**The Living Wage Foundation’s Submission to the Low Pay Commission Consultation: 2023**

**Executive Summary**

As inflation rises to the highest it has been in over 40 years, the importance of wages based on the cost of living has never been greater. The real Living Wage (RLW), as set by the Living Wage Foundation, remains the only UK wage rate calculated based on the cost of living. In response to the current cost of living crisis, the Living Wage Foundation brought the annual announcement of its 2022-23 Living Wage rates forward to late September, with its highest ever percentage increase reflecting the steep rise in the cost of living.

Over 12,500 employers voluntarily pay the RLW, committing to always paying their staff – including contracted workers – in line with the cost of living. Over 425,000 workers have been uplifted onto the real Living Wage, with 1 in 9 employees across the UK now working for an accredited Living Wage Employer. Since the campaign began, over £2 billion has gone back into the pockets of low-paid workers. Research shows that the RLW is not just good for workers, but a higher minimum wage leads to business, economic, and societal benefits.

The Living Wage Foundation has set out its responses to consultation questions below and our key recommendations are:

* The Living Wage Foundation supports a strong minimum wage and would encourage the Low Pay Commission to continue to raise the National Minimum Wage to equal to two-thirds of median earnings by 2024.
* The Living Wage Foundation supports the removal of the Apprentice Rate and would encourage the Low Pay Commission to instead mandate that apprentices are paid at least the National Minimum Wage/Living Wage relevant to their age, regardless of their year of study.

**Q2: What has been the impact of the National Living Wage in the past year, including the rise to £10.42? Our critical interest is in its effects on employment, hours and earnings?**

The National Living Wage (NLW) has had a significant impact on the scale of low pay in the UK – as defined by being paid less than the RLW. Our analysis shows the increased convergence between the NLW and the RLW over recent years has resulted in fewer jobs being low paid. For example, in April 2021, the difference between the NLW and the RLW rate fell to 59 pence an hour, and that year saw the number of low paid jobs fall to 4.8m, and the proportion of low paid jobs drop to 17.1 per cent – both of which were record lows. The following year, difference between the two rates fell to 40p an hour, and as expected, this saw the number and proportion of low paid fall drastically – to 3.7m and 12.2 per cent respectively.[[1]](#footnote-2)

The decline in low paid jobs over recent years provides further evidence of the minimum wage ‘ripple effects’. Minimum wage ripple effects describe the knock-on impacts of increases to the wage floor for workers further up the pay distribution, with workers paid above the minimum wage typically receiving a pay increase when the minimum wage increases as employer’s look to maintain wage differentials.[[2]](#footnote-3) Recent evidence suggests the ripple effect of the minimum wage stretches all the way to the 50th percentile earners, with those from the 30th percentile and below experiencing ‘strong’ wage growth as the minimum wage increases in areas with a high presence of workers earning the minimum wage.[[3]](#footnote-4) This has ramifications for the number and proportion of jobs paid below the Living Wage. With the RLW typically being around the hourly pay rate of the lowest 10-25 per cent of earners in the UK, it is within the windfall of the minimum wage ripple effect.

Looking specifically at the April 2023 NLW increase to £10.42, according to our projections, this will also have a significant impact on the number and proportion of low paid jobs. For example, in October 2022 we forecast that in 2023, 18.5 per cent of all employee jobs would be low paid, 5.1m in total.[[4]](#footnote-5) At the time the analysis was conducted the April 2023 NLW increase had not yet been announced, and so we used the Office for Budgetary Responsibilities’ (OBR’s) projected rate 2023 NLW rate of £9.97[[5]](#footnote-6) to inform the forecast, alongside numerous other indicators such as median wage growth, wage growth across the income gradient, and forecasted jobs growth. We have since redone this analysis using the £10.42 Living Wage rate (outlined in Figure 1), alongside new estimates for median/distributional pay growth and the forecasted number and percentage of low paid jobs has decreased from 18.5 per cent and 5.1m to 15.7 per cent and 4.3m respectively.

**Figure 1:** *Employee jobs paid below the Living Wage: UK, 2012-2022 (including forecast for 2023):*

***Source:*** *Living Wage Foundation analysis of ONS, Annual Survey of Hours and Earnings; ONS PAYE-RTI.*

***Notes:*** *Data for 2023 is forecasted. The forecast uses data new minimum wage rate, ONS PAYE-RTI data, and forecasts from Bank of England, HMT and OBR.[[6]](#footnote-7)*

**Q3: To what extent has the NLW affected different groups of workers, particularly those with protected characteristics (for example women, ethnic minorities, and those with disabilities) and migrant workers?**

Living Wage Foundation research has found that women, part-time workers and those from ethnic minority backgrounds are disproportionately affected by low pay.[[7]](#footnote-8)

* In 2022, 14.6 per cent of all jobs held by women were paid below the RLW, compared to 9.9 per cent of jobs held by men. As a result, jobs held by women account for 59.4 per cent of all jobs paid below the RLW.
* Part-time jobs (26.3 per cent) were more likely to be paid below the RLW in 2022 than full-time jobs were (7.0 percent).
* Ethnic minorities were also disproportionately paid below the RLW. 33 per cent of Bangladeshi workers, 29 per cent Pakistani workers and 25 per cent Black workers were earning below the Living Wage in 2022.

The gap between women and men, and part-time and full-time workers earning below the RLW has narrowed since 2012 (illustrated in Figure 2). This can be partially attributed to rising wage floors over the decade disproportionately benefiting women, part-time workers. As their roles are more likely to be low paid in the first place, raising the wage floor – and its ripple effects up the earnings distribution – has pushed more of these workers above the RLW threshold over the last decade.

Figure 2 demonstrates the comparison between men, women, part-time, and full-time workers earning below the RLW over the past two years, with comparisons to April 2012. As can be seen, not only has the overall scale of low pay declined over this period, but we have also seen greater convergence in the rate of low pay between men and women, and full time and part time workers, albeit, gaps still exist.

**Figure 2:** *Employee jobs paid below the Living Wage, by gender and working hours in selected years, UK*

*Notes: Data for April 2022 is provisional. The number and proportion of jobs paid below the Living Wage has been published by ONS for 2015 onwards; figures for 2012-14 are estimated from published ONS tables by the Living Wage Foundation. See the methodology section for further details.*

*Source: Living Wage Foundation analysis of ONS, Annual Survey of Hours and Earnings.*

**Q4 - How has the NLW’s impact varied across different areas of the UK?**

Our analysis shows that the NLW has had a positive impact on all regions of the UK when it comes to alleviating below RLW pay. For example, all regions have seen a decrease in the proportion of low paid jobs over the last decade, and the most significant decrease occurred after 2018, suggesting that the large increases to the NLW from 2018 onwards has been a key driver. That said, it is also clear that the benefits have been unevenly distributed between the regions.

Figure 3 illustrates tracks the incidence of low pay for all UK regions between 2012-2022. As can be seen, all regions have seen the overall percentage of low paid jobs decline. However, the drop has been much less pronounced for London, which has seen the lowest decline of all UK regions. This has resulted in London becoming the fourth highest region in the UK when it comes to the proportion of low paid jobs, having been the second lowest in 2012. Similarly, 2022 was the first year in which London had a higher proportion of low paid jobs than the UK as a whole.[[8]](#footnote-9)

***Figure 3:*** *Employee jobs paid below the Living Wage by Region, UK, 2012-2022:*

***Source:*** *Living Wage Foundation analysis of ONS, Annual Survey of Hours and Earnings (ASHE)*

The relatively small drop in low paid jobs in London compared to other regions can also be partially attributed to the NLW. Crucially, the NLW, unlike the RLW, does not have a separate rate for London despite the higher living costs in the capital. As such, the gap between the London Living Wage and the NLW over recent years has remained wide, (outlined in Figure 4) meaning that the sharp increases to the NLW - and the consequent ripple effects up the income distribution - have been less impactful at pushing workers above the higher London Living Wage rate.

***Figure 4:*** *NLW, RLW and London Living Wage, UK, 2012-2023:*

***Source:*** *Living Wage Foundation analysis of National Minimum/NLW, UK Living Wage and London Living Wage rates.*

It should also be noted that a smaller proportion of London’s workforce are directly affected by increases to the wage floor, due to a smaller proportion of workers being paid the NLW. For instance in 2021, 3 per cent of jobs in London were paid at or below the NLW, compared to 7 per cent for the UK as a whole, with jobs in the North East and Northern Ireland being more than twice as likely to be earning the NLW/NMW as workers in London.[[9]](#footnote-10) As such, the ‘bite’ of the increases to the NLW is lower, as is the ripple effect across the income distribution.

**Q6: What has happened to quality of work recently? For example, have workers experienced changes in contract types, flexibility, workplace harassment and work intensification (e.g. greater expectations for workers to work more flexibly, with greater effort, to a higher standard etc).**

The effects of the pandemic, compounded by the unfolding cost of living crisis, have plunged millions into precarity and financial hardship. Many people find themselves trapped not only in low paid work, but work that provides little security of hours or shift patterns. Our recent research shows that almost a third (32 per cent) of workers in the UK have received less than a week’s notice for shifts, with 8 per cent receiving less than 24 hours’ notice. It is those in low paid work that typically bear the brunt of this, with half of below Living Wage workers receiving less than a week’s notice for shifts, compared to around a quarter of those on better pay. This uncertainty makes it impossible for many low paid workers to plan their lives. Short shift notice periods and shift cancellations often go hand in hand with insecure working contracts.

While it is true that in some cases, workers enjoy the flexibility of less formalised contracts with little to no hours required – such as zero hours contracts - it is also the case that casualised working contracts can often lead to one-sized flexibility, benefitting the employer over the employee. A key part of this is lack of guaranteed hours. Under this scenario, employees are left more vulnerable to being called in to work without notice and have less protection when shifts are cancelled.[[10]](#footnote-11)

***Figure 5:*** *Weekly hours guaranteed in contract and whether workers want more, fewer or the same hours in contract, UK, 2021.*

*Source: Living Wage Foundation analysis of polling of 2000+ workers by Survation.*

**Q12: What has been workers’ experience of the Universal Credit system and how the minimum wage interacts with it? Has this influenced workers approach to how many hours they work?**

Insecure work can significantly impact those who are in receipt of Universal Credit. Universal Credit terms dictate that a recipient must be working, or seeking to work, for at least 16 hours per week in order to avoid sanctions. Similarly, parents must be working or seeking to work 16 hours per week in order to receive their ’30 hours free’ childcare vouchers from the government.[[11]](#footnote-12) This can mean that when shifts are not guaranteed, or are cancelled at late notice, workers can face sanctions through no fault of their own. Our recent research found that 65 per cent of workers receive less than 50 per cent of their regular income when shifts are cancelled. In addition to the direct cuts to income through work, this has ramifications for other sources of income, with 29 per cent of workers who experience short notice periods and/or shift cancellations facing fluctuating social security payments (such as Universal Credit payments) as a result of unreliable working hours. This can mean that workers with no fixed hours, or who receive late notice of shift changes, are left in a difficult financial situation with no way to predict their regular income both in their pay and their benefit payments.[[12]](#footnote-13)

**Q13: How has the rising cost of living affected workers on or close to the NMW and NLW and how, if at all, has this affected worker needs and expectations from their employment and pay?**

Living Wage Foundation research has found that the cost of living crisis is putting low paid workers under significant financial strain. A survey of more than 2,000 low-paid workers in September 2022 found that:[[13]](#footnote-14)

* 78 per cent of workers paid below the RLW said the cost-of-living crisis is the worst financial period they have ever faced.
* Over half (56 per cent) of low-paid workers report using foodbanks over the last 12 months, with 63 per cent of low-paid food bank users saying their use had increased in this time.
* 42 per cent of low paid workers said they are now regularly skipping meals because of financial reasons, an increase of 10 per cent compared to the same survey in January 2022.

The research also found that women are being affected by the cost of living crisis more severely than men:

* 80 per cent of women, compared to 71 per cent of men, agree that being on low pay during the cost-of-living crisis has made it impossible to meet basic living costs.
* 75 per cent of women, compared to 65 per cent of men, felt their pay negatively impacted their levels of anxiety

Asked to rank the measures that either their employer or the government could provide to help them deal with increased living costs, low paid workers overwhelmingly chose increasing their rate of pay as the most important measure that could be taken. They said it would improve their overall happiness (75 per cent), their mental health (76 per cent) and their/their families’ financial situation (75 per cent).

**Q27: How widely used is the Apprentice Rate? What kind of apprenticeships are paid this rate? What kind of jobs do these apprenticeships (paid at the Apprentice Rate) lead to?**

The Living Wage Foundation does not mandate that apprentices be paid the Living Wage, due to the level of training that apprentices receive. However, over 40 per cent of accredited employers choose to pay apprentices the Living Wage[[14]](#footnote-15), in recognition of the fact that they do not receive financial support over the course of their apprenticeship, e.g. in the form of student loans. We would generally dissuade employers from paying the Apprentice Rate and pay at least the minimum wage relevant to the apprentice’s age, in recognition that the majority of apprentices are adults[[15]](#footnote-16), and therefore unlikely to be able to support themselves on the same rate as a 16-17 year-old. It should also be noted that young people can have similar living costs and expenditure as older workers, which is the reason why the Living Wage Foundation rates are not staggered by age group. Our best practice policy is to encourage employers to pay the RLW to apprentices, in order to meet the rising cost of living and to allow them to support themselves and their families in these challenging economic times. In some organisations, apprentices are fulfilling a similar role to employed members of staff and paying them a far lower rate can be perceived as apprentices not being valued to the same level as that of their employed colleagues.

**Q28 - The Apprentice Rate increases this year to £5.28, the same level as the 16-17 Year Old Rate. What do you expect the effects of this increase to be?**

The move to the equal rate for apprentices and other workers aged 16-17 is broadly positive, in that it may encourage more young people to pursue an apprenticeship. Paying the same rate also means that there is less space for disparity between staff, whereby a young apprentice is being paid less than a school student with a part-time job as could previously be the case. While the pay rate is now equal between apprentices aged 16-17 and workers in the same age bracket, the lack of pay progression for younger apprentices may still discourage some from embarking upon or continuing their apprenticeships.

While workers can expect a pay rise of more than £2 per hour once they reach 18, apprentices would still be eligible only for the lower Apprentice Rate until they reached 19. The largest age group embarking upon an apprenticeship in 2022/2023, and thus eligible only for the Apprentice Rate, are the over-25s,[[16]](#footnote-17) who are significantly less likely to be living at home than their younger peers. Receiving a rate of less than half of the RLW could ultimately discourage people from taking the apprenticeship route, even if they are only in receipt of this lower wage for their first year, due to the rising cost of living and lack of other financial support for apprentices.

**Q29: What criteria should we use when considering whether to keep or remove the Apprentice Rate?** We would like to see the following criteria apply:

* Assess in which sectors the Apprentice Rate is most commonly paid, and investigate if these sectors are notable for their levels of widespread low pay.
* Progression routes should also be noted to see whether or not there is a link between apprentices being paid at the lower rate and a lack of progression either during their apprenticeships, or to a job within that sector following their apprenticeship.
* Research should be commissioned into the groups where apprenticeship take-up is the highest, and whether these groups can reasonably be expected to support themselves and potentially their families on rates well below the RLW. As previously mentioned, the age group most likely to be commencing a new apprenticeship is the over-25 category; the separate Apprentice Rate is no longer fit for purpose, having been implemented initially when apprenticeships were viewed as a post-16 option for young people. The landscape for apprenticeships has since changed, and while the raising of the rate to meet the 16-17 year old Minimum Wage is welcome, it does not go far enough to be fit for purpose for an older group of apprentices who are i) less likely to be living with parents and ii) more likely to be supporting family members themselves.

**Q30: What would be the effect of removing the Apprentice Rate (so that minimum wages for all apprentices were the same as for other workers the same age)?**

Although difficult to predict, it could be proposed that removing the Apprentice Rate may also go some way to reducing drop-out rates for apprentices; almost half of all apprentices (47 per cent) dropped out of their course prior to completion in 2021, with most citing the quality of the apprenticeship as the main factor in their decision.[[17]](#footnote-18) Apprenticeships are often perceived as holding inherently less worth than other post-16 options and qualifications, and apprentice certificates are often not listed as part of a job description.[[18]](#footnote-19) This perception of being undervalued cannot be aided by the fact that apprentices are being paid at lower levels to workers who may be performing much of the same role within a company. When comparing apprenticeships side by side with a university degree, the difference in financial support is stark, with students being offered a package of support often including grants, loans and bursaries, while apprentices qualify for none of these. It is therefore difficult to justify a scenario in which a 25-year-old adult seeking to upskill through an apprenticeship could be paid at the same rate as a 16-year-old student taking on a similar role as a Saturday job. We would recommend removing the Apprentice Rate, so that apprentices would achieve pay equity with their peers and bring them closer to the RLW rates, by being paid the Minimum Wage rate relevant to their age. RLW As a result, we may see a fall in drop-out rates after the removal of the Apprentice Rate, although this might not be dramatic given that Minimum Wage rates still do not reflect the real cost of living today.

**Q37: What are your views on the economic outlook and business conditions in the UK for the period up to April 2024? We are particularly interested in: - the conditions in the specific sector(s) in which you operate. - the effects of Government interventions to support the economy and labour market. - the current state of the labour market, recruitment and retention.**

As inflation hits the highest levels seen in decades, our research shows that the NLW rise to £10.42 per hour still leaves the UK’s lowest-paid workers hundreds of pounds away from a wage that meets the cost of living, and thousands under for workers in London.

Analysis found that a UK worker earning the NLW would need an extra £936 each year to bring their income in line with the RLW. This difference could pay for 14 weeks of food, or 11 weeks of housing and energy costs. With the cost of living in the capital far higher than in the rest of the UK, a worker living in London and being paid the government’s NLW would need to find £2,983.50 extra to bring their income in line with the London Living Wage. This difference represents 38 weeks of food bills, or 21 weeks of housing and energy costs. With the cost of the living crisis, the government must ensure they are not assisting businesses at the risk of forgetting workers.

Additionally, insecure work is a major problem affecting the UK labour market; research in 2021 found that 3.7m workers in the UK were in low paid and insecure work.[[19]](#footnote-20) While their hourly pay has been rising, many low paid workers continue to struggle to cover their living costs due to insecurity of hours and other factors beyond hourly wage. 32 per cent of all working adults have received less than a week’s notice of their shifts.[[20]](#footnote-21)

Since the introduction of the NLW, the number of employers choosing to go further than the legal minimum by paying the RLW has more than doubled. There are now over 12,500 Living Wage Employers. Employers who voluntarily pay the RLW report benefits for both their employees and the employers themselves. Research from Cardiff Business School in April 2017 shows that 93 per cent of RLW employers have seen a benefit because of becoming accredited with the Living Wage Foundation, and 86 per cent feel it has enhanced their reputation.[[21]](#footnote-22)

With 1 in 9 UK employees now working for a RLW Employer, the RLW has become a significant feature of the UK labour market. As well as impacting on employers and employees, research from The Smith Institute shows that paying the RLW also positively impacts the local area of employers. The research finds that the more employers that pay the RLW, the greater the economic benefit in their local areas.[[22]](#footnote-23)

**Q38: To what extent have employers been affected by other major trends in the economy and labour market: for example, inflation, Brexit, the shift to homeworking or changes in the numbers of migrant workers in the UK?**

UK employers are responding to the highest levels of inflation seen in decades by signing up to pay the RLW in record numbers; there are now over 12,500 RLW Employers accredited with the Living Wage Foundation. Over 425,000 people are paid a RLW in the UK and, according to new research from Cardiff Business School, the movement has put over £2.1 bn in extra wages for low-paid workers in this period. 1 in 9 UK employees now work for a RLW Employer. The RLW has thus become a significant feature of the UK labour market.

Accredited RLW employers not only assuage concerns that increasing minimum pay might lead to a trade-off in employment, job security, or business success but demonstrate that it has substantial employer benefits. Research from Cardiff Business School in April 2017 shows that 93 per cent of RLW employers have seen a benefit because of becoming accredited with the Living Wage Foundation. More than half reported improvements in recruitment into entry-level roles (53 per cent), staff retention (52 per cent), and workplace relations between staff and managers (59 per cent).[[23]](#footnote-24)

In social care, fewer care workers travel from the EU due to the pandemic and new immigration workforce regulations have meant that care workers from overseas are not able to work in the UK. This is resulting in a shortage of care staff. Pay is a significant driver in recruiting staff in social care and recent analysis shows that, although there has been some increase in pay for social care workers since 2014, it has not kept pace with other sectors. For example, people can earn more working in supermarkets and cleaning than as care workers. This has an impact on employers with turnover rates in adult social care at 29 per cent in 2021-22, equating to around 400,000 leavers in a 12-month period.[[24]](#footnote-25) The 2022 Sector Pulse Check report by Hft – which looks at the impact of changes to the social care sector – found that 95 per cent of providers felt that low pay was their biggest barrier to recruitment and retention of good staff.[[25]](#footnote-26)

The commitment of social care providers and local authorities commissioning care to the RLW accreditation has resulted in over 7,000 pay rises in social care during the pandemic. There have been more pay rises to the RLW in social care during the pandemic than over the last 10 years in total. So far, the RLW in adult social care has put over £36 million back into the pockets of care workers.

**Q39: Apart from the minimum wage, what are the key drivers of pay decisions in low-paying sectors and occupations? For example, this could include the cost of living, availability and retention of staff, changes to Universal Credit/other benefits or access to transport.**

The growth in the Living Wage Foundation demonstrates a growing desire from businesses to go beyond the government minimum and guarantee staff are always paid a wage based on the cost of living.

The Living Wage Foundation worked with Cardiff Business School, which surveyed thousands of RLW employees last year, to better understand the reasons why employers decided to seek accreditation by the Living Wage Foundation. The main drivers of employers choosing to pay the RLW were:[[26]](#footnote-27)

* Because it is in line with their mission or values (90 per cent)
* To enhance the organisation’s representation and foster good relationships with its stakeholders (60 per cent)
* To gain HR benefits e.g. improving recruitment and retention (40 per cent)
* To help them win business and secure funding (25 per cent)

Availability and retention of staff is another factor influencing pay decisions. We have seen a growth in the number of RLW employers in the social care sector and it is likely that it is because of elevated levels of turnover in the sector. For example:

* Turnover rates in adult social care were 29 per cent in 2021-22, equating to around 400,000 leavers in a 12-month period. That said, around two thirds (63 per cent) of these leavers stay within the industry, while the remainder (37 per cent) leave the sector altogether.[[27]](#footnote-28)
* Care providers have reported increased difficulty in both recruitment and retention since other sectors, such as hospitality and retail, started to open back up after lockdown eased, suggesting the sector is struggling to compete with other low paid sectors. There are currently around 165,000 unfilled vacancies in the social care sector, a 52 per cent rise in total vacancies since 2020/21.[[28]](#footnote-29)
* Over a third (37 per cent) of care workers say they are looking for a new role, with the main drivers being: pay (52 per cent), not feeling valued (45 per cent) and a lack of career progression opportunities (31 per cent).[[29]](#footnote-30)

Pay decisions in social care are also shaped by funding from central government. Local Authorities commission most social care in England and have had their government funding halved since 2010. Because of budgetary pressures, they routinely commission care packages that do not meet the full cost of care, including paying care workers a RLW. The Living Wage Foundation is therefore calling on the Government to increase local authority funding so that care workers can be commissioned at RLW rates.

A key moment for the social care sector were the changes to the NLW laws on sleep-in shifts, due to the Supreme Court ruling (Royal Mencap Society v Tomlinson-Blake). This change has seen employers not required to pay NLW to carers for every hour worked during sleep-in shifts. Despite the court ruling we have kept our policy the same that RLW accredited employers should pay the RLW for every hour worked during a sleep-in shift.

**Q40: How has inflation and the cost of living factored into wage setting? What has been your experience of wage growth and inflation in the last year, and what are your views on forecasts for the next couple of years?**

The RLW rates are independently calculated, and overseen by the Living Wage Commission, according to a social consensus of what is needed for a basic but decent standard of living. The rates provide a voluntary benchmark for employers that want to ensure their staff earn a wage they can live on.

The RLW rates are usually announced each November. In 2022, the Living Wage Foundation took the unprecedented step of bringing forward the rates announcement to September, in response to soaring levels of inflation. The RLW rates rose by the largest year-on-year amount in the Living Wage Foundation’s 11-year history. The UK rate was increased by 10.1 per cent to £10.90 per hour, while the London Living Wage was increased to £11.95 per hour in London (an increase of 8.1 per cent). Living Wage Employers were encouraged to pay staff the updated rates as soon as possible, and evidence suggests that many did.

The Living Wage Foundation has seen record numbers of employers sign up to pay the RLW rates since the start of the coronavirus pandemic. Employers are also increasingly interested in wider good employment practices such as providing secure, reliable working hours and the support in saving for a Living Pension in retirement. There are now over 12,500 Living Wage Employers, 80 Living Hours employers and 7 accredited Living Pensions employers.

**Q1: About the Living Wage Foundation**

The Living Wage Foundation is at the heart of the movement of businesses, organisations and people campaigning for the simple idea that a hard day’s work deserves a fair day’s pay. We celebrate and recognise the leadership of responsible employers who choose to go further and provide a decent standard of living by paying the RLW, adopting Living Hours and Living Pensions as well as wider good employment practices. Employers who commit to going beyond the statutory minimum by paying all staff, including contracted staff, the Living Wage rates are recognised through a Living Wage accreditation.

The RLW rates are independently calculated, and overseen by the Living Wage Commission, according to a social consensus of what is needed for a basic but decent standard of living. The rates provide a voluntary benchmark for employers that want to ensure their staff earn a wage they can live on. They are currently £11.95 per hour in London and £10.90 per hour across the rest of the UK.

There are now over 12,500 Living Wage employers, including more than half of the FTSE 100, and household names such as Liverpool Football Club, Lush, IKEA, Nationwide, Aviva, and Google. The campaign has delivered pay rises to over 425,000 workers and put over £2 billion back into the pockets of low paid workers.

Insecure work is increasingly a significant contributing factor to in-work poverty in the UK. In addition to Living Wage accreditation, the Living Wage Foundation has established a ‘Living Hours’ standard as a solution to the growing problem of work insecurity. This standard requires employers to: be accredited as a RLW employer, provide at least four weeks’ notice for shifts, with guaranteed payment if shifts are cancelled within this notice period, and the right to a contract that reflects accurate hours worked. There are now over 80 accredited Living Hours employers, including Abrdn, SSE, Spareroom, and Aviva.

The Living Wage Foundation’s ‘Living Pension’ standard builds on the work of the RLW by helping workers to build up a pension pot that will provide enough income to meet basic everyday needs in retirement. The Living Pension savings target is 12 per cent of a worker’s annual salary, of which the employer pays in at least 7 per cent. This builds on auto-enrolment, where the employer is only required to contribute 3 per cent. There are 7 Living Pension employers including Aviva, Herbert Smith Freehills, and Citizens UK.

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4. Abdul Aziz, S & Richardson, J (2022). Employee jobs below the Living Wage. London: Living Wage Foundation [↑](#footnote-ref-5)
5. Office for Budgetary Responsibility (2022) March 2022 Economic and fiscal outlook: Economy supplementary tables. Table 1.15. [↑](#footnote-ref-6)
6. For more information on methodology, see Abdul Aziz, S and Richardson, J (2022) Employee jobs below the Living Wage. London: Living Wage Foundation. [↑](#footnote-ref-7)
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