Living Wage Foundation

Living Hours

Providing security of hours alongside a real Living Wage

RACHEL McEWEN

CHIEF SUSTAINABILITY OFFICER, SSE PLC

WE ARE A MOVEMENT OF OVER 5,000 EMPLOYERS WHO BELIEVE EVERYONE **SHOULD EARN ENOUGH TO LIVE A DECENT LIFE**

FOREWORD

The Living Wage movement is a remarkable phenomenon. What began as a civil society movement campaigning for decent wages has grown into a movement of over 5,000 employers with one big value in common: that the people who work for them should earn enough to live a decent life. Each accredited Living Wage employer who signs up does so, not because they have to, but because it's the right thing to do and they want to do it.

Paying the real Living Wage is the most important step an employer can take to alleviate in-work poverty. But there is another side of the coin: the number of hours worked and the security of those hours. The amount of pay employees take home can be affected by irregular and unpredictable hours.

That's why this brand-new campaign to create an employer culture of Living Hours is so exciting. It's based on the simple and universal truth that human beings seek a decent life. Knowing how much you will earn helps make ends meet, knowing when you will work enables a family life with commitments and activities that lead to fulfilment and happiness.

It's why the company I work for, SSE, is such an enthusiastic champion of the real Living Wage and, now, Living Hours too. A company like SSE, a large UK headquartered energy company with trade union recognition, is not the sort of company where the worst employment practices will take place. When we became a Living Wage employer, most employees already earned above the Living Wage. The same will apply here, most employees are on regular contracts. But, as we discovered last time, there will be some who will benefit from the new Living Hours standard. Where we can make the greatest difference, however, is in our supply chain. If big organisations like ours stand up and say: we expect people working regularly on our sites to earn decent pay and to be given the respect of regular hours and decent notice of shift patterns, then it makes it easier for those in the service sector to do it too.

In the long-run, it is in all our interests that our workplaces and communities are filled with people who are treated with respect and can earn enough for a good life. That's why a growing movement of employers signing up to a combination of the real Living Wage and Living Hours has the potential to make such a difference to our communities and our economy.

RACHEL McEWEN,
CHIEF SUSTAINABILITY OFFICER, SSE PLC

KATHERINE CHAPMAN

DIRECTOR OF
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STUART WRIGHT

CHAIR OF THE LIVING WAGE ADVISORY COUNCIL & GROUP PROPERTY & FACILITIES DIRECTOR AT AVIVA PLC

INTRODUCTION

Since 2011, the Living Wage Foundation has been celebrating and recognising the leadership of responsible employers who choose to go further: paying a real Living Wage based on the cost of living, not just the government minimum.

Eight years later and there are over 5000 employers who have committed to pay their staff an hourly rate that meets their everyday needs. Nearly 200,000 workers have received an annual pay rise as a result, with an estimated £800 million put back into the pockets of low paid workers since 2001.[1]

But in-work poverty is still a reality for too many workers across the UK[2] – with one in five workers still paid less than the real Living Wage, our work is far from over.[3]

At the same time, the shape of low paid work has changed. There has been a well-documented growth in insecure and precarious work, which is hitting those on the lowest incomes hardest. Powerful stories from low paid workers and from community leaders working with Citizens UK have highlighted the negative effects of the exploitative use of 'flexible' contracts. At the same time, there is an appetite among our leading Living Wage employers to go further in their commitments to being responsible employers that stand up to the indignity of in-work poverty. Having built a unique movement of over 5000 employers and civil society leaders committed to decent work, the time is right to use that energy to trailblaze new initiatives to help tackle the insecurity that is having such a damaging impact on the UK's lowest paid workers and their families.

OVER THE PAST 18 MONTHS, THE LIVING WAGE FOUNDATION HAS BEEN WORKING WITH A COALITION OF LIVING WAGE EMPLOYERS, CIVIL SOCIETY LEADERS, WORKERS, EXPERTS AND TRADE UNIONS TO DEVELOP A NEW LIVING HOURS STANDARD TO ENSURE MORE CERTAINTY OVER WORKING HOURS AND MORE PREDICTABLE WORK PATTERNS AND PAY.

As a result, we have developed a new Living Hours standard and accreditation programme that sets out what good looks like. The programme will ask those employers who already provide a real Living Wage, and who are able to, to also provide Living Hours and it will support them to do so. This report sets out the problem, the Living Hours measures, how we developed the measures, lessons on implementation and next steps.

SECTION 1

The Problem:

Insecurity in the UK

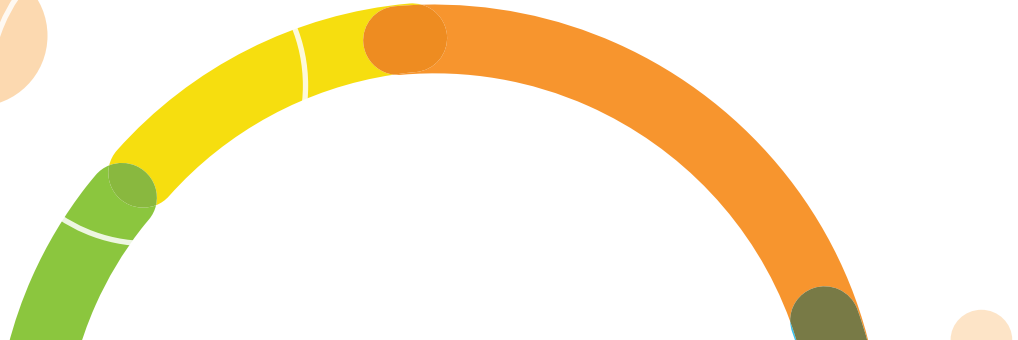
The campaign for the real Living Wage started in 2001 in East London, based on the belief that no one should be working full-time and still earning less than they need for a decent standard of living.

Whether low paid workers can make ends meet is also dependent on the number and security of hours they can rely on week-to-week, month-to-month and year-to-year. While many people choose to work part-time, we have seen a rise in 'one-sided flexibility' – including the exploitative use of zero-hour or 'tiny hour' contracts as permanent workforce management tools, and false self-employment. This creates financial insecurity and exacerbates in-work poverty. While we have record employment levels in the UK, in-work poverty has not fallen.

New analysis by the New Economics Foundation, commissioned by the Living Wage Foundation, offers insights into the scale of vulnerable and insecure work among the lowest paid workers[4]:

- **1 in 6 UK workers experience insecurity** and earn less than the real Living Wage.
- **That's 5.1 million people.**
- **2 million of these workers have children** to look after.
- **1 million people earning less than the real Living Wage have volatile pay and hours.** This is three times the number that report being on low paid, zero-hour contracts.
- There are an additional **1.3 million people who have regular wages but experience unpredictable working hours,** making planning around other commitments and meeting costs more difficult.
- **46% of all people who are self-employed as their main job are earning less than the real Living Wage** – that's 2.1 million people.[5]

Insecurity in 2019 is complex and multi-faceted, but the impact on workers is clear. Those in insecure work are more likely to struggle with their finances, particularly predicting their monthly income and paying for last minute expenses[6]; they are unable to spend quality time with their families, plan for the future or participate in community life[7]; and, they potentially miss out on work-related benefits, such as sick leave and holiday.[8] We know from some of the stories we heard from Citizens UK that, in the very worst cases, a lack of security over hours can leave workers open to bullying and harassment.[9]



WHO IS THE PROBLEM AFFECTING MOST?

The UK has some of the highest part-time work rates in Europe.[10] This is not a bad thing. Most people working part-time don't want a full-time job.[11] However, there are significant numbers of people working fewer hours than they need to keep their heads above water.[12]

Underemployment is partly contributing to the historically low unemployment rate in the UK. The level of underemployment spiked following the 2008 financial crisis, and though now declining, it has not yet reached its pre-downturn level.[13]

Insecurity is concentrated in lower paid jobs and industries; among those groups already facing labour market disadvantage, including women, young people, black and minority ethnic workers; and those in poorer regions of the UK.[14] Our new research found that:

- 270,000 people have less than 16 guaranteed hours of work per week but want more – **two thirds of these are women.**
- Overall, men and women experience similar levels of low paid, insecure work (16% of men in low paid work suffer insecurity compared to 15% of women). However, the kinds of insecurity they face are very different. **Men are much more likely to be in low paid self-employment, compared to women who are disproportionately affected by other kinds of insecurity and disempowerment at work such as low and changing pay and hours.**
- In every category of insecure and low paid work that we explored, except self-employment, **young people were more likely to be affected:** over a fifth of young people (22% of 16-24 year olds) experience insecurity at work (excluding low paid self-employment). Recent research shows that this could be indicative of their long-term career outcomes: 5 in 6 low paid workers are either trapped in low pay or destined to cycle in and out of it across a decade.[15]
- However, insecurity is not just a problem for young people: **1 in 2 employed people (46%) experiencing insecurity at work are over the age of 35 and 21% of 65+ year olds in work are self-employed and earning less than the real Living Wage.**
- **Those from black and minority ethnic backgrounds are disproportionately affected:** 15% of white people in work are experiencing insecurity in comparison to 17% of workers from mixed/multiple ethnic groups, 17% of Asian/Asian British workers and 17% of Black/African/Caribbean/Black British workers.
- **The disparity of levels of insecure work between regions mirrors regional disparities on pay:** the problem is worse in Wales (21% of working population are experiencing insecure work), the North East (18%), the West Midlands (17%), the South West (16%), North West (16%), East of England (16%) and the East Midlands (16%). London (15%), the South East (14%) and Scotland (13%) have the fewest people experiencing insecure work.
- A significant minority of those experiencing insecurity at work are **parents**. While people without children are slightly more likely to be in an insecure job compared to people with children (16% compared to 15%), this still leaves over **2 million people in the UK supporting one or more children while experiencing low pay and insecurity at work.**
- Low paid insecure work is most concentrated in: **Agriculture, hunting and forestry** (49% of people working in the sector)[16]; **Transport, storage and communication** (33%); **Health and social care** (24%); **Construction** (21%); **Hospitality** (21%); and, **Wholesale and retail** (18%).[17]

THE IMPACT OF PRECARIOUS WORK

Precarious working conditions make in-work poverty worse and disproportionately affect those in the lowest pay. They contribute to workers being unable to plan financially; 4 in 5 low-paid workers (earning around £10,000) experience pay volatility, compared to just two in three higher paid workers (earning around £35,000).[18] Not knowing whether, when, and how much work you are going to have makes it difficult for low paid workers to plan for the future, find fulfilment at work, or lead a healthy community and family life.[19]

Even for those who have a guaranteed and more constant level of pay each week, variable shift work with short notice periods can create insecurity in their lives. Research by Citizens Advice found that being given short notice – sometimes as little as 48 hours – of shift patterns causes substantial challenges. The research found a significant minority of employers have practices which make it challenging for many people to manage their work-life balance - such as not letting staff specify when they can work (19%) and not allowing them to turn down shifts (22%).[20]

People with unpredictable hours who also have low incomes – like Frank* – are likely to be hit hard by an 'insecurity premium'. Last minute changes make planning and efficiency savings around other costs, such as childcare and travel, more difficult. This leaves workers paying the price where flexibility is one-sided and not mutually beneficial.

"SOMETIMES SHIFTS ARE CANCELLED WITH NOT VERY MUCH NOTICE AND I HAVE ALREADY PAID A BABYSITTER. SO I FIND MYSELF WITHOUT WORK FOR THE DAY BUT I HAVE ALREADY PAID THE BABYSITTER."

FRANK
CANTEEN WORKER,
CITY OF LONDON

"WORKING ON A ZERO HOURS CONTRACT FOR THREE YEARS MADE ME FEEL EXHAUSTED AND NEGATIVELY AFFECTED MY MENTAL HEALTH. OUR ROTA FOR THE WEEK WAS SENT OUT ON SUNDAY EVENINGS AND, WITH SHIFTS REGULARLY CHANGING, I COULDN'T PLAN MY WEEK AND ALWAYS FELT THAT I HAD TO BE AVAILABLE TO WORK."

SARAH,
FORMER THEME PARK WORKER,
SOUTH EAST ENGLAND

4/5

LOW-PAID WORKERS (EARNING AROUND £10,000) EXPERIENCE PAY VOLATILITY

PRECARIOUS WORK IS LEAVING WORKERS MORE VULNERABLE

Further Citizens Advice research has revealed the extent to which some employees are losing out on other rights such as sick pay and annual leave because they don't have secure hours. The report warned of the long-term repercussions of this on in-work poverty: "getting paid time off for illness is not only fundamental for recovery, but also prevents workers from being left with a hole in their finances that they can struggle to recover from". [21]

This has been supported by stories from workers shared with the Citizens UK Fair Work Campaign team.[22] In the worst cases, they also heard stories about workers being on the receiving end of bullying and harassment because of the lack of control they had over their hours and shift patterns.

> "BEING ON A ZERO-HOUR CONTRACT IS VERY CHALLENGING. I DON'T KNOW WHEN I WILL BE ASKED TO WORK. OR HOW MUCH MONEY I WILL HAVE AT THE END OF THE MONTH FOR MY FAMILY. IT MEANS I CANNOT PLAN, WHICH IS VERY STRESSFUL."
>
> **TONY**
> SECURITY GUARD
> SOUTHALL

Many workers told Citizens UK's Fair Work Campaign team of the difficulties they faced on insecure contracts. Most had accepted a zero-hours, agency or self-employed contract because they could not find a more secure option. Among these workers was Tony*; he and others described the effects of being on variable and zero-hour contracts, including the difficulty planning their time or monthly finances as hours were never guaranteed, causing significant stress and anxiety.

Many said that they felt they could not say no to a shift for fear of the repercussions (for example, not being offered work in the future, becoming 'bottom-of-the-pile', or being given the worst shifts). Due to these pressures, some had not been on holiday for several years and struggled to spend meaningful time with their families. Some had struggled to meet financial obligations, or to find a landlord that would accept them without a steady and confirmed income each month. They reported these situations were leading to stress, negatively impacting their mental health.

CITIZENS UK & THE FAIR WORK CAMPAIGN

Citizens UK is a charity which organises communities to act together for social justice and the common good. These communities started the Living Wage Campaign in 2001 in East London.

The Fair Work Campaign is a new campaign led by members of Citizens UK. These members are from civil society, faith, trade union and education institutions in Tyne and Wear, Milton Keynes, Nottingham and London. They came together to look at the issues affecting low paid workers - beyond pay - in their institutions and communities. To do this, they spoke to over 700 people to identify the hardships faced and potential solutions to the problems.

THE BUSINESS PERSPECTIVE

Insecurity at work is not only a problem for workers and their families. Many employers are also worried about the sustainability of one-sided flexibility. Workers with little job security are likely to be less committed to organisational goals or to put in extra effort where it is required. For example, a number of organisations have suggested a correlation between insecure work and productivity, meaning that the rise in insecurity could help to explain why the British economy is consistently failing to deliver higher wages and more sustainable growth.[23]

Any short-term financial gains that non-standard contracts can have for employers can be significantly reduced by long-term losses. For example, a UK Commission for Employment and Skills (UKCES) report into the challenges for the wholesale and retail sector found that the long-term cost of high rates of staff turnover and absenteeism - coupled with an inability to attract good people - led to reduced customer satisfaction and increased human resource management costs.[24]

While there is a worrying normalisation of the decline in secure working conditions, many businesses are worried about the impact insecurity at work can have for their workers. In Beyond Pay, Business in the Community (BITC) raised this as a key issue, highlighting that – alongside pay – "consistency and number of hours worked is also crucial."[25] The report recognised the work of employers such as Adnams, who worked to move employees from zero-hour contracts onto terms more reflective of their actual working patterns, which led to workers feeling greater certainty about their regular income. The Living Wage Foundation, through the Good Jobs in Retail Toolkit, worked with employers like BrewDog, Hobbs and EE to introduce longer and more secure contracts.[26] The success of the toolkit and wider positive case studies has generated an appetite to grow this work within our network.

In the modern economy the most successful organisations will be those with an engaged workforce that is supported to perform to the best of its ability. Many organisations facing similar challenges choose not to engage in a race to the bottom. These employers see their staff as an investment, not a cost to be reduced, and in doing so they reap the benefits of a more motivated and committed workforce.

LONG-TERM COST OF STAFF TURNOVER AND ABSENTEEISM LEADS TO **REDUCED CUSTOMER SATISFACTION**

"WE FEEL STRONGLY THAT BUSINESSES WHO CAN PROVIDE CERTAINTY AND CONTROL TO THEIR WORKERS ARE MORE SUSTAINABLE AND WILL REAP THE BENEFITS OF THEIR WORKERS BEING ABLE TO PERFORM AT THEIR BEST. AS AN EMPLOYER AND AS AN INVESTMENT COMPANY, WE'RE DELIGHTED TO HAVE THIS OPPORTUNITY TO PLAY OUR PART IN FURTHERING THE MOVEMENT FOR FAIR WORK AND RESPONSIBLE BUSINESS."

SANDY MACDONALD,
HEAD OF CORPORATE SUSTAINABILITY, STANDARD LIFE ABERDEEN PLC

BREWDOG

CASE STUDY: FROM THE GOOD JOBS IN RETAIL TOOLKIT

When the brewery and bar operator BrewDog became a Living Wage employer in October 2014, they also abolished zero-hour contracts and introduced more stable hours, with the most common new contract set at 32 hours a week. The company simplified its pay structures, introduced greater pay transparency and increased managerial pay, meaning more than 180 staff got a pay rise overall. BrewDog also improved its training and development programme, capitalising on the expectation that its staff would want to stay longer with the business.

In just a year these interventions led to a 50 per cent increase in staff satisfaction with their pay, a 40 per cent reduction in staff turnover on the company's retail sites, and an increase in the proportion of management roles filled by internal promotions from less than 50 per cent to 80 per cent.

"ALL OF OUR MANAGERS HAVE BEEN ASTOUNDED WITH THE IMPACT ON THEIR TEAMS... [THE STAFF] FEEL THAT THEY'RE PART OF SOMETHING BIGGER AND THEY CAN MORE EASILY SEE HOW THEY'RE IMPACTING ON THE BUSINESS. THEY BUILD BETTER RELATIONSHIPS WITH OUR CUSTOMERS. WE GET BETTER CUSTOMER FEEDBACK. THE RETURNS THAT YOU GET ON IT ARE JUST PHENOMENAL."

RONA COOK
PEOPLE BUSINESS PARTNER, BREWDOG

"[WE] DEFINITELY TAKE MORE PRIDE IN OUR WORK. TO RENT IN ABERDEEN I MIGHT HAVE TO HAVE ANOTHER JOB OR WORK AN ENORMOUS AMOUNT OF HOURS, SO IT LETS ME FOCUS ON WORKING HERE AND BEING REALLY PASSIONATE ABOUT CRAFT BEER IN MY JOB AND NOT WORRYING ABOUT JUST WORKING FOR MONEY."

ROBYN
FORMER BAR STAFF AND NOW DUTY MANAGER, BREWDOG

50%
INCREASE IN STAFF SATISFACTION

40%
REDUCTION IN TURNOVER

SECTION 2

Living Hours:

The Measures

Living Hours is a practical solution that employers can adopt to help provide the security and stability that low paid workers need to make ends meet.

It is the result of over 18 months of research and consultation. It calls on employers to provide the right to:

This will be underpinned by a new Living Hours accreditation programme run by the Living Wage Foundation, with dedicated support for employers.

THE RATIONALE

The campaign for a real Living Wage has always focused on asking employers to make sure full-time workers earn enough to make ends meet. However, we recognise that asking employers to provide only full-time work runs against the desire of many people for flexibility, as well as not being viable for many businesses.

We were also clear that simply banning zero-hour contracts would not go far enough, as many people on 'tiny-hours' or short-hours and other forms of flexible contracts also face insecurity and underemployment at work. We have therefore found a balance between these two positions that can apply across different sectors and occupations.

WHY 4-WEEK NOTICE PERIODS FOR SHIFTS AND GUARANTEED PAYMENT FOR CANCELLATIONS?

For many families, rent and other large outgoings are due monthly. Household bills such as utilities are also often cheaper when paid on a monthly rather than pay-as-you-go basis. Sharing rotas 4 weeks in advance means workers will know the amount of work they will be doing and what they can expect to take home in pay, helping them budget for the month ahead. Last minute shift changes also impact on healthy family life and make it difficult to plan childcare arrangements. Under our proposals, workers would receive guaranteed full payment if a shift is cancelled within this 4-week period. This creates an incentive for employers to plan effectively and share the risk of any fluctuations with workers, rather than expecting workers to shoulder the full cost of uncertainty.

WHY THE RIGHT TO A CONTRACT THAT REFLECTS ACTUAL HOURS WORKED?

Low paid workers can't risk uncertainty and large fluctuations in pay from week-to-week and month-to-month. So we are asking employers to give workers the right for their contracts to be reviewed and adjusted if they are regularly working more than the hours they are contracted to do.

We propose that this review should take place after 12 weeks of employment, and after this, once a year. This would also reduce how vulnerable workers on variable-hours contracts are to arbitrary unfairness, such as supervisors cutting hours to prevent staff from raising concerns or as an alternative to good performance management.

WHY A GUARANTEED MINIMUM OF 16 HOURS A WEEK (UNLESS THE WORKER REQUESTS OTHERWISE)?

Lots of people we spoke to thought zero-hour contracts were not enough if you needed secure work. We wanted to find out what people thought a good minimum should be. In our consultation with workers and community leaders all groups said that between 12-20 hours was a decent minimum, and 15-16 hours was the most frequently cited amount. This principle of public consultation is an important feature of how the Living Wage is calculated.

We wanted to make sure whatever we called for also aligned with requirements on workers to meet the terms of their 'Claimant Commitment' under the new Universal Credit system. What is expected of the primary carers in receipt of Universal Credit is based on the age of the youngest child in the household. Carers and parents with children over the age of 3 will have to be working or looking for part-time work that is at least 16 hours a week or face sanctions (having your Universal Credit stopped).[27] Parents also need to be working at least 16 hours a week to be entitled to their vouchers for 30 hours of free childcare. Considering this, we feel it is fair to ask employers to ensure that they are providing contracts offering at least 16 hours a week.

Under our proposals, workers that want to work less than 16 hours – for example, because they want to spend more time with their family or have a health condition that means they'd prefer to work fewer hours – would be able to opt-out. Employers would have to provide a signed letter from employees to prove that they were voluntarily opting out, but should be open about this opportunity for all employees – on recruitment and while in employment.

SECTION 3

How did we develop the Living Hours Measures?

WHAT WE DID:
OUR METHODOLOGY

STEP 1

We put together a **Steering Group** of leading Living Wage employers who were keen to explore what more they could do to provide leadership and strategic direction for developing Living Hours. This group helped us determine the design principles for this new work and what our strategy should be – based on the success of the Living Wage Campaign.

STEP 2

We worked with our research partner, the New Economics Foundation, to conduct an **extensive literature review.** This helped us find out more about the big problems – beyond pay – that low paid workers in the UK were facing, understand the scale of these, and identify potential solutions.

STEP 3

Organisers and community leaders at Citizens UK conducted an extensive **listening campaign,** speaking to over 700 low paid workers about the issues they faced in the workplace, to identify the most pressing issues to be addressed.

STEP 4

We held **benchmarking workshops** with employers, labour market experts, trade unions and other employee representatives to determine potential solutions. We also held a workshop with the workers and leaders working with Citizens UK, to make sure that those most affected by the issues determined what the solutions should be.

STEP 5

We **piloted and live tested these measures** with Living Wage employers on the Steering Group to understand how they should be implemented and what their workers thought of what we were going to do.

STEP 6

While we spoke to Living Wage employers throughout the 18-month process, it was important to make sure we tested the final measures with them. To do this, we reached out to existing Living Wage employers through **a survey and consultation workshops** to find out what existing practice was, how much change we could affect by working with them to tackle these issues, and how many of them were interested in being involved in this work in the future.

STEP 7

We also held **consultation workshops with labour market experts, trade unions and campaigners** about the final measures, to make sure they were stretching and meaningful for the workers they represented.

Living Hours is the result of over 18 months of research and consultation. We wanted to find measures that were meaningful and ambitious but also pragmatic and feasible for an accreditation programme. We were keen to learn lessons from the Living Wage Campaign, define the problem of insecure, low paid work, build on best practice, and consult with our broad-based network.

LEARNING FROM THE LIVING WAGE CAMPAIGN

In designing the Living Hours standard, it was important that we drew on lessons from the real Living Wage Campaign and adhered to the following principles:

1. Develop the standard with the communities whose lives are affected

The driving force behind the beginning of the Living Wage campaign were community groups – churches, mosques, schools – in East London, whose members were affected by issues of low pay. These workers and their communities came together to devise the solution and called on employers to pay a Living Wage. This direct experience and commitment to winning practical change has made the campaign what is it today.

The involvement of workers and communities directly affected by the issues of insecure work is crucial to finding a solution that works and has the potential for real impact.

2. Base the standard on consensus between employers, employees and civil society

From the very start, the Living Wage Foundation and Living Wage accreditation was developed in partnership with leading Living Wage employers who became some of its most vocal and influential advocates. This partnership and consensus building approach was critical to the success of the Living Wage movement in the UK.

The combination of employer leadership and employee and community involvement is critical to building legitimacy, and ensuring the standards are both meaningful and feasible.

3. Celebrate and recognise employers that choose to go beyond the legal minimum

By signing up as a Living Wage Employer, organisations are choosing to join a movement that works to ensure all workers can live a decent life. This positive commitment to a voluntary, stretching standard beyond the minimum, championed and celebrated by the Living Wage Foundation, is one of the key reasons the Living Wage has influenced so many businesses and should underpin the Living Hours approach.

4. Ask employers to promote and drive change through their contractors

The Living Wage campaign realised early on the important role that large employers play in pushing best practice down their supply chain, particularly as we have seen an increase in outsourcing roles such as cleaners, security guards and caterers.[28] Large employers have significant influence through their supply chains, customers and contractors, and can use this influence to create change for contracted workers and share resources and knowledge with suppliers.

We want Living Hours to follow this model to ensure maximum impact for those where it is needed most.

EVIDENCE REVIEW: DEFINING THE PROBLEM

Our evidence review included defining and describing the different types of low paid, insecure work in the UK and drawing out examples of good practice to inform our work.

How we defined insecure workers

By setting these definitions, measuring the scale of the problem and our response would be more effective. Among those earning less than the real Living Wage, the types of insecurity we measured were:

1. **Volatile earners** – people who self-report volatile pay and hours including those on zero-hours contracts.

2. **Unpredictable hours** – those with unpredictable shift patterns.

3. **Non-permanent workers** – including those with casual and seasonal jobs, fixed term and agency contracts (not including those who said they did not want a permanent job).

4. **Low-paid self-employed** – those in self-employment who earn less than the real Living Wage.

These categories are not discrete but offer different insights into the types of insecure work people are experiencing. However, if people fit into one or more of these categories, they are counted only once as part of the overall figure of 5.1 million insecure workers quoted above (see Section 1).

EXAMPLES OF BEST PRACTICE

Many accredited Living Wage employers have already adopted approaches to ensure decent notice periods for shifts and contracts with guaranteed hours for staff who want the additional security. For example:

CLEAN FOR GOOD have no staff on zero-hour contracts but ensure they work with their staff to offer flexible hours for employees who want to combine work with study or family responsibilities.[29]

When **STANDARD LIFE ABERDEEN** became a Living Wage employer in 2014, they also committed to ending the use of zero-hour contracts (unless specifically requested by staff). To do this, they worked with contractors to ensure that all staff were offered contracts with guaranteed hours which reflected the hours they regularly worked.

IKEA have introduced new rights to ensure their co-workers have the hours and flexibility they need for a healthy work-life balance, including the right to a contract that reflects the hours they work on a regular basis.[30]

National interest in the quality of work has grown in recent years, driven in part by The Taylor Review of Modern Working Practices (published in July 2017).[31] Business networks, trade unions, labour market experts and campaigners have all put forward a range of proposals to tackle insecurity and underemployment that could underpin a stretching, voluntary standard. There are also a range of international best practice case studies to draw from. Examples include:

- A sector-wide deal for those in the industrial cleaning sector in Denmark, which ensured the right to a contract with a guaranteed minimum of 15 hours per week;[32]

- USDAW's Time for Better Pay Campaign,[33] which calls for a right to a normal hours contract and a guaranteed minimum of 16 hours a week (unless the worker wants something more flexible), their work with Poundland to provide employees with a contract which reflects their normal hours of work and their work with the Co-op Group to ensure minimum hour contracts of 12-16 hours a week where requested.[34]

- The Irish Employment (Miscellaneous Provisions) Bill 2017,[35] which calls for legislative changes to ensure minimum payments to low paid employees who are called into work and then not given it; zero-hour contracts to be prohibited except in limited, specific circumstances; and, ensuring that employees on low hour contracts who consistently work more hours each week than provided for in their contracts have their contracts adjusted to reflect what they work on average.

KEY LEARNINGS FROM THE CONSULTATION PROCESS

We engaged with over 1000 key stakeholders through our consultation process. It is thanks to the individuals and organisations who contributed that we have got to this point, and this work represents the sum of all our efforts.

It was important for us to understand how the development of this new programme to tackle insecurity of hours and underemployment would be received by Living Wage employers. Through consultation we found that a significant majority of them recognised this work as the right next step for the Living Wage Foundation, for example in our survey 87% said they are either happy or very happy that the Living Wage Foundation is developing a programme to work with them on new employment standards. Some of the key pieces of feedback from the survey and the consultation events were:

- Paying the real Living Wage to all staff is still the single most important and transformative decision any employer can make and should remain a core requirement before employers can sign up to be Living Hours employers.
- The measures proposed are stretching targets, but welcomed ones, for employers to adopt and would be meaningful for low paid workers.
- Worker choice and mutual flexibility needs to be 'front-and-centre' of the new programme.
- The initial focus should be on larger organisations with an ability to influence sub-contractors and make the greatest impact. And, in the case of the public sector, those third sector organisations who deliver public services.
- As these measures are more complex than the real Living Wage rate, there would be a need to ensure workers and employers fully understand what Living Hours accreditation means.
- Adoption of Living Hours should be seen as a step in the employer journey with the Living Wage Foundation.
- We shouldn't adopt 'sectoral nuances' to the Living Hours measures, as this could weaken the strength of the ask. We do, however, know some sectors and small businesses will find implementing these measures more difficult than others, and so we are thinking carefully about the support we can develop to help small businesses and organisations in challenging sectors, for example those that provide services to the private and third sector, move towards the measures.

SECTION 4

Implementation

AVIVA
HOW TO IMPLEMENT LIVING HOURS?
A CASE STUDY

The most in-depth pilot we conducted was with Aviva – a Living Wage employer since 2014 - and one of its contractor companies on two Aviva sites in London and Norwich. The contractor put the Living Hours standard in place in June 2018 so we could follow the employer journey and identify any short-term impacts. Implementing this change impacted 36 staff across six different roles.

We know that implementing Living Hours will look different for each individual employer. Aviva already ensures that any third-party workers employed on zero-hour contracts have expressly requested this kind of flexibility and the majority of staff in scope of this pilot were working over 16 hours a week. The biggest challenge on this pilot was notice periods for shifts. Some staff were receiving their rotas three days ahead of the working week. We agreed to move to four weeks incrementally to allow us to see what was needed to achieve this and where the challenges would be. The reason staff were receiving three days' notice for their shifts was that rosters were linked to the deadlines for booking and cancelling services. Aviva is able to give between 72-48 hours' notice for booking or cancelling some services and this was having a knock-on effect for staff. Aviva agreed that they would discourage cancellations of services after the four-week notice period by passing the charge onto the internal team responsible. This is helping both Aviva and the contractor to plan further in advance.

PROCESS

We wanted to make sure that everyone who would play a role in making the pilot happen was involved in setting it up so, we set up a workshop with Aviva and the contractor to determine the scope of the pilot, how we would capture key lessons from implementing the measures and how we would determine and measure success.

We then held our first focus groups with staff who would be affected by the pilot. These focus groups helped us to refine the measures based on the experience of the workers. The workers we spoke to were very supportive of the proposed measures. They predicted that these changes would have a positive impact as they would be able to better plan their lives and manage care responsibilities outside of work. The measures would also ensure that the workers would have a reliable income stream to budget around.

Following this, we interviewed individual workers and managers about the measures we were implementing and held a second focus group with staff. This helped us determine the key lessons from the pilot and the early impact from implementing Living Hours.

IMPACT

The impact we have been able to determine from the pilot is based on focus groups with workers and interviews with managers during the process. The measures have only been in place for eight months, so the results so far have been short-term.

Managers felt that there had been an increase in commitment from workers. This was benefitting Aviva by leading to a higher quality of service and potentially a reduction in the use of agency staff.

Workers felt they benefitted from this pilot because they now know when their shifts will happen with more notice – enabling them to plan better. They also felt that Living Hours created parity between different roles. They envisage that these changes will positively impact them in the longer term, by enabling them to plan their lives and manage family responsibilities outside of work, while also providing them with a steadier, more reliable income. We intend to revisit this case study in a year to identify the long-term benefits for staff and employers.

KEY LESSONS FROM IMPLEMENTING LIVING HOURS

We live tested the measures with five Living Wage employers and some of their contractors, as well as through an in-depth pilot with Aviva and one of their contractors. From this we learned that:

1. Organisations need the right systems and infrastructure in place to support them through the change

When employers are unable to plan effectively around the peaks and troughs of demand for work, they are unable to give their staff decent notice for their shifts and can end up cancelling shifts or requiring staff to undertake shifts at the last minute.

Effective rostering systems are key to ensuring better planning. Organisations need systems that track average hours worked, any cancellations, and monitor busy periods so they can forecast demand. When implementing Living Hours, Aviva's contractor needed the ability to look over historic data in order to understand patterns of demand and the scale of cancellations. This helped them forecast demand and plan working patterns better.

Effective rostering also includes making workers' 4 week rosters available in an accessible format, such as online through the staff intranet. Visibility of the month ahead will make it much easier for workers to plan everything from paying bills to childcare.

These systems have to extend into the back office too. Managers, payroll and HR departments need support to make sure the Living Hours measures are upheld, whether that's paying workers for cancelled shifts, or making sure they have the right to contracts that reflect actual hours worked where they're regularly working over their contracted hours. These systems are often already in place, with many organisations using them to calculate holiday entitlement and pay.

Ultimately, mutual flexibility and proper planning are at the heart of the Living Hours measures.

2. Communication is key

Living Hours is a more complicated set of standards than the real Living Wage. Organisations need to be really clear on the new measures and what they mean. Workers need to understand what they are entitled to as part of the licence so they can flag any issues, and Managers and HR need to understand the new processes so where needed they can change how they currently work.

This can only be achieved with thorough internal communication and by encouraging open conversations about the measures so they can be upheld.

3. This is about behaviour change: everyone needs to be involved

Living Hours isn't just about changing a process, to be successful it will need sustained commitment from different stakeholders. For example: individual managers and supervisors responsible for shift-setting and rosters need to be trained in how to allocate work for mutual flexibility; and HR teams need to be trained in job design, how to review actual hours worked in comparison to contracted hours, and how to have conversations with staff to ask them if they want these overtime hours in their contract. HR leads and the supervisors and managers who set rosters play integral roles in implementing Living Hours, but for the standards to really take hold everyone in an organisation needs to be committed to planning better. For example, as Aviva found, the individuals booking services across the organisation also have an important role to play in making sure that all staff have more certainty over their shifts and rosters.

SECTION 5

What next?

THE IMPACT LIVING HOURS WILL HAVE

When working with employers, contractors and employees on the pilots to test Living Hours, they thought that the positive impact Living Hours could have long-term would be felt by both employees and employers.

For employees: Employees we spoke to felt that Living Hours would enable them to plan better financially and spend more time with their families. It would make them feel valued, recognised and listened to – giving them more pride in their work and their employer. As they would be able to better balance work and care commitments, they would feel a greater sense of well-being and see health (mental and physical) improvements

For employers: Employers we spoke to felt that Living Hours would result in happier and more motivated staff. They felt that this would lead to improved retention and internal progression rates because of higher staff morale and engagement. These factors would contribute to higher performing teams and more satisfied clients. Implementing systems to ensure better planning would also help businesses develop a more robust approach to peaks and troughs which would lead to a reduction in the costs associated with last minute demands, such as agency fees.

Both employees and employers felt that better planning for everyone would contribute to more productive and decisive organisations.

HOW CAN YOU BE INVOLVED?

Good work can enhance our sense of purpose, develop our capabilities and give us a meaningful role in society. It gives us the opportunity to flourish and fulfil our potential. In contrast, poor work standards limit those in the lowest paid jobs and fail to value or use their skills, creativity and talents in the workplace. The same poor standards make it hard for those in low paid work to keep their heads above water or escape low pay through progression. Currently, we are failing on our promise as a society that work is the surest way of out poverty.

Low pay is one of the biggest barriers to good work, and it is exacerbated by insecurity of hours and underemployment. The results of an employment market where the majority of risk and cost is put on the workers has a high price for everyone: businesses, the state, workers and civil society.

The Living Wage movement has started to change the face of employment in the UK by changing the story on pay. We are looking forward to working with Living Wage employers and civil society partners to look at what this extraordinary movement can do to further ensure a decent standard of living and dignity for low paid employees.

We are right at the start of our Living Hours journey. This new work marks the start of a new step for the Living Wage Foundation and the movement. The Living Hours programme will sit alongside our other schemes, as a step in the wider employer journey with the Living Wage Foundation. We will be starting this work with larger employers in our network in the early years of the accreditation programme.

By working with those from our network who want to adopt Living Hours, or make incremental steps towards it, we will be able to further deliver on our shared mission: to tackle in-work poverty in the UK.

IF YOU AND YOUR ORGANISATION ARE INTERESTED IN JOINING US ON THIS EXCITING JOURNEY, PLEASE GET IN TOUCH WITH THE LIVING HOURS TEAM AT THE LIVING WAGE FOUNDATION (LIVING.HOURS@LIVINGWAGE.ORG.UK).

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ANNEX 1 - METHODOLOGY NOTE

The quantitative research was conducted by New Economics Foundation based on the October to December sample of the 2018 Labour Force Survey (LFS). The 2016/17 Family Resources Survey was also used to estimate the income distribution within self-employment.

The total figure of 5.1 million people includes all people earning less than the real Living Wage who experience insecurity at work which we define as (1) people in non-permanent work (casual, seasonal jobs, fixed-term and agency) excluding anyone who said they did not want a permanent job; (2) people who self-report volatile pay and hours including those on zero hours contracts; (3) people who self-report constant pay but volatile hours; (4) self-employed people.

These categories are not mutually exclusive and offer different insights into the types of low paid, insecure work people are experiencing. However, we do not double-count individuals who fulfil more than one criteria. The analysis seeks to measure forms of low paid work where experiences of insecurity and vulnerability are likely to prevail.

Since much of the findings are based on a single three month sample, the extent to which they can be considered representative of a full year is limited by any seasonal variation and biases in the data. Sectors that rely heavily on seasonal work, for example 'Agriculture, hunting and forestry' will likely see a fluctuation in the nature and composition of their workforces across the year.

Due to the nature of the LFS' sampling, income questions were not asked of unpaid family workers and those on government training schemes. As a result, any workers in these groups have been excluded from our figures.

The real Living Wage is defined at the prevailing rate at the time survey data was collected. For the Q4 2018 Labour Force Survey, the real Living Wage is defined as £10.20 per hour in London and £8.75 outside of London. For the 2016/17 Family Resources Survey, the hourly real Living Wage is defined as £8.25 for jobs outside of London and £9.40 per hour for jobs within London.

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