>
<td>–</td>
<td>12.60 DKR</td>
<td>12.99 DKR</td>
</tr>
<tr>
<td>Maximum weekly working hours</td>
<td>48 hours per week</td>
<td>45 hours per week</td>
<td>48 hours per week</td>
</tr>
<tr>
<td>Full-time work</td>
<td>30 hours per week</td>
<td>37 hours per week</td>
<td>37 hours per week</td>
</tr>
<tr>
<td>Possibilities for flexi-time</td>
<td>No specific rules</td>
<td>Yes – local bargaining</td>
<td>No specific rules</td>
</tr>
<tr>
<td><strong>Guaranteed weekly working hours</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General</td>
<td>15 hours per week</td>
<td>None</td>
<td>2-4 hours per week</td>
</tr>
<tr>
<td>Young people</td>
<td></td>
<td></td>
<td>2 hours per day</td>
</tr>
<tr>
<td><strong>Thresholds for variable part-time work</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General</td>
<td>15-37 hours</td>
<td>None</td>
<td>10-37 hours</td>
</tr>
<tr>
<td>Young people</td>
<td>7.5-37 hours</td>
<td></td>
<td>7.5-37 hours</td>
</tr>
</tbody>
</table>

**Notes:** The threshold for weekly working hours are typically distributed over a four-week period; “young people defined as employees under 18 years – exception retail covers also students under 25 years with max. 15 weekly working hours

**Sources:** Toubøl et al. (2015), Larsen et al. (2010), Larsen and Mailand (2014), Horesta and 3F (2014a, b), DI, 3F and Serviceforbundet (2014) and Danish chamber of commerce and HK Retail (2014)
Figure 1 also reveals that the de facto average hourly wage has increased in the private sector since the global financial crisis (GFC) hit the Danish economy in 2008/2009. Interestingly, this has also been the trend in industrial cleaning, retail, hotels and restaurants, which may be down to the annual wage adjustments dictated in the collective agreements that cover large parts of the three sectors as mentioned earlier (Figure 1). In addition, the employees not covered by collective agreements may have benefited from these moderate wage increases as collective agreements can act as norm setting, even for work not covered by collective agreement in low-wage private services.

Besides demonstrating moderate wage increases, Figure 1 also suggests that there hardly are any problems of non-compliance with the collective agreed minimum wages within industrial cleaning, retail, hotels and restaurants as employers often pay higher hourly wages than the collectively agreed standards. Therefore, it seems that even within low-wage private services the problems of working poor are almost non-existent when focussing solely on the de facto hourly wages. However, further analysis of the wage levels among distinct employee groups across the three service sectors, reveal that young people’s actual earnings are lower than their older peers. The earnings gap is less severe within industrial cleaning (11 per cent) whilst young people under 18 years earn half of their older co-workers in retail (51 per cent), hotels and restaurants (49 per cent). This combined with the relatively high incidence of young people under 18, particularly within retail (21 per cent), hotels and restaurants (13 per cent) compared with industrial cleaning (7 per cent) indicate that the institutional settings, in terms of the differentiated collectively agreed wage levels, encourage distinct employment practices across the sectors. Danish employers appear more likely to opt for cheap young labour in retail, hotels and restaurants than industrial cleaning, where the collectively agreed wage difference between young people and their older co-workers is narrower (Table I).

The importance of sectoral institutions seem even more evident when looking at the share of part-time work, which historically has been high in all three sectors (Bosch and Lehndorff, 2005; Walsh, 1990) and this continues to be the case in the Danish labour market (Figure 2). More than two-thirds of the workforce are part-timers with a working week of less than 30 hours within industrial cleaning and retail, whilst the share is even higher within hotels and restaurants (79 per cent). The largest group of workers within these sectors work less than 15 hours per week and this is particularly widespread within retail, hotels and restaurants, where more than half of the workers work marginal part-time hours (Figure 2). It is particularly young people that work part-time – typically on contracts of few hours. In total, 82 per cent of marginal part-timers in retail and 68 per cent in hotels and restaurants are young people that often work during their studies The share of young people among marginal part-timers is considerably lower within industrial cleaning (35 per cent), where a
larger share of employees (27 per cent) reconcile a cleaning job with childrearing responsibilities for small children under 12 years compared to retail (22 per cent), hotels and restaurants (18 per cent). Further analysis also suggests that Danish employees – both fathers and mothers – are less likely to work within private services during periods of childrearing and if they do take up employment within private services, both fathers and mothers typically combine childrearing with a full-time position or long part-time contracts. This suggests that the high incidence of marginal part-time work seldom is to ease parents’ work-life balance struggles.

That many service workers hold multiple jobs, particularly among marginal part-timers (64 per cent in retail, 67 per cent in industrial cleaning and 47 per cent in hotels and restaurants) but also among part-time workers with longer hours (51 per cent in retail, 47 per cent in industrial cleaning and 42 per cent in hotels and restaurants) suggest that the high incidence of part-time work is merely a necessity rather than a choice. The share of full-time employees with multiple jobs is somewhat lower across the three service sectors examined (27 per cent in retail, 33 per cent in industrial cleaning and 20 per cent in hotels and restaurants), but considerably higher than elsewhere in the Danish labour market (12 per cent). Such findings suggest that while private service employers seem to adhere to the collectively agreed minimum wages, they appear to utilise the fact that there are no guaranteed weekly working hours within the collective agreements covering retail, hotels and restaurants to secure a highly flexible workforce. The lower incidence of marginal part-time work within industrial cleaning may be attributed to the fact that the sectoral collective agreement set a threshold for minimum weekly working hours, but allows for derogations from the working time guarantee. This may also explain why we witness a large share of marginal part-timers within industrial cleaning.

The Danish working time regulations combined with the lower collectively agreed wages for young people seem to contribute to the high levels of marginal part-time work, particularly among young people in retail, hotels and restaurants. By contrast, the sectoral agreement covering industrial cleaning with its guaranteed minimum working hours and more generous wages for young people appears to cushion the spread of low-wage work and marginal part-time employment within the sector. Such findings also point to that although marginal part-time work may entail a “win-win” situation for both employers and employees – especially for young people in that it allows them to combine work with their studies whilst securing flexibility and cost curbing for employers – this may not always be the case. That the majority of service workers hold multiple jobs and parents are less likely to work within private services indicate the difficulties in securing a living wage from one service job alone and question the notion of part-time work being optional. In this context, the key question arise how these working time patterns affect wages – in particular how part-time work patterns affect not only the hourly wage, but also the absolute wages.

### Figure 2.
Share of employment with full-time (30+), part-time (16-30) and marginal part-time (0-15) weekly working hours in selected industries in the Danish labour market (2014)
Working part-time, and especially marginal part-time work, has severe implications for employees’ hourly wages. Part-time workers are paid less by the hour than their peers in full-time positions, even if Danish collective agreements in principle guarantee part-time workers similar wages and working conditions (see Figure 3). This is true for both the private sector in general and private services in particular and may be attributed to the fact that young people often are overrepresented among part-time workers and are guaranteed a lower collectively agreed wage than their older peers, although variations exist across the three service sectors (Table I). These institutional differences may explain why the hourly wage gap between full-time and part-time workers is somewhat narrower in industrial cleaning (full-time workers earn 13 per cent more than part-timers and marginal part-timers), retail (17, 30 per cent), hotels and restaurants (15, 22 per cent) compared to the rest of the private labour market, where full-time workers earn 22 per cent more than part-time workers and 26 per cent more than marginal part-time workers (Figure 3).

Figure 3 also reveals that the average hourly wages for part-time workers and marginal part-time workers are above the so-called poverty line (Bosch, 2009). In this context, the institutional settings within the three service sectors, particularly the collectively agreed wage levels seem decisive for reducing the risks of in-work poverty. Industrial cleaners’ actual hourly wages are considerably above the poverty line, even for marginal part-timers, compared to their peers in retail, hotels and restaurants – two sectors with highly differentiated collectively agreed wage levels for young people and older workers. Therefore, although the high incidence of marginal part-time work in private services often is associated with some degree of earnings penalties, most service workers’ earnings are above the poverty line – even if cross-sector variations exist – when focussing solely on the average hourly wages. However, the picture changes significantly when using employees’ annual income rather than their average hourly wages when analysing the effects of working time on service workers’ earnings (Figure 4).
Working part-time and particularly marginal part-time work seem to have a much more dramatic effect on yearly wages than hourly wages (Figure 4). Unlike full-time employees, the earnings of both marginal part-time workers and part-time workers with long hours are below the poverty line. Marginal part-time workers in particular are at risk of being working in poor conditions. Their yearly job-related income is often below the poverty line, indicating that they face great difficulties in securing a living wage, even if their hourly wages are in line or even above the minimum collectively agreed hourly wages. This is somewhat unsurprising (fewer hours mean less pay), but the full effect is striking although the different institutional settings seem to cushion the risks of in-work poverty. Slightly more part-timers working in hotels and restaurants are at risk of in-work poverty compared to their peers in similar positions in retail followed by industrial cleaning, where the collectively agreed wages are higher, even for young people, and the collective agreement guarantee a specific number of weekly hours. That many marginal part-time workers hold multiple jobs in each of the three service sectors just underline the struggles to secure a living wage from a low-wage part-time job; 67 per cent of industrial cleaners, 64 per cent of retail workers and 47 per cent of employees within hotels and restaurants in marginal part-time employment have more than one job. These figures are slightly lower for their peers holding part-time contracts of longer hours (47 per cent industrial cleaning, 51 per cent in retail and 42 per cent in hotels and restaurants) or full-time positions (33 per cent industrial cleaning, 27 per cent in retail and 20 per cent in hotels and restaurants). However, such findings also indicate that even with a full-time job, it can be difficult to secure a living wage within low-wage service work. Thus, our findings corroborate not only the argument by Ilsøe (2016) that both hourly wages and the number of weekly working hours are pivotal to secure a living wage. Our analysis also reveals that the institutional settings in particular working time regulations are equally as important as the collectively agreed wages when it comes to secure a living wage.

**Conclusion and discussion**

Our analysis has demonstrated that the actual hourly wages in industrial cleaning, retail, hotels and restaurants have increased since the GFC hit the Danish labour market.
Furthermore, the de facto hourly wages are higher than the collective agreed minimum wages – most likely due to various wage supplements for unsocial hours. However, the majority of workers in the three selected service sectors work part-time or marginal part-time. These workers are paid a slightly lower hourly wage than their peers in full-time positions, but more importantly, they earn a much lower yearly income than their full-time colleagues. Marginal part-time workers earn less than a fifth of poverty line earnings.

The obvious implication for these workers is that they cannot secure a living wage from a marginal part-time job. The number of weekly working hours is, therefore, decisive for securing a living wage. Such workers often supplement their service job with other jobs – which most of them do – or combine sources of income (for instance with student allowances). However, it can also have other implications. The Danish occupational pension funds and unemployment funds are organised around the main job or source of income as well as the number of weekly working hours. Therefore, these two forms of income security can be destabilised, if the income is sparse or stems from a range of different sources. This makes the individual worker vulnerable in the long term, particularly if being trapped in marginal employment; and it can thus contribute to increasing expenses and less funding for the welfare state, as the state must step in to secure workers without occupational pensions and unemployment insurance.

Therefore, our findings call for a need to consider working time, including national working time regulations, in discussions on living wages. More specifically, it seems that minimum thresholds for weekly working hours by collective agreement have a protective effect on not only the number of weekly working hours, but also annual earnings of employees, i.e. to secure a living wage. This might have policy implications for unions, employers' organisations and the state.

Conceptually, our findings might also have implications within labour market research and industrial relations. The historical focus on the hourly wage for low-wage workers such as living wages or minimum wages (regulated via legislation or collective agreement) potentially miss out on the impact of working hours and working time regulations on absolute wages. These concepts have been fruitful when fighting for wage floors for low-wage workers, but have been less successful regarding the regulation of working hours. Our analysis of collective agreements, weekly working hours and yearly income for workers in selected sectors in private services demonstrates that working time regulation can be both a loophole which employers exploit to secure flexibility and curb labour costs and a facilitator of work-life balance strategies for employees to organise their work hours around childrearing and study activities, although parents are less likely to take up employment in private services, and if they do they typically work full-time or long part-time hours. The preponderance of part-time and marginal part-time workers delivers a flexibility for employers and employees alike, but has the consequence that the yearly job-related income for workers are way below the poverty line.

We therefore call for the integration of working hours – and regulation of working hours – into the analyses of low-wage work and the discussion on living wages. The concept of living hours by Ilsøe (2016) addresses the fact that workers should have enough weekly hours to make a living, but tend to overlook the importance of national working time regulations. Industrial cleaning is the only service sector of the three analysed that guarantees a minimum number of 15 weekly working hours within their collective agreement which seems to have some positive spin-off effects as the share of marginal part-time workers is somewhat lower within industrial cleaning compared to retail, hotels and restaurants, which have no (retail) or much lower (hotels and restaurants) collective agreed floor of minimum weekly working hours. However, the
threshold within industrial cleaning is unable to secure a living wage as most industrial cleaners – similar to their peers in retail, hotels and restaurants – boost their income by holding multiple jobs. This indicates a need to include a higher minimum threshold for working hours within existing labour market regulation to secure service workers a living wage as working time regulations otherwise may indirectly contribute to increased segmentation or polarisation in the labour market.

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**Further reading**

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INTERNATIONAL
In search of a living wage in Southeast Asia

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Abstract
Purpose – Debates over the definition, processes and outcomes of minimum and “living” wages are heated and often politically contentious in garment-producing countries. Internationally, there have been various initiatives to promote and support the implementation of a living wage for workers in labour-intensive manufacturing, ranging from corporate-driven social responsibility and multi-stakeholder initiatives to the long-standing living wage campaign of the global unions. One prominent regional initiative is the Asia Floor Wage Alliance (AFWA). The purpose of this paper is to assess its reach and effect in Southeast Asia.

Design/methodology/approach – A living wage campaign is assessed with reference to Indonesia and Cambodia, two important garment manufacturing countries in Southeast Asia. The paper draws on data collected in interviews with garment manufacturers, brand representatives, trade unionists and labour NGO activists, including members of the AFWA Steering Committee in Indonesia and Cambodia, complemented by a systematic review of documents and reports produced by the AFWA.

Findings – As the paper shows, despite a series of initiatives, the Asia Floor Wage has failed to gain traction in Cambodia or Indonesia. This is so, the paper argues, because national economic, political and institutional contexts are the primary drivers of the strategies and priorities of constituent organisations, governments and industry stakeholders. In the absence of robust local and regional coalitions of trade unions, efforts towards a common and coordinated regional approach to living wages are thus unlikely to gain traction.

Originality/value – To a large extent, the literature on the concepts and practices associated with the living wage has focussed on developed rather than developing countries. This paper extends the literature by providing a systematic examination of a transnational wage campaign in developing Asian countries.

Keywords Indonesia, Cambodia, Trade unions, Living wage, Minimum wage

Paper type Research paper

1. Introduction
The status of Southeast Asian countries as labour-intensive manufacturing hubs within global supply chains has drawn international attention to their varying labour standards and employment conditions. International concern over weak social protection and wages for workers in labour-intensive manufacturing across the region is largely focussed on global corporations that source from supplier firms in a region characterised by an evident gap between the formal commitments of states to international labour standards and the reality of their limited capacity and enforcement (Ford and Gillan, 2016). Attention to wages and conditions are most animated in the garment and footwear sector because of the high profile of consumer fashion and leisurewear brands, debate over whether the industry helps or hinders sustainable economic development in nations that are reliant on it for export revenues, links to questions of gender justice given the
sector’s female-dominated workforce, and, of course, the cumulative effect of decades of consumer-focused union and NGO campaigns. As a consequence of these pressures, debates over the definition, processes and outcomes of minimum and “living” wages are often politically contentious in garment-producing countries.

Garment and footwear manufacturers argue that competitive dynamics in the sector mean that increases to wages and conditions in any single national setting may raise a credible — if exaggerated — threat of a shift in investment and decreased production. Local trade unions and labour NGOs, meanwhile, have focussed on institutional participation and/or worker mobilisation aimed at building pressure for the improvement of wages which so evidently fail to meet the needs of workers and their families (Caraway et al., 2015; Ward and Mouyly, 2016). International activism targeted at the supply chains of international buyer brands has led to a burgeoning apparatus of internal and external mechanisms and organisations for compliance and monitoring. There have been various attempts to promote and support payment of living wages to workers in labour-intensive manufacturing, ranging from corporate social responsibility programs and multi-stakeholder initiatives to the long-standing living wage campaign of the global unions (for an overview, see Maquila Solidarity Network, 2014). One of the most prominent of these living wage initiatives is that driven by the Asia Floor Wage Alliance (AFWA).

How has the approach of the AFWA emerged over time and what are its governing principles? Perhaps even more importantly, what are the prospects for the uptake and implementation of this regional standard given the country-specific institutions that either support or constrain this goal? In the discussion that follows, we seek to answer these questions by means of country case analysis of the reach and effect of the regional living wage strategy in Cambodia and Indonesia, two national contexts that have been a key focus for the AFWA. Our analysis draws on data collected in interviews with garment manufacturers, brand representatives, trade unionists and labour NGO activists, including members of the AFWA Steering Committee in Indonesia and Cambodia, complemented by a systematic review of documents and reports produced by the AFWA[1].

Through our close study of the initiative and local responses to it, we show that local actors have failed to engage because of three key factors. First, as others have argued, there are limitations associated with the methodology used by AFWA to calculate a living wage (Anker and Anker, 2017). Second, while an Asia-wide approach is attractive in theory, in practice it is extremely difficult to resource and sustain such an intervention in a model that seeks to achieve impact across multiple geographic scales and requires the substantive participation of local actors. Third, and most importantly, the idea of the living wage cannot be detached from local labour market and industrial relations institutions and the uneven capacity of workers and unions to assert agency in employment relations, especially where there are national institutions and processes responsible for setting minimum wages.

We begin this task by exploring the concept of the living wage and basic elements of the Asia Floor Wage before turning our attention to the very real challenges involved in strengthening this demand for a regional living wage.

2. The concept of a living wage

To a large extent, the literature on the concepts and practices associated with the living wage has focussed on developed rather than developing countries[2]. Thinking about the formulation and realisation of a living wage in a region like Asia accentuates the obvious but crucial significance of context: a living wage campaign in, for instance, a global city like London may indeed target workers who are in low-paid and precarious employment, but constitutes a very different economic and social terrain from developing Asia where labour markets are defined by the structural predominance of informal work and very limited social welfare provisions. Thus, whereas living wage campaigns in Europe or North America may broaden out to incorporate issues such as social inclusion, in developing
society contexts with “limited employment or trade union rights, where any minimum wage rates are very low and weakly enforced and state systems of social security are rarely provided” (Parker et al., 2016, p. 3).

If actual wages and other economic variables vary, it is also the case that there is no consistent definition of the concept of a living wage or of the best mechanism for its calculation, although in many formulations a basket of goods approach is combined with other means of gathering data on the income, social and health needs of a defined family unit. Yet while the “essential relativism of the living wage concept – defined as it is in terms of higher human needs for social participation and capacity development, both for individuals and their families – makes it difficult to agree on what might constitute an actual living wage in any society at any given point in time” this “conceptual ambiguity” also “opens a space, by necessity, for social mobilisation” (Parker et al., 2016, p. 2). This is a space that the AFWA has sought to occupy both by developing a mechanism for establishing a regional minimum wage – which it claims can be translated into a precise figure in different national settings – and by creating an organisational network to campaign for its establishment.

One of several approaches that have been used in the quest to achieve a living wage in the garment sector in Asia, the Asia Floor Wage is predicated on the need to ameliorate the competition based on wage levels between garment exporting countries and to distribute gains along the supply chain (Merk, 2009). In order to do so, AFWA has identified a living wage that takes into account the food, housing, clothing, travel, education and health costs of a worker supporting a partner and two children (AFWA, 2015c). In itself, this approach is not innovative: it echoes the methodologies already used for minimum wage calculation in Asian countries including India, where wage-fixing authorities are guided by norms on the number of supported consumption units and requirements for food, clothing, housing and other household expenditure items (Government of India, 2012, pp. 12-13) and Indonesia, where minimum wage negotiations are underpinned by a market survey of a basket of goods, food and non-food, predicated on a daily allowance of 3,000 calories (Caraway et al., 2015). Indeed, the Asia Floor Wage calculations consciously adopted Indonesia’s 3,000-calorie figure in its formula because that was the highest figure used in the region (Bhattacharjee and Roy, 2012).

In other regards, however, the Asia Floor Wage is quite different from other living wage initiatives, not least because of its operationalization of the principle of establishing a regional standard described in purchasing power parity dollars (PPPS)[3]. Yet, while acknowledging the importance of the Asia Floor Wage initiative, proponents of other living wage initiatives point to several weaknesses in AFWA’s methodology, including its inelastic underlying assumptions regarding expenditure on food and its inability to capture sub-national variations in living costs (Anker, 2011, pp. 38-41). Perhaps most importantly, the proponents of the Anker method argue that the estimation of living costs should focus on particular locations rather than using flat national living wage estimates in order to improve the accuracy and credibility of living wage calculations, and consequently their uptake and impact (Anker and Anker, 2017)[4]. In contrast to this emphasis on sub-national variation, AFWA’s demands focus on national standards that equate to an Asia-wide living wage.

3. The Asia floor wage as a regional living wage strategy
The second distinctive feature of the Asia Floor Wage is the initiative’s Asia-wide focus. Its steering committee includes a number of labour NGO activists from Europe and the USA, most notably the Clean Clothes Campaign (AFWA, 2013). But while the AFWA has support from international civil society organisations, the scope of its activities is limited to Asia – represented in the alliance by Bangladesh, Cambodia, China, Hong Kong, India, Indonesia, Malaysia, Pakistan, Sri Lanka and Thailand (AFWA, 2014b) – and its demands framed as emanating from, and driven by, labour activists based there (Bhattacharjee and Roy, 2015a).
Discussions on a union-based strategy to improve Asian garment workers’ situation began in India in 2005 (ETI, 2013). In that year, the India Committee on the Asia Floor Wage – a group consisting of a national union federation (New Trade Union Initiative) and a number of labour NGOs – prepared a discussion paper that argued that formulation of a pan-Asian wage would call buyers’ bluff by focussing consumer attention on the conditions of garment workers in Asia and strengthen the bargaining capacity of manufacturers vis-à-vis buyers (AFWA, 2005). In the following year, AFWA worked to gather support in key garment-producing countries and to identify a mechanism for calculating a regional living wage. Having estimated that there is approximately a one-to-one ratio between food costs and non-food costs (allowing for modest savings), they decided to calculate the cost of the calorie requirement for three “consumption units” (where one consumption unit consists of one adult or two children), doubling it and multiplying it by 30 in order to estimate the monthly living costs of a worker and his or her family, and then compare them to decide on a PPP$ figure that could serve as a target across the region. This figure was set at PPP$ 475 in 2009 and by 2015 had risen to PPP$ 1021 (AFWA, 2015c; Bhattacharjee and Roy, 2012).

Having conducted surveys in Bangladesh, China, India, Indonesia and Sri Lanka, AFWA officially launched its campaign on 7 October 2009, writing to dozens of leading brands to challenge them to address unfair pricing as a first step towards the implementation of a living wage (Bhattacharjee and Roy, 2015b). In addition, they developed national-level campaigning and bargaining frameworks for all suppliers in each country; pressured governments to enact legislation that enshrines the concept of an Asia Floor Wage; and lobbied brands, retailers and Tier 1 manufacturers to enter into agreements that facilitate the payment of a living wage (Merk, 2009; Roy, 2015). AFWA later organised “People’s Tribunals” in Cambodia, India, Indonesia and Sri Lanka. These events, which were based around the presentation of evidence and testimony from workers and citizens, were focussed primarily on generating evidence on prevailing wage levels in the industry. Associated issues that shape the welfare and labour rights of garment manufacturing workers, including the gendered character of the workplace, trade union rights and the use of short-term contracts, were also discussed (Barria, 2014).

In addition, the AFWA produced a video and several reports documenting wages and working conditions in the industry, with the aim of raising consumer awareness and targeting major brands for their responsibility to ensure the payment of a living wage from the suppliers and countries from which they contract (McMullen et al., 2014; Merk, 2014). Yet despite these efforts, and adoption of Asia Floor Wage as a living wage benchmark by a Dutch multi-stakeholder initiative called the Fair Wear Foundation, there has been very little buy-in from major brands.

The AFWA also sought to engage with the Global Union Federations (GUFs) with the aim of building towards the formulation of “a Global Wage Accord, a framework agreement adapted to encompass the entire production network that makes Living Wage in the global garment industry a reality” (Barria, 2014, p. 34). An initial dialogue between AFWA, the International Trade Union Confederation and a number of GUFs including IndustriALL, the global union with coverage of manufacturing industry, was held in Hong Kong in November 2014 (AFWA et al., 2014). However, in the intervening years, there has been little evidence of concrete examples of jointly developed actions and strategies. IndustriALL has never publicly endorsed the regional approach of the AFWA (Maquila Solidarity Network, 2014, pp. 5-7). Instead, it has pursued its own campaign for supporting improved labour rights, collective bargaining and minimum wages as the pathway to living wages for garment workers (IndustriALL, 2014, 2015), including the Action, Collaboration, Transformation initiative, which involves IndustriALL and several major brands committing to work together to support freedom of association rights and industry-based bargaining in targeted nations, thereby aiming to connect “national industry-level collective bargaining between unions and employers to the purchasing practices of brands”
This campaign built on the earlier efforts of the International Textile, Garment and Leather Workers’ Federation (ITGLWF, 2012). A weakness, then, of the AFWA initiative has been its failure to bring the key international stakeholders – major brands or the international union movement – on board. Given the transnational ambitions of the Asia Floor Wage, the failure to do so necessarily has serious implications for the effectiveness of the initiative.

The composition of the AFWA is relevant to its apparent lack of integration with international union strategy. While unions and NGOs can form productive and cooperative partnerships, including the alignment of strategic choice in advocating for garment manufacturing workers (Egels-Zandén and Hyllman 2006), there remain important differences in their structures and goals which can be reflected in inter-organisational tensions (Braun and Gearhart, 2004). The AFWA is a union-NGO coalition, in which NGOs play the dominant role. As such, its authority and capacity to coordinate unions internationally is unclear and unproven. Moreover, as noted above, IndustriALL – the global union with a clearer mandate to undertake that coordinating role – has meanwhile developed a parallel strategy for living wages focussed on supporting national industry-wide collective bargaining.

4. The Asia Floor Wage, collective bargaining and wage-setting

Despite its apparent lack of success engaging with the global unions, the AFWA approach is notable for its emphasis on trade union involvement, which sets it apart from many initiatives for monitoring and improving standards for workers in labour-intensive manufacturing driven by corporations, states or NGOs in various combinations, which are often criticized as both ineffective and in some cases a de facto mechanism of union substitution (7).

The key mechanism envisaged for trade union engagement with the Asia Floor Wage initiative is through coordinated collective bargaining. There are varying forms of bargaining – from decentralized enterprise specific, multi-employer, industry, to nationally coordinated – with several of these linked to the historical development of union strategies to deal with the uneven geography of wages and working conditions by scaling up to nationally coordinated or industry-wide bargaining (Flanagan, 2008). The coordinated forms of collective bargaining at the industry or national level provide for real gains in worker bargaining power, wages and working conditions by taking wages out of the competition. Yet, while there may be a clear logic and imperative for extending wage coordination and bargaining to the supranational level, decades of experiments have failed to replicate the successes of national industry level bargaining because “coordinating labor resistance across national boundaries encounters much more resistance than coordination within a country” (Flanagan, 2008, p. 417). This may be an overly pessimistic assessment insofar as bargaining structures are not static, and can be influenced by the strategic development of various actors over time. It is, however, fair to say that the examples of collective bargaining beyond the national scale are more the exception than the norm.

Where attempts to coordinate wage policies and bargaining have succeeded, as in the metals sector within the European Union, that success has been underwritten by the presence of institutions that provide incentives for such experiments to occur (Pernicka and Glassner, 2014). This could hardly be said to hold true in Asia, where regional union and union-NGO networks are weakly developed (Ford and Gillan, 2016). In an effort to strengthen the engagement of national unions, the AFWA sought to establish an Asia Brand Bargaining Group with the stated intention of bringing together unions from Cambodia, India, Indonesia and Sri Lanka to coordinate bargaining, negotiate with international brands and retailers and ensure local suppliers and subcontracting employers uphold workers’ rights and labour laws (Barria, 2014). However, there is little
evidence that this initiative has encouraged union participation in meaningful and effective cross-national coordination of bargaining strategies or dealings with major brands (interviews with brand representatives and union officials in Cambodia and Indonesia, November 2016 and January 2017).

In any case, collective bargaining across the region – even when unions are present in garment factories – is weak in terms of both prevalence and effect, which reinforces a central role for state-determined minimum wage processes and outcomes in debates over the economic impact of wage increases. Indeed, there exists a range of state institutions and varying processes for the determination of minimum wages across the region (van Klaveren et al., 2015), which greatly influence wage levels in the garment industry. In some cases, the Asia Floor Wage has been invoked in debates about appropriate levels for the national minimum wage (interviews with Cambodian union officials, January 2017). Ultimately, however, real wage increases (or wage stagnation) are determined by local-level dynamics of the garment industry or via national or sub-national processes of minimum wage determination, which are the locus of most unions’ wage-related activity.

5. Campaigning for a living wage in Southeast Asia
Before examining the implementation of a living wage campaign strategy in the two selected countries, it is necessary to briefly note the broader demographic and economic context of the garment industry in the Asian region. Asia’s export garment-producing countries are clustered in South and Southeast Asia. Within Southeast Asia, garments constitute a significant proportion of manufacturing exports in Cambodia, Indonesia and Vietnam (see Table I).

Indonesia stands out for its larger weight of population, which means that it has the largest number of employed persons in the industry across the region. In terms of export production, however, the garment industry is most dominant in Cambodia, while Vietnam leads strongly in dollar value. Wages are low across the region – with Cambodia and Vietnam at the lower end of the spectrum – and in all instances there is a clear gap between the AFW and the actual monthly minimum wage. Vietnam is not represented in AFWA’s membership, which includes organisations from Cambodia, Indonesia, Malaysia and Thailand. Of AFWA’s four Southeast Asian members, only Cambodia and Indonesia have hosted People’s Tribunals and only Cambodian and Indonesian unions are included in the AFWA’s Asia Brand Bargaining Group.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Cambodia</th>
<th>Indonesia</th>
<th>Malaysia</th>
<th>Thailand</th>
<th>Vietnam</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (million, 2015)</td>
<td>15.6</td>
<td>257.5</td>
<td>30.3</td>
<td>68.0</td>
<td>91.7</td>
</tr>
<tr>
<td>GDP (USD billion, 2015)</td>
<td>18.0</td>
<td>861.9</td>
<td>266.3</td>
<td>395.2</td>
<td>193.6</td>
</tr>
<tr>
<td>Manufacturing as % of GDP (2015)</td>
<td>17</td>
<td>21</td>
<td>23</td>
<td>27</td>
<td>14</td>
</tr>
<tr>
<td>Value of manufacturing exports (USD billion, latest year to 2015)</td>
<td>7.9</td>
<td>66.3</td>
<td>133.0</td>
<td>159.9</td>
<td>132.0</td>
</tr>
<tr>
<td>Garment exports as % of manufacturing exports (2015)</td>
<td>76</td>
<td>11.5</td>
<td>3.6</td>
<td>2.3</td>
<td>17.8</td>
</tr>
<tr>
<td>Employed persons (million, latest year to 2015)</td>
<td>8.0</td>
<td>114.8</td>
<td>14.1</td>
<td>38.4</td>
<td>52.7</td>
</tr>
<tr>
<td>Employed persons in manufacturing (million, latest year to 2015)</td>
<td>1.6</td>
<td>15.5</td>
<td>2.3</td>
<td>6.3</td>
<td>7.6</td>
</tr>
<tr>
<td>Employed persons in the garment industry (million, latest year to 2015)</td>
<td>0.6</td>
<td>2.1</td>
<td>0.2</td>
<td>0.5</td>
<td>1.0</td>
</tr>
<tr>
<td>Monthly minimum wage (USD 2015)</td>
<td>128</td>
<td>213</td>
<td>253</td>
<td>237</td>
<td>145</td>
</tr>
<tr>
<td>Asia Floor Wage (USD 2015)</td>
<td>410</td>
<td>343</td>
<td>386</td>
<td>373</td>
<td>403</td>
</tr>
</tbody>
</table>

Table I. The demographic and economic context of the garment industry in the Asian region

Note: The Cambodian figure is for secondary industry, not manufacturing
Sources: AFWA (2015b), ILO (2015a, b), ILOStat (2017a, b), NIS Cambodia (2017), World Bank (2017a, b), and World Trade Organization (2017)
5.1 Indonesia

Indonesia has been one of AFWA’s core national locations since the establishment of the Asia Floor Wage initiative. According to the AFWA website, its Indonesian members are the National Workers Union (Serikat Pekerja Nasional (SPN)); the Federation of Independent Trade Unions (Gabungan Serikat Buruh Indonesia (GSBI)); the Trade Union Rights Centre (TURC) and the Sedane Institute for Labour Information (Lembaga Informasi Perburuhan Sedane (LIPS)) (AFWA, 2014b). In practice, however, the Indonesian initiative has been primarily driven by TURC, which assumed the role of the Indonesia hub. TURC staff supported the initiative because they felt that the Asian Floor Wage was conceptually sophisticated, but also because they approved of its attempts to bring different types of organisations together across Asia, Europe and America (interview with TURC director, March 2016). By contrast, the garment, textile and footwear unions have showed no interest in substantive engagement, in large part because they felt the Asia Floor Wage calculation was unrealistic, but also because few resources were available to fund-related activities (interviews with representatives of GSBI, SPN and Garteks, March 2016).

The major Asia Floor Wage activity in Indonesia has been the People’s Tribunal. Held in June 2014, the tribunal involved members of four unions, including GSBI and SPN, as well as TURC and LIPS. Brands present included Adidas and H&M, though other major brands including Nike and Gap declined the invitation to attend. Discussions at the tribunal focussed on failure of the Indonesian Government to meet its own commitment to pay a living wage, or indeed even to enforce the payment of minimum wages. Other issues discussed included the use of temporary contracts and factory relocation; union-busting; the treatment of women workers; and problems with the operation of the labour courts and the inadequacy of factory inspections. The ensuing report recommended that all stakeholders pursue the implementation of living wage and the implementation of freedom of association and collective bargaining, with a series of more specific recommendations to the government, brands and unions (AFWA, 2014a). For brands, the latter included the introduction of binding policies mandating the Asia Floor Wage and further efforts to ensure transparency in auditing, while for the government they focussed on effective operation of the courts and security forces, as well as monitoring of violations of the labour law. But while the tribunal event and the report generated some attention to these concerns, Indonesian unions and labour NGOs reported that there was limited follow-up to these interventions nor any notable impact on the state, brands or union campaigns and organisational priorities for securing improvements to wages and working conditions for garment workers in Indonesia.

Indonesian unions’ limited engagement and interest in this regional campaign for a living wage also certainly relates to the reality that in Indonesia any kind of wage floor is primarily achieved through the existing minimum wage mechanism. Minimum wages are determined through an annual process led by local tripartite wage boards, which estimated the income needed for workers to achieve a decent standard of living, described as requirements for a decent life (kebutuhan hidup layak (KHL)), represented by a basket of 60 food and non-food components in the calculation of minimum wage. The agreed figure is then presented to the local mayor or district head, and then signed off at the provincial level. Used as a rallying point for street-based protests, this process bolstered union bargaining power and resulted in increases in major industrial districts of up to 50 per cent (Caraway and Ford, 2014). Under pressure from employers, the government passed Regulation No. 78/2015 on wage-setting, which reduced unions’ bargaining power by imposing a set formula based on KHL, the inflation rate and GDP (Caraway and Ford, 2016). Under these conditions of heightened political and policy attention to country-specific mechanisms of minimum wage determination, the incentives for national unions to focus their demands around a regional wage remain very weak.

5.2 Cambodia

In Cambodia, the AFWA has five member organisations: the Community Legal Education Center; the Cambodian Confederation of Trade Unions; the Cambodian Labour
Confederation; the Cambodian National Confederation and the National Union Alliance Chamber of Cambodia (AFWA, 2014b). As in Indonesia, the national hub is an NGO, not a union. As in Indonesia, also, the most prominent local intervention by the AFWA has been the organisation of a People’s Tribunal in Phnom Penh in February 2012. Aside from wages, the tribunal also pointed to the widespread use of fixed duration contracts in the garment industry, victimization of union leaders and other violations of the right to freedom of association, and restrictions on the ability of workers to demonstrate and strike. The report produced following this process noted that the prevailing conditions and poverty wages in the industry represented a systematic violation of workers’ fundamental right to a decent human life. It recommended that Cambodian garment workers receive a wage in the range of US$185-200 until an Asia Floor Wage can be negotiated, and that unions and labour NGOs in Cambodia should adopt the living wage concept as a central part of their advocacy and bargaining strategies (AFWA, 2012a).

While the tribunal produced a series of specific recommendations for the actions that brands, local employers and the Cambodian Government should take to support the realisation of a living wage for garment workers, the degree of engagement of these actors in the process and its outcomes was limited or non-existent. The Garment Manufacturers’ Association of Cambodia refused to attend the tribunal on the basis of a view that it was biased in favour of unions and workers (AFWA, 2012a). Two brands contracting goods from suppliers in Cambodia attended the event and provided statements but AFWA (2012b) deemed the general participation and response of the brands as “inadequate”. Reflecting on the initiative, representatives of several of the named member organisations of the AFWA reported that the tribunal was not considered to have had a significant impact on government policy or agencies, or on business practices. Some did, however, believe that it had raised the profile of the term “living wage”, noting also that they had at times cited the monthly wage figure produced by the process as an aspirational target in some of their campaigns on wages (interviews, January 2017).

However, as with Indonesia, the same constituent organisations pointed to the lack of follow-up in subsequent years to consolidate or extend the reach of the living wage as a concept or a viable economic and political demand. Instead, the focus of Cambodian unions in the garment industry has been on the mechanisms, institutions and outcomes of minimum wage-setting (interviews, January 2017). This is especially so because, after years of wage stagnation, there has been sustained worker mobilisation on wages since 2013/2014, when a strike wave and protests resulted in violent street confrontations (Ward and Mouly, 2016). This event evoked a strong response from the state which, while presiding over a series of wage increases, has sought to now more carefully manage the process by which minimum wages are determined and by passing new labour laws pertaining to trade union registration[8]. Independent and opposition unions report that almost all of their attention on wages was absorbed by campaigns, while pro-government unions are involved in institutional participation or government lobbying around the minimum wage processes and outcomes (interviews, January 2017). None reported any strong commitment, nor sustained organisational engagement, with working for and supporting the campaign to build a regional living wage.

6. Conclusion

All global or regional union or advocacy groups inevitably confront challenges when working in and across multiple national contexts. These include the difficulty of resourcing and then sustaining campaigning interventions and developing effective organisational structures across scale, as well as the relative incentives or disincentives for local or national unions to engage in regional or global networks or campaigns. As a consequence, the reach and effect of transnational wage campaigns can only be understood with consideration of the national economic, political and institutional context that drives the strategies and priorities of constituent organisations, governments and industry.
stakeholders. Through its actions and communications, the AFWA has no doubt contributed to increased awareness in the region of the living wage concept and, alongside initiatives and campaigns by other organisations, attention to many non-wage problems that have a negative impact on the labour rights and wellbeing of garment workers in global supply chains. The Asia Floor Wage has gained some traction with international NGOs such as the Fair Labor Association and the Workers Rights Consortium and, as noted earlier, has been adopted as a living wage benchmark by the Fair Wear Foundation (Bhattacharjee and Roy, 2012). However – in Cambodia and Indonesia at least – the campaign has had a minimal effect on the discourse and practice of brands, local companies and government agencies, or even local trade unions.

Efforts towards a common and coordinated regional approach to living wages may continue, but it is unlikely to gain traction in the absence of robust local and regional coalitions of trade unions, which the AFWA itself positions at the very centre of its strategy. The idea of a regional living wage as a long-term aspiration is compatible with local trade union agendas. However, even though the Asia Floor Wage is lower than some other calculations[9] the level at which it is set – in Cambodia’s case, at 3.2 times the prevailing minimum wage – means that it is at best peripheral to those unions’ organisational strategies and practice. In these circumstances, the main locus of union activity and practice on wages is likely to remain local minimum wage determination institutions and processes. These organisational priorities have a practical logic in light of the relative likelihood of achieving a concrete outcome through mobilisation, lobbying or industrial action, as evidenced by the success of national and sub-national campaigns and worker mobilisations in increasing minimum wages in both Indonesia and Cambodia.

However, ultimately, there remains a gulf between what campaigns and worker mobilisations have produced and what workers actually need – by any definition – in terms of a living wage. Importantly, also, an increase in minimum wages does not guarantee that these wages will actually be delivered: as noted by a recent ILO study, there is widespread non-compliance in the payment of minimum wages in the garment manufacturing industry across the region (Cowgill and Huynh, 2016). Instances where employers do not pay minimum wages, in conjunction with evidence on violations of freedom of association rights and persistent poor working conditions, expose the weakness of government agencies of enforcement and corporate monitoring systems, and points to the important role for independent worker representation and networks of representation across scale in both securing and enforcing real wage gains.

Notes

1. Authors are listed alphabetically and have contributed equally to the article. Ford’s contribution was supported by an Australian Research Council Future Fellowship project entitled ‘Trade Unionism and Trade Union Aid in Indonesia, Malaysia and Timor-Leste’ (FT120100778). A total of 40 interviews were conducted in March and November 2016 and in January 2017. This core research was supplemented by insights from the interviews with Global Union Federation representatives in Singapore and Geneva, and with representatives of other multi-stakeholder initiatives including the Fair Wear Foundation and the Freedom of Association Protocol, undertaken as part of a multi-year study of Global Union Federations funded by a Discovery Project grant from the Australian Research Council (DP130101650).

2. For a survey of living wage literature, see Werner and Lim (2016). There are only a handful of studies of the living wage initiatives in the garment industry (see Miller and Williams, 2009; Miller and Hohenegger, 2016) or in Asia (see e.g. Bhattacharjee et al., 2009; Merk, 2010), the latter authored by AFWA participants.

3. Purchasing power parity conversion factors are set by the World Bank.

4. The Anker method is used and supported by the Global Living Wage Coalition (GLWC), which is linked to a sustainability and social/environmental certification network (the ISEAL alliance). The ISEAL alliance has committed to supporting a living wage by developing, promoting and
testing this living wage method. For details, see www.isealalliance.org/our-work/improving-effectiveness/global-living-wage-coalition.

5. For a detailed account of the GUFs and their operations, see Croucher and Cotton (2011). For a critical overview of the literature on the GUFs, see Ford and Gillan (2015).

6. The ITGLWF was one of three GUFs that merged to form IndustriALL in June 2012.

7. For an overview of these voluntaristic private initiatives in the garment industry, see Esbenshade (2012).

8. In July 2015, AFWA together with other NGOs and trade unions wrote a letter to the President of the National Assembly and other senior government officials in Cambodia urging them not to pass the Trade Union Law and the Law on Associations and NGOs (LANGO) arguing that these laws would restrict freedom of association (AFWA, 2015a).

9. For a higher calculation of a living wage in Cambodia see (Labour Behind the Label and Community Legal Education Centre, 2013).

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In search of a living wage in Southeast Asia


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The construct of a “living wage” is one that has resonated across the industrialised nations since ideas of waged labour emerged. The promotion and enforcement of a “living” wage is grounded in achieving fair rates of pay, but also includes the reduction of poverty, hardship and disease. These ideas underpin the necessity for a recognised and enforceable “living wage”. The “living wage”, therefore, is more than an idea or aspiration for modern economies; it entails wider debates around, for example, productivity in the economy, morality in paying a wage that protects worker interests and the maintenance of legal enforcement regimes to ensure its relevance. Important too are the questions about how we interpret the distinctions between minimum (i.e. compulsory) and living (i.e. adequate) wages. As campaigns for living wages gain support with workers and government’s, demands are made for legislating for higher minimums. The balance must then be reached to implement wages that do not have a damaging impact upon employment. This situation is starkly revealed by the UK care sector which estimates that the national minimum wage (NMW) will add £300 million to local authority care costs in 2016/2017, rising to £800 million by 2020 (Local Government Association, 2015). Studies show that care workers are likely to be paid below the NMW alongside increasing trends towards zero hours contracts (Bessa et al., 2013).

Donald Hirsch and Laura Valadez-Martinez have written a comprehensive review of the history, development and implementation of the “living wage” in the global industrialised economies. This book informs the reader about the origins, enactment and expectations for the “living wage” positioned against the diverse backgrounds of economic and social changes in the global economy. The authors’ own views are that the “living wage” is an “hourly rate of pay considered sufficient to produce an acceptable standard of living”. However, their own analysis in later chapters shows the many ways in which the “living wage” impacts upon modern workers. The chapters are organised in a logical and structured fashion that allows readers to understand why realising the “living wage” is now a global movement, with interesting analysis of relevant debates upon incomes and social policy alongside those of sustainable living.

The book provides a thematic approach to the “living wage” encompassing its history, its public advocates and promoters. There are examples of metrics used to define a “living wage”—for example, household expenses and budgets, or definitions of poverty—highlighting that the need for a “living wage” can be linked to numerous working conditions and economic circumstances.
What the book does with efficiency is to identify the complexities of settling upon a workable estimate of a “living wage”. The narrative identifies the challenges posed because of the possibility of a fragmented implementation of wages locally and nationwide, allowing some employers to discount or avoid the “living wage” at their own workplaces. The reader is provided with an insightful and detailed review of pathways to a “living wage” in the UK, North America and Australasia. We are, for example, guided through the efforts of the Living Wage Commission in the UK, and also the “fight for $15” campaign in the USA (Rosenblum, 2017), which has taken hold in many federal states.

A comprehensive approach to adopting the “living wage” is explained as the raising of the compulsory minimum wage rates to levels portrayed as a “living wage”, with, for example, the UK expected to achieve a 38 per cent real terms increase over the period 2015-2020. As the authors note, installing a legally enforceable minimum wage is measurable and certain, whilst securing “living” wages is a dynamic process with changes reflecting societies' norms and values. What we are prepared to support as a “living wage” perhaps reveals what we as citizens see as decent living standards for all, irrespective of their position or working conditions.

The chapters guide the reader through the processes of recognising the “living wage” in different jurisdictions (Chapter 1), and then describing the various movements that support its continuance in numerous economies (Chapter 2). Further chapters review interesting perspectives upon, for example, the impact of free market philosophies such as the “wage floor” upon minimum wages (Chapter 3). The interactions between wages and the elements affecting whether households have adequate incomes to decently live on is debated in a contemporary review of the means employed at state level to achieve these objectives (Chapter 4). This enlightening chapter shows how social protection in the form of welfare payments interacts with the state’s intention to make the activity of work itself both worthwhile and rewarding financially. The final chapter (Chapter 5) takes four themes to consider the issues, dilemmas and choices presented to society by the continuance of the “living wage”, assessing whether or not it will remain economically viable in the long term.

This book is an overdue synopsis of many debates concerning the “living wage” and presents informed views about its viability in modern economies in an engaging and thought-provoking manner.

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