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The Living Wage in Wales

November 2015

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Preface

In February this year we began work on a research project designed to track the spread of the Living Wage across the UK economy. This document, reporting on the progress to date in spreading the Living Wage in Wales, is the first written output from this project.

Our report is of necessity provisional in two separate senses. First, we are still in the early stages of our work and the process of evidence-gathering is incomplete with much work left to do. Second, the Living Wage campaign is itself in its early stages. Considerable success has been achieved in persuading employers to pay the Living Wage but if the campaign is to bite deeper and have a major impact on the incidence of low pay in Wales and the wider United Kingdom then it must spread further. The evidence we have collected so far, we hope, will serve as a benchmark, a measure of first steps against which later achievements can be compared.

The research itself has consisted of two main elements. On the one hand, we have created a database of accredited Living Wage Employers in the UK, starting with the list of employers on the Living Wage Foundation website and adding further, publicly available information. The latter has been taken from employers' own websites, Companies House, official statistics and a range of other sources. On the other hand, we have begun a programme of interviews with those involved in the Living Wage campaign, with trade unionists and with employers, the main purpose of which has been to track the spread of the Living Wage into the traditional system of industrial relations. These interviews have been supplemented by a mass of documentary material gathered from news media, trade unions, employers and other bodies interested in the Living Wage campaign.

Our research has been funded by a small seedcorn grant from Cardiff Business School and we are extremely grateful to the School for supporting our research into a topic of this kind, of public value. We are also extremely grateful for the support and help we have been given by Citizens UK and to the representatives of trade unions and employers' organizations who have given up their valuable time and agreed to be interviewed. Many people have helped us but the opinions, conclusions and potential errors in the document that follows are ours alone.

If you would like to know more about our research or discuss it, please contact: Edmund Heery by telephone 02920 874919 or by email Heery@Cardiff.ac.uk.

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1. Introduction

The modern Living Wage campaign was launched in the US city of Baltimore in 1994. Since then, the campaign has spread across the United States with scores of US cities declaring for the Living Wage and introducing local ordinances that require decent wages be paid to public servants and by public sub-contractors and employers operating on public land, such as airports (Luce 2004).

In 2001 the movement crossed the Atlantic and the first Living Wage campaign was launched in the East End of London by TELCO, the community organization which has since grown to become UK Citizens. TELCO (The East London Communities Organization) was a coalition of community, faith and trade union organizations, which registered its first successes when major East London employers, such as Homerton Hospital and Queen Mary University of London, agreed to pay a Living Wage both to their own employees and to workers employed by sub-contractors (Holgate & Wills 2007). TELCO also secured a commitment from the Mayor of London that the 2012 London Olympics would be a Living Wage event.

In the years since the launch of TELCO, the Living Wage campaign has spread across the UK. UK Citizens is now active in all nations and regions of the UK and has established a charitable trust, the Living Wage Foundation to promote the Living Wage and accredit employers which undertake to pay the Living Wage. More than 1800 individual employers, directly employing more than 1.5 million people, have now been accredited by the Foundation as Living Wage Employers.

The Living Wage campaign reached Wales in 2012, when the first Welsh employers agreed to pay the Living Wage. Since 2014, the campaign has been led by Citizens Cymru-Wales, the Welsh arm of Citizens UK. More than fifty Welsh employers are now accredited by the Living Wage Foundation, including Cardiff University, Cardiff Bus, Caerphilly Borough Council and the Welsh Assembly. In addition, collective agreements between employers and trade unions in Welsh public services specify that no directly employed workers should be paid less than the Living Wage.

Beyond the United States and the United Kingdom, Living Wage campaigns have been launched in other countries. The Asian Wage Floor Alliance has set a target Living Wage for all of the main manufacturing economies of the Far East, while the Clean Clothes Campaign, the international organization which speaks for garment workers, has made the call of a Living Wage the centrepiece of its international programme (Clean Clothes Campaign 2015). There is now a global Living Wage movement.

The purpose of this report is to review the impact of this global movement on Wales. To this end, the report:-

- Identifies and profiles accredited Living Wage employers in Wales

- Compares the impact of the campaign in Wales with developments in Scotland and England
- Describes the spread of the non-accredited Living Wage in Wales; i.e. situations where employers and trade unions have adopted the Living Wage standard without seeking accreditation from the Living Wage Foundation.

The Living Wage is a relatively novel development in Wales but in a short period it has attracted a high level of support across political parties and from employers, workers, community organizations and trade unions. It has become a major issue in Welsh public life. Our report seeks to inform public debate on the Living Wage in Wales and to this end it concludes by exploring some of the potential avenues through which the Living Wage might be spread further through the Welsh economy.

2. What is the Living Wage?

Before profiling the Living Wage in Wales, it is necessary to define it and explain the distinctive way in which the global concept of a Living Wage has been applied within the United Kingdom.

A crucial distinction in this regard is that between, the ‘real’ Living Wage, which originated in the citizenship movement, and the new **National Living Wage**, announced by the Conservative Government in July 2015. The latter is effectively a higher level of National Minimum Wage to be paid to those of 25 years of age and over. Although they use common language, these two initiatives are independent from one another and propose different levels of ‘living wage’. Their differences are explained more fully below.

The Living Wage, accredited by the Living Wage Foundation, is an **hourly rate** of pay, which is intended to provide those who receive it with a decent standard of living. The current Living Wage is £9.15 in London and £7.85 in rest of the United Kingdom, including Wales. These rates are set annually, with the new levels of the London and Out-of-London Living Wage being announced each November, during Living Wage Week.

It is important to note that the Living Wage is substantially higher than the **National Minimum Wage**, the UK’s statutory wage floor, which currently stands at £6.70 for those aged 21 and older. It is also higher than the proposed statutory National Living Wage, which will require that those of 25 years and over be paid £7.20 per hour from April 2016.

The Living Wage is calculated on the basis of **employee need**; it is designed to provide a modest but acceptable standard of living to those who receive it. The Living Wage differs in this regard from the National Minimum Wage, which is set on the basis of what employers and the national economy can afford. It also differs from the National Living Wage, which is a relative standard, set at 60 per cent of male median earnings. Some believe that the Living Wage is not set at a sufficiently high rate: there is a campaign in the trade unions to adopt £10.00 an hour as a new minimum wage target. But the underlying principle of the Living Wage is that workers’ need should take priority in setting the lowest rate of pay.

It follows from the emphasis on employee need that the Living Wage is **evidence-based**. The separate London and Out-of-London rates are calculated each year, using evidence on the cost-of-living of low-wage families in the capital and the wider UK, respectively. These calculations are performed by the Centre for Research in Social Policy at Loughborough University, for the Out-of-London Living Wage, and by the Greater London Authority, for the London Living Wage (ONS 2015). The precise methods used by the CSRP and GLA differ but they are united in seeking to calculate a rate of pay that can cover basic living costs in a range of low-wage households. Importantly, the rates of pay for both London and the rest of the UK take into account taxes, benefits and tax-credits.

While the Living Wage is set with regard to worker need, it is often justified in terms of the positive effects that accrue to business. The Living Wage Foundation and many campaigners

argue that there is a powerful **business case** for the Living Wage. Among the claims that are made are that paying the Living Wage improves recruitment and retention in low-paying jobs, raises performance and work quality, and strengthens the employer brand and other intangible assets. In some cases, the introduction of the Living Wage has prompted the upskilling of workers and the redesign of jobs to widen responsibility. In others, it has led to improvements in relations with trade unions. Research on the impact of the Living Wage attests to the positive effects on business that can result from its adoption (Coulson & Bonner 2015).

If employers sign up to the Living Wage they give an undertaking, firstly, to pay the hourly rate to all directly employed workers aged 18 or over who are not apprentices, interns or trainees. They also give an undertaking to ensure that the employees of sub-contractors, providing services such as cleaning, catering and security (i.e. who work primarily on the employers' premises), will also be paid the Living Wage. The **coverage** of the Living Wage is therefore relatively broad: it does not provide for lower rates of pay for those aged under 25 and 21, like the National Minimum Wage/National Living Wage, and it covers workers in outsourced activities as well as the directly employed.

With the exception of the higher rate in London, the Living Wage is a **national** rate of pay, applied in all countries of the UK, in all regions, across all industries and regardless of occupation. This emphasis on a single Out-of-London rate is a notable contrast with the Living Wage in the USA, which is highly variable, set on a city-by-city basis. One consequence of having a single Out-of-London rate is that the Living Wage may appear relatively high to employers in low-wage parts of the UK, such as Wales, making it more difficult for them to comply. The benefit of a single Out-of-London rate is that introducing the Living Wage is simpler, involving less change to pay structures for employers that operate across the UK, such as Barclays, Nationwide, IKEA or Lidl.

Another important difference with the USA is that the Living Wage in the UK is **voluntary**. In the States, as has been noted, the Living Wage is typically introduced through local ordinances, local laws. In the UK employers choose to pay the Living Wage voluntarily and are not required by law to do so. In this respect, the Living Wage adheres to the long tradition of 'voluntarism' in British industrial relations; essentially it is a voluntary employment standard or regulation.

Those employers who do choose to apply the Living Wage can seek accreditation as a recognized **Living Wage Employer** from the Living Wage Foundation. If they do so, they contract with the Foundation to ensure that the Living Wage is paid to all direct employees and to the employees of sub-contractors, that the Living Wage is updated on an annual basis within six months of Living Wage week, and to provide evidence of compliance with the Living Wage standard. If necessary, accredited Living Wage Employers can agree a plan with the Living Wage Foundation for the phased introduction of the Living Wage. A plan of this kind

often allows for the uprating of subcontracted workers' pay when service contracts are renegotiated.

In addition to the accreditation of Living Wage employers, the Living Wage Foundation operates two additional standards. **Living Wage Service Providers** are subcontracting businesses, which provide cleaning, security and other services to client companies. They are accredited by the Living Wage Foundation if they undertake to pay all of their head office staff the Living Wage and to provide a bid based on Living Wage rates, alongside a market-rate, whenever they respond to invitations to tender. Currently there are 55 recognized Living Wage Service Providers, including major business service providers such as ISS, OCS and Sodexo.

A more recently established standard allows for the accreditation of **Living Wage Friendly Funders**. The latter undertake to support charities to pay the Living Wage through their grant-making activity. Recognized Friendly Funders must themselves be Living Wage Employers, ensure that posts fully or partially funded by their grants are paid the Living Wage, and encourage charities that are in receipt of grants to become accredited Living Wage Employers. To date, there are eight Living Wage Friendly Funders, including Barrow Cadbury Trust, Comic Relief, the Joseph Rowntree Foundation and the People's Health Trust.

It is expected that other Living Wage standards will be developed in the future. One option is for Living Wage Zones to be declared, when a majority of major businesses operating in a designated area commit to paying the Living Wage. In time, there may also be Living Wage cities and Living Wage countries. Campaigners in Wales have spoken of attaining both of these latter standards; of eliminating low pay from our major cities and eventually across the country as a whole. These are ambitious goals that for the moment remain in the future. The Living Wage campaign in Wales is still in its early stages and we turn now to recording its impact to date.

3. Living Wage Employers in Wales

In this section of the report we present information on the number and types of business which have been accredited as Living Wage Employers in Wales. The analysis is presented in two stages. In the first part we examine distinctively Welsh organizations that are headquartered in Wales or conduct all or most of their activities in the country and which have been recruited to the Living Wage by Citizens Cymru/Wales. In the second part, we turn our attention to UK-wide organizations, like KPMG and Nationwide Building Society, which are not based primarily in Wales but which conduct business here.

Welsh Accredited Living Wage Employers

There are currently 52 Welsh organizations which are accredited as Living Wage Employers, all of which are listed in Table 3.1. These organizations make up 2.9 per cent of the total number of accredited Living Wage employers across the UK.

At present there are no Living Wage Service Providers or Living Wage Friendly Funders in Wales though this is not to say that providers or funders based elsewhere have not dealt with organizations in Wales, leading to Welsh workers being paid the Living Wage.

Table 3.1 Accredited Living Wage Employers in Wales

<i>2Buy2.com</i>	<i>Contract Services (South Wales) Limited</i>	<i>Nu Instruments Limited</i>
<i>4theCommunity CIC</i>	<i>Copper Bay Creative Limited</i>	<i>Older People's Commissioner for Wales</i>
<i>Abeko Dredging</i>	<i>Cynnal Cymru</i>	<i>Oxford Scientific Films</i>
<i>Action in Caerau & Ely</i>	<i>Dee Valley Water PLC</i>	<i>Plaid Cymru</i>
<i>Amber Energy Consultants</i>	<i>ECigarette Direct</i>	<i>Progressive Technical Services</i>
<i>Barod CIC</i>	<i>Educ8 Training Limited</i>	<i>RCN Wales</i>
<i>Be My Bear Limited</i>	<i>First Choice Housing</i>	<i>Rhondda Taff CAB</i>
<i>Burns Pet Nutrition Limited</i>	<i>Fitm8 Personal Training</i>	<i>Ruth Lee Limited</i>
<i>Caerphilly County Borough</i>	<i>Freshwater UK</i>	<i>Simon Wyatt Financial Planning</i>
<i>Cambria Maintenance Services</i>	<i>Hello Starling</i>	<i>Taff Housing Association</i>
<i>Cambrian Training Company</i>	<i>Huggard</i>	<i>The Digital Accessibility Centre</i>
<i>Cardiff & the Vale CAB</i>	<i>Interlink RCT</i>	<i>The Village Bakery</i>
<i>Cardiff Bus</i>	<i>IOTS (UK) Limited</i>	<i>Vale of Glamorgan CAB</i>
<i>Cardiff Community Housing</i>	<i>Kaleidoscope Limited</i>	<i>Valleys to Coast Housing</i>
<i>Cardiff University</i>	<i>Melin Homes</i>	<i>Voluntary Arts</i>
<i>Care in Hand Limited</i>	<i>Miller Argent</i>	<i>Wales & West Housing</i>
<i>Castell Homes Limited</i>	<i>National Assembly for Wales</i>	<i>Wales Restorative Approaches</i>
<i>Chwarae Teg</i>		

A quarter of Welsh Living Wage Employers have been accredited since March 2015, indicating that the Living Wage campaign in Wales is continuing to gather pace and shows no sign of flagging. The same is true of the campaign in other parts of the UK. In total 459 UK employers have been accredited over the past eight months, 26 per cent of the total. It was feared that the announcement of the Government's National Living Wage would discourage businesses

from seeking accreditation as Living Wage Employers but this does not seem to have been the case.

The majority (81 per cent) of Welsh Living Wage Employers are small or medium-sized enterprises: just under half directly employ fewer than 30 people. At the other extreme, Caerphilly County Borough Council and Cardiff University are large employers, employing more than 10,000 workers between them. The total number of people directly employed by Welsh Living Wage Employers is in the region 15,000, about 1 per cent of the total across the UK. Unfortunately, given the data collected to date, it is not possible to produce an estimate of how many subcontracted workers are employed by accredited organizations.

Table 3.2 shows whereabouts in Wales Living Wage Employers are located. It depicts the percentage of Living Wage Employers per local authority area and also shows the percentage of adult jobs paid below the Living Wage in each area in 2014.

Table 3.2 Living Wage Employers by Local Authority

Local authority	Percentage of adult jobs paid less than Living Wage ¹	Percentage of Living Wage Employers ²
Gwynedd	33.3	2
Pembrokeshire	30.6	2
Powys	29.3	2
Wrexham	28.4	6
Conwy	27.7	4
Blaenau Gwent	27.7	0
Rhondda Cynon Taf	27.6	4
Merthyr Tydfil	27.3	2
Ceredigion	26.7	0
Torfaen	26.7	2
Denbighshire	26.0	4
Swansea	25.6	4
Flintshire	25.5	0
Newport	25.2	2
Carmarthenshire	25.1	2
Isle of Anglesey	24.2	0
Monmouthshire	24.2	0
Vale of Glamorgan	24.1	10
Bridgend	23.1	4
Neath Port Talbot	20.4	4
Cardiff	20.2	44
Caerphilly	18.6	2

1. Data taken from ONS (2015).

2. Some Living Wage Employers have premises in two or more local authority areas. Where this is the case location has been decided on where the organization's head office is located.

The table indicates that while the Living Wage Campaign has reached most parts of Wales, with 17 local authority areas having at least one accredited employer, accreditation has been concentrated in Cardiff and the Vale of Glamorgan. More than half of accredited Living Wage

Employers are located in these two local authority areas. This pattern reflects the facts that many Welsh organizations are headquartered in Cardiff and that campaigning activity by Citizens Cymru/Wales has been concentrated in Cardiff and the Vale. A similar pattern can be seen in England, where there is a preponderance of Living Wage accreditation in London and the South East.

Table 3.2 also shows that Living Wage accreditation has made least progress in those parts of Wales where low pay is most prevalent: rural and coastal counties and the old industrial centres. Most progress has been made in Cardiff and surrounding areas where the percentage falling below the Living Wage is lower. The entire country of Wales has a problem of low pay: ONS estimates 287,000 adult Welsh jobs (25%) were paid below the Living Wage in 2014 and in Cardiff alone 39,000 jobs fell below this rate. It remains though that if the Welsh Living Wage campaign is to have a major impact on low pay it will have to extend to the north and west of Cardiff in the years ahead.

Table 3.3 presents information on which parts of the Welsh economy have experienced Living Wage accreditation. It shows the percentage of Living Wage Employers by sector, industry and in low paid employment (retail, catering, social care and cleaning). The table also shows the percentage of adult jobs that were paid less than the Living Wage in 2014 for all of these categories. These latter data refer not to Wales alone but to all of the UK outside London.

The table indicates, firstly, that Living Wage Employers are found across all of the main sectors of the Welsh economy, with a particularly strong showing amongst not-for-profit employers. Citizens Advice Bureaux, community organizations and providers of social housing are prominent in the ranks of Welsh Living Wage Employers. Perhaps rather surprising is the limited penetration of Living Wage accreditation in the Welsh public sector. A small number of prominent Welsh public sector organizations have been accredited, including Caerphilly Borough and the National Assembly but the sector as a whole is not strongly represented amongst Living Wage Employers, an issue that is discussed further below. The final thing to note about the sector distribution is that the largest grouping of accredited employers is found in the private sector, the main repository of low-wage employment across the UK. Only three private sector Living Wage Employers, Burns Pet Nutrition, Cardiff Bus and Melin Homes, however, appear in the list of the top 300 Welsh businesses produced by the University of South Wales.

Turning to industry, the table indicates that there is quite a broad spread of Living Wage Employers across the main industry types. The majority of industries have some Living Wage Employers. Nevertheless there are concentrations, with real estate, housing, administrative services and health and social work accounting for just under half of accredited employers. The Living Wage has made most ground in service industries, reflecting the dominance of such industries in the contemporary Welsh economy.

Another thing to note about the industry distribution in Table 3.3 is that a majority of accredited employers are found in industries with relatively few low-paid jobs. About two-thirds are located in industries, in which fewer than 20 per cent of jobs are paid below the Living Wage. It is important to note that low pay is found in all sectors of the economy and that the main beneficiaries of the Living Wage in these industries will be lower-paid support staff and subcontractors. Nevertheless, it is striking that accreditation has made most headway in parts of the economy where workers are relatively well-paid and the Living Wage can more easily be afforded.

Table 3.3 Living Wage Employers by Sector, Industry and Low Paid Employment

	Percentage of Living Wage Employers	Percentage of adult jobs paid less than the Living Wage ¹
Sector		
Private	48	30
Not-for-profit	46	17
Public	6	9
Industry		
Agriculture, forestry & fishing	0	36
Mining & quarrying	0	n/a
Manufacturing	2	15
Utilities	6	n/a
Construction	6	9
Wholesale & motor trade	2	21
Retail	4	59
Transport & storage	2	12
Accommodation & food	0	70
Information & communication	14	7
Finance & insurance	2	4
Real estate	14	12
Professional services	6	11
Administrative & support activities	10	40
Public administration	8	2
Education	8	14
Human health & social work	10	20
Arts, entertainment & recreation	2	37
Other service activities	8	31
Low paid employment: retail, care, hospitality, cleaning	6	57

1. Data taken from ONS (2015).

The reverse of the concentration of Living Wage Employers in well-paid industries is their relative absence from low-wage industries. Low paying agriculture and hospitality as yet have no Living Wage employers in Wales and there are only isolated employers in retail and entertainment. It should also be noted that the Welsh Living Wage Employers in the ‘administrative and support’ and ‘other service’ categories include a number of organizations with primarily professional and administrative workforces; for example RCN Wales, Chwarae Teg, and Nu Instruments Limited. The relative absence of Living Wage Employers from low-paid industries is confirmed in the final row of the table, which shows that only 6 per cent of accredited organizations are operating in what the Low Pay Commission has identified as the main areas of low pay in Britain: retail, social care, hospitality and cleaning.

A final issue that was considered with regard to Living Wage Employers is whether their accreditation reflected the nature of the organization and its underlying mission and purpose. To this end, the websites of accredited employers were searched to discover if they were faith-based organizations, focused on tackling poverty and questions of social justice, had a formal policy of corporate social responsibility or were accredited under the Investors in People scheme, a voluntary programme established by Government that seeks to promote an investment orientation towards the workforce. The findings are shown in Table 3.4.

Table 3.4 Living Wage Employers by Purpose and Mission

Employer characteristics ¹	Percentage of Living Wage Employers
Faith-based organization	4
Focused on poverty & social justice	28
Corporate social responsibility	8
Investors in People	35

1. Data taken from employers’ web-sites.

Perhaps surprisingly, relatively few accredited employers are faith-based organizations, churches, synagogues, temples, mosques, faith-schools or faith-based charities. Faith organizations have played a prominent part in Citizens UK but, at least in Wales, this has not yet been reflected in widespread accreditation as Living Wage Employers.

It is apparent from the table, however, that organizations created to deal with problems of poverty and social justice are likely to seek accreditation. More than a quarter of Living Wage Employers in Wales are organizations of this type. Examples include Action in Caerau and Ely, Citizens Advice Bureaux and Chwarae Teg. For organizations of this type, becoming accredited as a Living Wage Employer is an expression of their underlying purpose.

It is seemingly less common for accreditation to arise from a formal policy of corporate social responsibility. Policies of this kind, however, are most likely to be adopted by large corporates

and for organizations of this type CSR may lead to accreditation. Perhaps the clearest example in Wales to date is Abeko Dredging, an international marine engineering company with a formal CSR commitment.

The strongest link with accreditation of the factors considered is Investor in People status. More than a third of Welsh Living Wage Employers have the liP standard. There may, in fact, be no association between the two forms of accreditation. One might expect, however, that organizations which have made a formal policy commitment to invest in training and other forms of workforce development will be more receptive to the business case for the Living Wage, which rests on a very similar rationale. Investing in workforce development and paying decent wages may be two sides of the same coin.

UK-wide Living Wage Employers

The Living Wage can raise pay for Welsh workers not just by Welsh organizations becoming accredited but as a result of UK-wide businesses with operations in Wales becoming Living Wage Employers. Table 3.5 shows a list of 21 employing organizations which employ at least 500 workers across the UK and which have trading addresses in Wales. The list is mainly comprised of large private sector organizations, such as Barclays and KPMG, but it also includes a number of large not-for-profit organizations, such as Oxfam, The Conservation Volunteers and the British Medical Association.

With regard to industry, the table shows that UK-wide Living Wage employers with Welsh operations tend to be concentrated in relatively well-paying financial and professional services: Arup, HSBC, Nationwide and Standard Chartered are exemplary in this regard. Data are not available on the percentage of Living Wage jobs in utilities but electricity, gas and water, in which Centrica and SSE operate, are also relatively well-paying industries. In these businesses the primary groups affected by accreditation will probably be support staff employed by sub-contractors.

Amongst the other employers listed, The Abbeyfield Society and MacMillan Cancer Support, operate in the low-paying care sector, while Sodexo, the only Living Wage Service Provider in the list, provides a broad range of corporate services, such as catering, cleaning, grounds maintenance and security, which are often relatively low paid. The British Medical Association, falls in the low-paying 'other services' category but it is a professional organization which is not itself a low-paying employer. The remaining employers comprise the international charity, Oxfam, and three manufacturing firms, Nestle, Lush and Burberry. All but Nestle among this group operate substantial retail operations (the same is true of MacMillan Cancer Support). It is likely that workers in the retail operations of these organizations have been the primary beneficiaries of Living Wage accreditation.

With the data that are available it is not possible to estimate the number of employees working for the organizations listed in Table 3.5 in Wales. All we can say is that the

accreditation of large UK-wide organizations is an additional means through which the Living Wage has spread to Wales and note that, in most cases, these organizations operate in parts of the economy that are relatively well-paid and have quite low proportions of below-Living Wage adult jobs.

In time, however, the profile of UK-wide Living Wage Employers may change. Large retail chains with substantial employment in Wales, such as IKEA and Lidl, are in the process of being accredited as Living Wage Employers and other businesses with Welsh operations, such as National Express Group, are following suit. If the Living Wage is to make a major impact on in-work poverty in Wales then it is essential that more of these large, UK-wide employers with substantial numbers of relatively low-wage workers become accredited as Living Wage Employers.

Table 3.5 UK-wide Living Wage Employers

Employer	Sector	Industry	% of jobs below LW in industry
Abbeyfield Society	Not-for-profit	Health & social work	20
Arup	Private sector	Professional services	11
Barclays Group	Private sector	Finance & insurance	4
British Medical Association	Not-for-profit	Other services	31
Burberry Group	Private sector	Manufacturing/retail	15/59
Centrica (British Gas)	Private sector	Utilities	n/a
Conservation Volunteers	Not-for-profit	Professional services	11
Cooperative Bank	Private sector	Finance & insurance	4
Grant Thornton	Private sector	Professional services	11
HSBC	Private sector	Finance & insurance	4
KPMG	Private sector	Professional services	11
Legal & General	Private sector	Finance & insurance	4
Lush	Private sector	Manufacturing/retail	15/59
MacMillan Cancer Support	Not-for-profit	Health & social work/retail	20/59
Nationwide Building Society	Private sector	Finance & insurance	4
Nestle UK	Private sector	Manufacturing	15
Oxfam	Not-for-profit	Health & social work/retail	20/59
Santander	Private sector	Finance & insurance	4
Sodexo	Private sector	Administrative & support	40
SSE	Private sector	Utilities	n/a
Standard Chartered	Private sector	Finance & insurance	4

4. Wales Compared with England and Scotland

In this section of the report we compare the spread of the Living Wage in Wales with the pattern seen in England and Scotland, focusing on accredited Living Wage Employers. In the first part we consider the number of Living Wage Employers in the three countries (plus Northern Ireland); that is their relative contribution to the spread of the Living Wage across the United Kingdom. In the second part, we identify some distinctive features of Living Wage accreditation in Wales and compare it the profile of accredited organizations elsewhere. Finally, in the third part we identify Living Wage ‘hotspots’ in the rest of the United Kingdom, information that might help in identifying potential targets for future Living Wage campaigning in Wales.

Number of Living Wage Employers

Table 4.1 shows the number of accredited Living Wage Employers in the four nations of the United Kingdom and in the nine English Regions. The most striking feature of the table is the relatively low number of Living Wage Employers in Wales when compared with England, Scotland and most of the English Regions. Only Northern Ireland and the North East of England have fewer Living Wage Employers. Of course, much of the pattern shown in the table reflects differences in the scale of economic activity across the nations and regions of the UK: Wales has substantially less employment than all other parts of the UK apart from the North East and Northern Ireland.

Table 4.1 Living Wage Employers by Nation and English Region

Nation	Number of LW Employers	% of LW Employers
<i>Wales</i>	52	2.9
Northern Ireland	8	0.5
Scotland	298	16.8
England	1414	79.8
<i>Total</i>	<i>1772</i>	<i>100</i>
English Region	Number of LW Employers	% of LW Employers
London	615	34.7
North West	162	9.1
South East	156	8.8
Yorkshire & Humberside	109	6.2
South West	105	5.9
East of England	83	4.7
East Midlands	68	3.8
West Midlands	68	3.8
North East	48	2.7
<i>Total</i>	<i>1414</i>	<i>79.8</i>

Even if one takes into account differences in the scale of economic activity, however, there remain two striking comparisons in Table 4.1. Scotland has an employed workforce 1.83 the

size of that in Wales but nearly six times as many Living Wage Employers, while London has three times as many employees as Wales but nearly 12 times as many accredited employers. Reflecting these differences, the number of workers directly employed by Living Wage Employers is very much larger in Scotland and London than it is in Wales. Between 15,000 and 16,000 are directly employed in Wales, while the equivalent figures for Scotland and London are 170,000 and 900,000 respectively (Note: these latter figures include employees working for Scottish or London-based organizations but working elsewhere in the UK).

What lies behind these differences? The high density of Living Wage accreditation in London largely reflects the fact that the Living Wage campaign originated in the East End and has been running for longer in London than in any other part of the United Kingdom. London's high density probably also reflects the fact that many corporates and other UK-wide organizations are head-quartered there. Most of the UK-wide Living Wage Employers which have operations in Wales, listed in Table 3.5, have a London head office, which initiated accreditation.

The contrast with Scotland is less easily explained though probably arises from the distinctive nature of the Living Wage campaign in Scotland. Unlike in other parts of the UK, the campaign in Scotland has been run, not by a chapter of Citizens but by the Poverty Alliance. The latter is a long-established organization, founded in 1992, which brings together a range of institutions and individuals to campaign against poverty in Scotland. It is an established, not a new entrant, on the Scottish public policy scene. The Alliance has a four-strong Living Wage team that promotes accreditation to employers. To support this and other work the Poverty Alliance receives substantial funding from both the Scottish Government and Scottish local authorities (Poverty Alliance 2012). It is this funding, and the investment in dedicated campaign staff which it allows, which probably explains the high frequency of Living Wage accreditation in Scotland.

Profile of Living Wage Employers

Table 4.2 shows the pattern of Living Wage accreditation in Wales, Scotland, England and London. Several things stand out from the table but perhaps the most significant finding is the similarity of the pattern of accreditation across the four jurisdictions. Wales has many fewer Living Wage Employers than are found in the other locations but it has the same broad spread across sectors, relatively high representation of not-for-profit organizations, a preponderance of small and medium-sized enterprises, and limited penetration of low-paying employment. One can conclude that there are common factors shaping Living Wage accreditation across the UK, which are present in Wales as well as elsewhere.

Table 4.2 Living Wage Employers in Wales, Scotland, England and London

	Wales	Scotland	England	London
Sector				
Private	48	60	51	47
Not-for-profit	46	37	41	45
Public	6	3	8	8
Selected Industries				
Manufacturing	2	7	6	3
Construction	6	6	3	2
Wholesale and retail trade	6	7	6	4
Transport	2	1	1	1
Accommodation & food	0	3	3	2
Information & communication	14	6	6	4
Finance & insurance	2	3	4	6
Real estate	14	4	4	3
Professional services	6	13	13	19
Administrative & support services	10	9	10	9
Public administration	8	2	5	4
Education	8	7	11	12
Health & social work	10	12	15	13
Other services	8	15	11	15
Low paid work	6	10	10	7
SME status	81	92	79	75
Median size¹	33	31	45	40

1. Data are based on 36 cases for Wales, 148 for Scotland, 846 for England and 403 for London. Although the number of missing cases is sizeable for each jurisdiction the vast majority of these cases are small organizations with low levels of employment.

Nevertheless, there are some differences between Wales and the other locations. To a degree, Wales has a distinctive profile, with strong representation in social housing and information and communication. Scotland also has a distinctive profile in certain respects. The campaign in Scotland has recruited a relatively high percentage of private sector organizations and probably for this reason there are more Living Wage Employers amongst SMEs and organizations in low-paid sectors in Scotland than there are in Wales. In England, Living Wage Employers tend to be larger, while in both Scotland and England there are substantially higher proportions of Living Wage Employers in the professional and other service categories. Differences of this latter kind to a degree reflect variation in industrial structure across the UK: large professional service businesses for instance are concentrated in a limited number of centres, most notably London and Edinburgh. Differences of this type also, however, point to opportunities for further diffusion of the Living Wage in Wales – it may be possible to reproduce patterns of accreditation seen elsewhere.

Living Wage Hotspots

A notable feature of the Living Wage is that accreditation has tended to cluster in certain industries. Although Living Wage Employers are broadly spread across the economy, there are hotspots, where Living Wage accreditation has been achieved by a considerable number of employers. It is likely that mimetic pressures have been important in establishing this pattern, with organizations deliberately imitating practice that has been established in lead firms. In other cases, leading businesses may have acted as advocates of the Living Wage within their sectors: a number of the Living Wage Foundation’s partner businesses (i.e. Living Wage Employers who agree actively to promote the Living Wage) have operated in this fashion. KPMG, we were informed, has been especially active in this regard, promoting the Living Wage to client and supplier businesses as well as to other organizations in its sector. Finally, professional or business organizations may have served as channels of diffusion. We were informed, for example, that the Law Society has sought actively to promote the Living Wage within the legal profession.

Table 4.3 Industries with high levels of Living Wage accreditation

Industry cluster	Number of LW Employers (outside Wales)
Software development, IT consultancy and other information services	62
Social housing and other letting services	60
Solicitors and barristers chambers	61
Management consultants	35
Public administration and regulation of social & economic activities	64
Primary and secondary schools	40
Universities, university colleges and post-graduate education	28
Social work activities without accommodation	133
Business, employer and professional organizations	40
Religious organizations	43

Table 4.3 lists some of the main concentrations of Living Wage accreditation outside of Wales. One of the main findings of the table is that there is a concentration of Living Wage accreditation in professional employment, in law firms, software houses, and management consultancy. Accounting, Advertising and Public Relations also have a considerable number of Living Wage employers. Businesses of this type have been accredited as Living Wage Employers in Wales, as we have seen, but there is undoubtedly scope for further growth. The Living Wage campaign to date has not elicited a very strong response from Welsh lawyers, accountants or other types of professional firm. Businesses of this type obviously tend to pay high wages to their core workforce and the main beneficiaries of their accreditation are support staff and subcontractors. Clearly action to tackle low pay in Wales must extend beyond businesses of this type but they are an important part of the service economy,

particularly in Cardiff, and are a type of business that seemingly is receptive to the Living Wage.

A second cluster of Living Wage Employers can be seen in the public sector and wider set of publicly funded services. Beyond Wales, there are concentrations of Living Wage accreditation in central and local government, education, universities, social housing and non-residential social work. The latter two areas already have a strong showing amongst Living Wage employers in Wales and it is highly probable that as the campaign develops more organizations in these industries will join.

There has been less success to date in extending the Living Wage in Wales into education and government. The latter are key sectors in the Welsh economy and the success of the Living Wage campaign will depend on enlisting the support of more organizations in these two industries.

With regard to government, England, in particular, has seen a broadening of public sector accreditation over time, with a range of organizations becoming Living Wage Employers. Both Houses of Parliament in London are accredited as is the Department for Energy and Climate Change and a number of major public bodies, such as the Bank of England, Financial Conduct Authority and the National Audit Office. In local government more than 20 English councils are now accredited, including the Greater London Authority, all inner London boroughs, Lancashire County Council and a range of city councils, stretching from Brighton and Hove in the south, through Birmingham and Lincoln in the Midlands, to Burnley and York in the north. Extending Living Wage accreditation in this way to different types and levels of government activity is important because the public sector is a major employer in its own right with a significant number of low-wage workers; because it is a major purchaser with the power to spread the Living Wage to suppliers; and because it can legitimate the Living Wage campaign. Many politicians in Wales have backed the campaign for the Living Wage but this appeal rings hollow unless public sector organizations are themselves accredited.

Education is another Living Wage hotspot beyond Wales, with concentrations of accreditation both in universities and in the school system. In Scotland and England more than 20 universities or university colleges are now accredited Living Wage employers as are a number of students unions. In Wales, to date, only Cardiff University has become accredited but it seems likely that other Welsh higher education institutions will follow suit. England has also seen a cluster of Living Wage accreditation in the school system, particularly amongst academy schools and faith schools but in some cases involving individual local authority schools. To date, there has been no echo of this development in Wales but surely there is potential especially given the involvement of schools and school children in the activities of Citizens Cymru/Wales.

The final two Living Wage clusters shown in Table 4.3 indicate a propensity for certain types of civil society organization to support the Living Wage. Not surprisingly, faith organizations

have shown their support for the Living Wage, with a number of cathedrals, diocesan organizations, churches, synagogues and religious foundations becoming accredited. As yet this development has not been strongly echoed within Wales.

The other cluster is found amongst professional and business member organizations. Examples include the Law Society, British Medical Association, Chartered Institute of Personal and Development, British Bankers' Association, Business in the Community, British Chambers of Commerce, Building Societies Association and the Association of Colleges. There are Welsh equivalents or branches of many of these organizations that might be enlisted in the Living Wage campaign. The significance of their accreditation lies not just in the fact that they are employers in their own right but that they are in a position to educate their members about the Living Wage, serving to diffuse knowledge of the standard. The role of the Law Society in promoting the Living Wage was mentioned above. Other professional and business organizations might play this role in the future within Wales.

5. The Non-Accredited Living Wage

While accreditation of individual employers by the Living Wage Foundation is one way of diffusing the Living Wage standard it might also spread without accreditation. Our research encountered a number of cases of organizations paying the Living Wage to their workers but not seeking formal accreditation. In these cases, typically, the Living Wage set by the Living Wage Foundation is paid to direct employees but there is no extension to the employees of subcontractors. From an employer's perspective therefore payment of the non-accredited Living Wage involves making a less costly commitment. Another benefit of not being accredited, attractive to some employers, is that autonomy is retained with regard to future decisions about pay, including whether or not to continue to pay the Living Wage.

The non-accredited Living Wage may be adopted as a result of independent employer initiative; for example some Welsh local authorities have adopted the Living Wage standard for direct employees at the instigation of politicians. In other cases, however, trade unions have been involved and in what follows the emphasis is on cases of this kind, where the adoption of the Living Wage has been jointly agreed by employers and union representatives.

Trade Unions and the Living Wage

The Trades Union Congress (TUC) and many individual unions, such as UNISON and Unite, are strong supporters of the Living Wage. UNISON was part of the initial coalition that launched the Living Wage campaign in the East End of London in the early 2000s and since then many trade unions have signed up as Living Wage Employers. The TUC and the Scottish TUC are accredited Living Wage Employers as are more than 20 individual trade unions and union branches.

For trade unions, the Living Wage is an attractive issue because it allows them to act on behalf of low-wage workers at a time when much public policy is not favourable to trade union representation. Unions have been able to make progress on the Living Wage at a time when their bargaining power is constrained, owing to the austerity programme of the UK government and the wider context of difficult economic circumstances in the wake of the Global Financial Crisis.

To be sure, the Living Wage has some problematic features for trade unions. It is a single issue that is pursued without regard to other questions in the workplace, it can disrupt established pay differentials and can lead to the accreditation of organizations that unions regard as bad employers and which may be vehemently anti-union. For some in the union movement, the Living Wage smacks of paternalism, a standard which good employers voluntarily adopt but which is not discussed or agreed with elected worker representatives. Despite reservations of this kind, many unions have adopted policies in support of the Living Wage and have campaigned actively in its favour.

Union action in support of the Living Wage has taken a number of different forms, as follows:-

1. **Campaigning:** Unions have campaigned for individual businesses to become accredited Living Wage Employers, often in alliance with Citizens and the community organizations that operate through it. Unite's *Justice for Cleaners* campaign of the mid-2000s, directed at the Canary Wharf office development, played an important part in encouraging the large finance and accounting businesses located there to become Living Wage Employers (Tapia et al. 2014). More recently, a union-led campaign resulted in the University of East London becoming a Living Wage Employer (Lopes & Hall 2015).
2. **Implementation:** Unions can also play a role in ensuring the Living Wage is fully implemented within organizations where they have members and representatives. In the London Borough of Camden, for instance, unions secured the extension of the Living Wage to subcontracted school meals staff earlier this year, an action that had been repeatedly delayed despite Camden being an accredited Living Wage Employer. The presence of unions within employing organizations can ensure that voluntary employment standards, like the Living Wage, are adhered to by managers (Heery et al. 2014).
3. **Standard-setting:** Unions have begun to embed the Living Wage in their own campaign standards, alongside other objectives. Unite has included the Living Wage in its Fight4Five campaign, intended to secure decent working conditions for low-wage workers. The issue of employer retention of tips in the hospitality industry is one that has received widespread publicity in recent months and which emerged from this campaign. Dealing with the issue of tips has been framed by the union in terms of a need to secure the Living Wage. Another example can be seen in UNISON's Ethical Care Charter, a set of care and employment standards that the union is seeking to have adopted by employers and which includes a commitment to pay the Living Wage to care workers. A number of local authorities, though none yet in Wales, have signed up to this Charter.
4. **Bargaining:** A fourth way in which unions are promoting the Living Wage is by negotiating collective agreements that guarantee that the Living Wage will be paid to low-wage workers. The first major agreement of this kind was that covering the London Olympics. This agreement guaranteed the Living Wage to all employees hired to provide services during the Olympic Games. It was notable for being brokered by the Mayor of London and involved multiple trade unions and multiple employers, including some from industries like hotels, with very little experience of negotiating with unions. More recently, Living Wage agreements have been negotiated in public services and it is through agreements of this type that the non-accredited Living Wage has spread within Wales.

Living Wage Bargaining

In Wales, there are two main cases where trade unions have agreed with employers that the Living Wage set by the Living Wage Foundation will be the minimum rate of pay. These are the Wales NHS and Welsh Further Education, both major employers in Wales. Importantly, in both cases the agreements were signed at the industry or all-Wales level, committing all parts of NHS Wales and all Welsh FE Colleges to pay the Living Wage. In both cases the agreement applies only to direct employees, not subcontractors, and has typically resulted in low wage employees receiving a pay supplement that brings their established grade rate of pay up to the Living Wage level. We have not been able to establish how many low-wage workers have benefited from these agreements but have been informed that in some cases they have led to substantial awards, in excess of 5 per cent, at a time of pay restraint for public services as a whole

The NHS agreement came into force on 1 January 2015 and was part of a package of measures that resolved a nation-wide pay dispute within the industry. The agreement to pay the Living Wage to low-wage staff was supported by all of the TUC-affiliated unions within the Wales NHS, including specialist unions representing relatively well-paid professional employees. The FE agreement on a Common Contract to apply across the sector followed a similar pattern with strong support for the Living Wage from the College Lecturers' union, UCU, whose members would not benefit directly. In both sets of negotiations the longstanding commitment of UNISON to addressing the issue of low pay in public service employment was vital in placing the question of the Living Wage on the negotiation agenda.

Similar agreements on the Living Wage to those negotiated in Wales have been adopted in Scotland. Public sector industrial relations in the two devolved nations are less adversarial than those that are conducted at UK-level and there is a commitment to working in partnership that embraces unions, employers and government. Constitutional devolution has led to greater variation in industrial relations across the constituent nations of the UK and one expression of this variation is the emergence of collective bargaining over the Living Wage in Wales and Scotland.

Going forward, it may be possible to reproduce the agreements in the NHS and Further Education in other branches of public service. UNISON has contacted the universities in Wales with a view to adopting a sector-wide Living Wage commitment (a provision of this kind has been adopted in Scotland) and has also broached the issue with the Welsh Local Government Association. To date, these approaches have not resulted in any agreement but they point to a possible future line of development.

6. Conclusion

This report has examined the impact on Wales to date of the global campaign to secure a Living Wage for low-wage workers. It has used original research to analyse the pattern of Living Wage accreditation in Wales, identifying the types of employer that have committed to the Living Wage Foundation standard, and has also described the growth of the non-accredited Living Wage, focusing on joint agreements by employers and trade unions to ensure directly employed workers are paid the Living Wage.

The main conclusions of our research are as follows:

Although the Living Wage campaign arrived relatively late in Wales it has recorded considerable success and continues to demonstrate momentum. More than 50 Welsh organizations have been accredited as Living Wage Employers, which directly employ more than 15,000 staff plus an unknown number of subcontracted workers. Major Welsh institutions, such as the Welsh Assembly, Cardiff Bus, Caerphilly Borough Council and Cardiff University have supported the Living Wage campaign. The Living Wage has also crossed the border from England as the standard has been applied to Welsh employees by large businesses and charities that conduct their operations on a UK-wide scale.

Living Wage Employers are found in most parts of Wales and in a range of industries though there are concentrations in the relatively well-paid South East of Wales and in sectors with relatively few low-paid jobs. In these regards, Wales is following a UK-wide pattern. To date, Living Wage accreditation has made only limited penetration into the main concentrations of low-wage employment in retail, social care, catering and cleaning. There are signs that this is beginning to change, seen in the growth of accreditation of Living Wage Service Providers in England and the recent decisions of IKEA, Lidl and other large retail chains to pay the Living Wage. In Wales, the main challenges of the Living Wage campaign in the immediate future seem to be to extend accreditation out from Cardiff to the north and west and from relatively well-paid to relatively poorly paid industries.

Compared to England and to Scotland, Wales has relatively few Living Wage Employers, reflecting the smaller size of the nation's economy and the shorter time period in which the Welsh Living Wage campaign has been operating. The contrast with Scotland is especially notable and a key difference here is seemingly the use of grant-funding by the Poverty Alliance to develop a Living Wage accreditation team. The existence of this resource has allowed the Scottish campaign to boost private sector accreditation, with many SMEs becoming accredited and with a higher proportion of businesses from low-wage industries. There may be lessons for Wales from the Scottish experience.

Across England and Scotland it is apparent that there are Living Wage hotspots, industries where relatively high numbers of accredited Living Wage employers are found. In these hotspots lead businesses and professional organizations have played an active role in

promoting the Living Wage. There may be benefit to the Welsh campaign in seeking to reproduce elements of this more general experience. In other parts of the UK there has been particular success in advancing the Living Wage in professional services, public administration, schools and university education, non-residential social work, and amongst business member organizations and faith organizations. There is scope to reproduce some of these successes in Wales, albeit with the proviso that Living Wage hotspots tend not to be found in the lowest-paying parts of the economy.

A distinctive feature of the Living Wage in Wales and in Scotland has been its incorporation in public sector collective bargaining. The non-accredited Living Wage, whereby the Living Wage standard is applied as an agreed minimum rate of pay to directly employed workers, has become a notable feature of public service industrial relations in the two devolved nations. In time, it may prove possible to extend these agreements to workers employed by sub-contractors and to negotiate further agreements; for example in universities or in local government. The trade unions and traditional institutions of industrial relations have proved to be a significant mechanism for diffusing the Living Wage in Wales and may be used further to this effect in the future.

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