



The Living Wage – Employer experience

Employer commitment to the voluntary Living Wage is strong, and the experience of most Living Wage employers has been positive. What were their original motivations for becoming accredited and what are the challenges and opportunities associated with accreditation?

Since the Living Wage Foundation was established in 2011, more than 3000 employers have gained accreditation and are paying the Living Wage directly to employed staff and to the employees of contractors working on their premises.

They collectively employ approximately 1.35M people, about 4.3 per cent of total UK employment. According to the most recent estimate, 150,000 workers have benefited directly from the spread of Living Wage accreditation, receiving a welcome boost to low-wage incomes.

We wanted to understand the Living Wage employer experience and dig into the motivations and reasons for seeking accreditation. We also wanted to understand the impact on their businesses. Our research is based on a survey of all accredited employers which was undertaken in autumn 2016 and garnered 840 responses. It also draws on supplementary information from a database of accredited employers as well as interviews conducted with key actors, including Living Wage campaigners, employers, and trade union representatives.

Key Findings

Our research showed that the influences on the decision to seek accreditation are primarily internal to accredited organisations.

- Owners and managers are the key decision-makers, indicating that accreditation to the Living Wage is primarily a conscious, top-down decision.
- Where they are present, human resource professionals are also found to positively influence the decision to become accredited.
- The influence of external stakeholders is relatively limited (although Citizens UK, the Living Wage Foundation and their Scottish equivalents are notable exceptions).

In reviewing accredited employers' reasons for seeking accreditation, we found that there are distinct clusters of reasons that influence an organisation to sign up:

- **Mission and values:** The two main reasons given by employers for seeking accreditation were to 'act in accordance with the organisation's mission or values', and to demonstrate that the organisation is a 'socially responsible employer'. More than 80 per cent of employers reported these reasons were of 'great importance' to them. Moreover, 50 per cent reported that they had become accredited in order to demonstrate support for the Living Wage campaign, while about a third had done so to 'lead change', either in their industry or in their region.
- **Reputation and relationships:** Another key reason for becoming an accredited employer was a desire to enhance the organisation's reputation and foster good relationships with stakeholders. More than half of those replying to the survey said that they had become accredited to 'enhance the organisation's overall reputation', while over 40 per cent said that a major purpose was to differentiate their organisation 'from others in the same industry or performing the same activity'.
- **Improving HRM:** There is evidence of a human resources motivation with significant numbers of employers signing up in an attempt to improve employee recruitment and retention. About two thirds of employers reported that a major reason for becoming accredited was to 'develop a reputation as a good employer, attractive to all types of employee', suggesting a desire to generate a positive 'employer brand'.
- **Recognition of existing payers:** for 46 per cent of employers an issue of 'great importance' to their decision to become accredited was the fact that they wanted to obtain recognition that they were already paying the Living Wage to their employees.

Overall, 93% of employers feel they have benefited positively from accreditation, although the strength of these benefits is sometimes modest. Importantly, higher wage costs have been absorbed by the vast majority of organisations without changing wider working practices or attempting to 'claw back' costs through amending employment contracts.

Research Impact

Most employers have absorbed the cost of accreditation without making adjustments or seeking offsetting savings elsewhere.

The Living Wage campaign is in good health and the rate of employer recruitment has increased notably in the past two years.

It does not appear to have been a highly disruptive or challenging event to the majority of participating organisations while becoming accredited is believed to have enhanced corporate reputation. For many it has led to tangible improvements in HRM and in wider business performance.

In many cases the positive effects reported are modest but they are widespread and, critically, are not counterbalanced by major negative reported effects.

This pattern suggests strongly that the Living Wage is sustainable and that employer adherence to the standard can both be maintained and expanded in the future.

About the Authors

Professor Edmund Heery, Dr David Nash and Dr Deborah Hann are members of Cardiff Business School's Management, Employment and Organisation section. For this report they were working with the Living Wage Foundation.

[Read the full Employer Experience report.](#)