



Becoming a Living Wage Employer

An implementation toolkit for local authorities

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Living Wage Foundation



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FOREWORD

For almost 20 years, the Living Wage movement has been encouraging employers across the UK to do the right thing and pay staff a wage they can live on.

Recent increases to the government's minimum wage have been a step in the right direction, but there are still millions of people struggling to keep their heads above water, dragged down by rising living costs. Nearly three quarters of children living in poverty are in working families. That's why we need major employers like local authorities to lead by example and pay a Living Wage that covers the cost of living.

And local authorities can go further. The real Living Wage should also be part of any strategy to tackle the UK's problem of in-work poverty, regional inequality and weak productivity. As major employers and institutions in a place, local authorities have the power, influence and responsibility to create more inclusive economies, build local prosperity and help eradicate low pay.

Research conducted by the Living Wage Foundation found that if just a quarter of low paid workers in ten city regions were lifted onto a real Living Wage, the economic boost to local economies through increased spending and reduced benefit payments would exceed £1 billion.

Together, leading Living Wage local authorities have already lifted over 50,000 people out of in-work poverty and ensured over £300 million has been reinvested in their local areas. We hope that this toolkit encourages and supports more local authorities to sign up as Living Wage Employers and provides ideas for those already working with us to drive wider change.

By championing the real Living Wage, mayors and local authorities can help end in-work poverty and build successful, dynamic and inclusive local economies.

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SECTION 1

**The Living Wage
Campaign**

1. THE LIVING WAGE CAMPAIGN

WHAT IS THE REAL LIVING WAGE?

The real Living Wage is an hourly rate of pay set independently and updated annually. It is calculated according to the basic cost of living in the UK, and employers choose to pay it on a voluntary basis.

The real Living Wage is currently £10.55 in London and £9 in the rest of the UK.

The Living Wage rates are updated in November each year, during Living Wage Week. The calculation is overseen by the Living Wage Commission, an independent body drawn from leading Living Wage employers, trade unions, civil society and academics. The methodology is based on the 'Minimum Income Standard', which is determined by what members of the public think is needed for an acceptable standard of living in the UK.

In April 2016, the government introduced a higher minimum wage rate for all staff over 25 years of age, inspired by the Living Wage campaign. Currently set below the real Living Wage, the government's National Living Wage is not calculated according to what employees and their families need to live, but rather it is based on a target to reach 60 per cent of median earnings by 2020. Even after the recent increase in the National Living Wage, workers on this rate are over £1,500 worse off a year than they would be on the real Living Wage. When you take into account the increased cost of living in London, this rises to workers in the capital being over £4,500 worse off a year on the National Living Wage compared to the real Living Wage.

HISTORY OF THE LIVING WAGE CAMPAIGN

The campaign for the real Living Wage was launched in 2001 by Citizens UK, the home of community organising in the UK. The movement is a unique example of businesses, civil society institutions and citizens joining together around the belief that a fair day's work deserves a fair day's pay.

The movement began at a meeting in East London, when Citizens UK brought together churches, synagogues, mosques, schools and other local institutions to talk about the issues affecting their communities. One issue came up again and again – low pay.

It became clear that the government's minimum wage was simply not enough. Some people were working two or three minimum wage jobs and still struggling to keep their heads above water. The gap between the legal minimum and the amount needed for families to live on was having a big impact on people and their family life.

Out of this meeting, a powerful movement of faith leaders, trade unions and community organisations came together to call on major employers to pay all staff, including those contracted through a third-party, a wage they could live on.

In 2011 the Living Wage Foundation was established to promote the Living Wage and celebrate employers who pay the real Living Wage by awarding the Living Wage Employer Mark. Living Wage Employers pay all their directly employed and regular third-party contracted staff the real Living Wage. It is a voluntary scheme, providing an ethical benchmark for responsible pay.

The campaign enjoys cross-party political support and has been championed by successive Mayors of London, including Boris Johnson and Sadiq Khan.

In the 18 years since the campaign started, over 200,000 people have had their wages uplifted as a direct result of the Living Wage movement. For each of these people, the increase to the real Living Wage means the difference between struggling to keep the heating on and being able to afford to put food on the table. There are now over 5,000 accredited Living Wage Employers, all committed to protecting their workers from in-work poverty. These range from large, well-known organisations such as Google, Liverpool FC and IKEA, to thousands of small-to-medium size enterprises, each implementing the new real Living Wage rates every November. Collectively, these employers have put more than £1 billion of extra money into the pockets of low-paid workers.

WHY PAY THE REAL LIVING WAGE?

Despite the success of the Living Wage campaign, research published last year found that more than 6 million UK jobs now pay less than the real Living Wage and this number is rising¹. Over 1 million people working in the public sector are paid less than the real Living Wage². As a result, more workers than ever are struggling to keep their heads above water on wages that don't meet the basic costs and pressures of everyday life.

By paying the real Living Wage, employers are voluntarily taking a stand to ensure their employees can earn a wage which is enough to live on. This means they can participate in society, having enough to live and not just get by. It means catching one train instead of two buses to work, having a family holiday and being able to afford birthday presents. That basic fairness is at the heart of what the Living Wage campaign is trying to achieve and why great businesses and organisations choose to go further than the government minimum.

Paying the real Living Wage is also good for employers. Research conducted by the Cardiff Business School showed that employers who paid the real Living Wage experienced distinct benefits as a result³. Businesses reported higher staff morale and motivation, better quality of candidates during recruitment, improved rates of retention, lower rates of sickness and absence, as well as enhanced productivity. This shows that not only is paying the real Living Wage the right thing to do, it also makes organisations more effective.



ABILIO MESQUITA
CATERING ASSISTANT
CARDIFF COUNCIL

“The Living Wage changed my life in many ways. I used to work long hours for a set wage, my wife didn't work at all, she couldn't because she was looking after the kids.

Now with the Living Wage in place we both can work and divide the responsibilities. I can spend time with my family and kids and our family life is much happier.

I feel much more appreciated in the workplace, all thanks to the Living Wage.

It absolutely made an amazing difference to our lives.”

“Since I started working here and earning the real Living Wage, I have been able to pay rent by myself and I'm also paying taxes for the first time.

Receiving the real Living Wage means I have been able to afford to buy the extra things my toddler needs, and I have started to save a small amount each month for his future. It makes a big difference to me. I have spoken to others here and we feel lucky to be paid at a decent level. It makes us feel that the effort we put in is worth it.

We are being given a chance to shine and show what we are capable of”.



AFSA AHMED
FORMER APPRENTICE
ISLINGTON COUNCIL

SECTION 2

Local Authorities

and the real

Living Wage

WHY IT MATTERS FOR LOCAL AUTHORITIES

SAFEGUARDING WORKERS FROM IN-WORK POVERTY

Despite central government cuts to local authority funding over the last ten years, councils and combined authorities still employ large numbers of people, both directly and through third-party contracts, and collectively procure over £40 billion worth of goods and services each year. It is only through accreditation that local authorities can ensure that all the money they spend is being used to pay people the real Living Wage. As the Social Mobility Commission highlighted in their recent State of the Nation report, people from working class backgrounds are much more likely to be paid below the real Living Wage than those from more advantaged backgrounds⁴. This highlights the entrenched social mobility problems within the low paid workforce, with generations of families being trapped in low-paying jobs.

Additionally, data from the Office for National Statistics show that 27% of women earn less than the real Living Wage, compared to 17% of men, demonstrating the persistent gap between what women and men are paid, even at low levels of pay.

By becoming an accredited Living Wage Employer, local authorities are ensuring that all of their directly employed and third-party contracted staff are earning a wage that meets the cost of living, safeguarding them from in-work poverty and providing enough income to live a healthy life⁵.

INVESTING IN THE LOCAL ECONOMY


Research in 2018 found that the extra wages paid by local authorities accredited as Living Wage Employers are invested back into the local economy⁶. The report found that if just a quarter of those on low incomes saw their pay rise to the real Living Wage in ten of the UK's major city regions, a subsequent increase in wages, productivity and spending could deliver a £1.1 billion economic boost to major UK cities. This highlights the cumulative impact of local authorities paying the real Living Wage. When workers earn enough to live, they have more income to spend in the local economy.

By accrediting as Living Wage Employers, local authorities are not only improving the lives of their employees but also making an investment in the community and local economy. Providing workers with more disposable income means more money will be spent with local businesses, generating wealth in the area.

DEMONSTRATING CIVIC LEADERSHIP

Local authorities have a key role to play in their communities by helping to promote and grow the Living Wage movement. As prominent institutions in their communities, they can lead by example and catalyse change by demonstrating a public commitment to the real Living Wage.

Accredited local authorities can take steps to promote the Living Wage in their local employer communities by offering business incentive schemes, business engagement events and proactive publicity. Where accredited local authorities utilise their status as prominent employers, embed the Living Wage through their procurement processes and encourage other organisations to pay the real Living Wage, they create a ripple effect, improving the lives of people who live and work in the local area. Strong and visible leadership is important to the growth of the Living Wage and there is a huge opportunity for local authorities to play an even greater role, beyond their own workers, in tackling in-work poverty in their communities.



LIFTING 1/4
OF LOW INCOME
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CITIES

2. LOCAL AUTHORITIES AND THE REAL LIVING WAGE

INCREASING EFFECTIVENESS THROUGH ACCREDITATION

Beyond being the right thing to do and an investment in both workers and the community, paying the real Living Wage has distinct benefits for local authorities as employers. Cardiff Business School asked local authorities across the UK how they had benefited from Living Wage accreditation⁷. Of the local authorities surveyed:

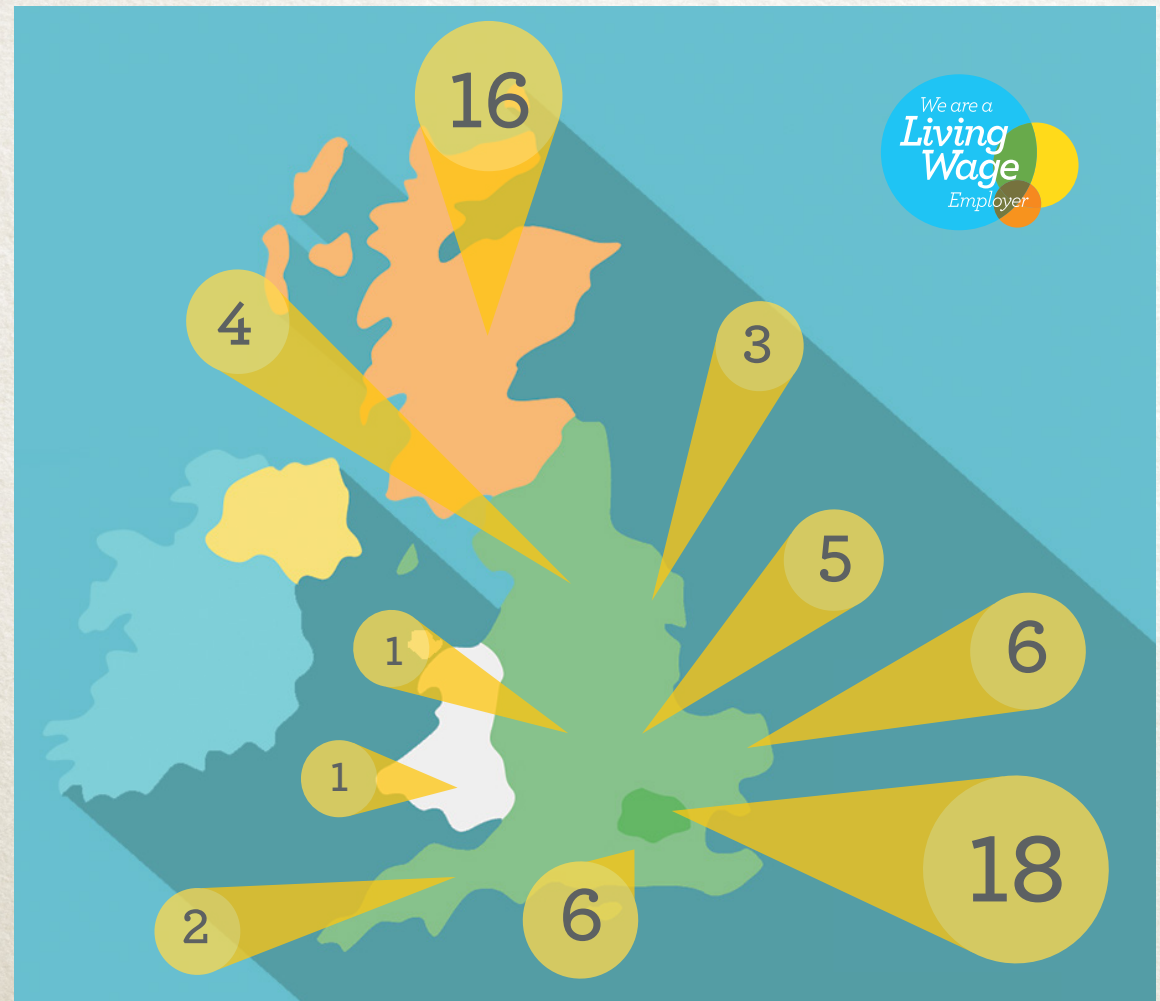
- **86%** said it had enhanced the organisation's corporate reputation
- **84%** said it had enhanced the organisation's reputation as an employer
- **77%** said it had improved relations with public bodies or politicians
- **74%** said it had increased the motivation of employees
- **67%** said it had improved employee retention
- **67%** said it had improved recruitment into Living Wage jobs

NORWICH CITY COUNCIL said "the benefits of accreditation as a Living Wage Employer achieve much more than simply paying the real Living Wage to directly employed staff and have a much wider impact. It strikes at the roots of low pay and poverty - through ensuring that any services procured from third parties require that they pay the real living Wage.

We chose accreditation because it is a practical demonstration of civic leadership and ethical values. Leading by example has been the basis of building a coalition of Living Wage Employers across Norwich. The benefits to individuals have been truly transformative. If a council is serious about tackling poverty, deprivation and restoring dignity to people in work and a sense of inclusion as citizens, accreditation as a Living Wage Employer is a major step in achieving those objectives."

HOW MANY LOCAL AUTHORITIES ARE ACCREDITED?

Of the UK's 428 district councils, county councils, unitary authorities, metropolitan boroughs, London boroughs and combined authorities, more than 60 (one in seven) are accredited real Living Wage Employers. The 60+ accredited Living Wage councils are distributed throughout the UK, with over 40 in England, 16 in Scotland, and 1 in Wales.



SECTION 3

The journey to becoming an accredited

**Living Wage
Employer**

THE CRITERIA FOR ACCREDITATION

Through accreditation, local authorities are making a commitment to tackle in-work poverty in their communities. They are ensuring that all staff are paid at least the real Living Wage and that the independently calculated rates are implemented each year to keep up with the cost of living. Accreditation also means they can use the Living Wage Employer Mark to publicly demonstrate this commitment to the real Living Wage.

Accredited Living Wage Employers sign a licence agreement with the Living Wage Foundation to confirm they pay at least the real Living Wage to all directly employed staff and have committed to pay the real Living Wage to all regular third-party contracted staff for every hour worked. This applies to all workers over the age of 18, excluding apprentices.

At the point of accreditation, organisations have to ensure all of their directly employed staff are paid at least the real Living Wage and there must be a plan in place for phased implementation of the real Living Wage across third-party contracts. The Living Wage Foundation works with employers to agree a plan that works for each organisation which is reviewed each year at the point of their anniversary.

Step 1: Local authority decides to become an accredited Living Wage Employer

- Ensure there is political buy-in to become an accredited Living Wage Employer
- Ensure all directly employed staff are paid at least the real Living Wage
- Enquire with the Living Wage Foundation to begin process and receive guidance
- Nominate an individual to be lead officer on the real Living Wage to liaise with the Living Wage Foundation and document progress
- Initiate an internal working group to plan and manage the Living Wage on an ongoing basis

THE INTERNAL WORKING GROUP

Achieving and maintaining accreditation requires senior buy-in and input from across the organisation. This working group should meet at least biannually to ensure continuity through the process. It should comprise of senior representatives from HR, procurement, care commissioners, communications and finance. We encourage all to involve any recognised trade unions as part of this too.

IDENTIFYING RELEVANT CONTRACTS

This must be all contracts where labour is being purchased and the contract is for at least 2 hours a week for 8 consecutive weeks. This may seem like an arduous process, but it is important to have a clear view of all workers who are in scope of Living Wage accreditation at the outset of your journey. Once the contracts have been collated, the Living Wage Foundation is able to work through this with you to ensure all relevant workers are covered.

Step 2: Making a plan for procurement

- Identify all relevant contracts that need the Living Wage embedded, with target dates for implementation
- Build Living Wage into all terms and conditions, pre-qualification questionnaires and future supplier communications
- Plan how this will be managed and reported annually to the Living Wage Foundation

3. THE JOURNEY TO BECOMING AN ACCREDITED LIVING WAGE EMPLOYER

Step 3: Approval and accreditation

- Submit completed licence application and approved milestones to the Living Wage Foundation
- Display your Living Wage Employer Mark, Living Wage plaque, and appear on the Living Wage Foundation's interactive map of accredited employers
- Continue working group to monitor progress and agree reporting schedule with the Living Wage Foundation
- Plan how you can celebrate your accreditation and best promote the real Living Wage to local businesses

BEFORE ANNOUNCING YOUR ACCREDITATION

Before accreditation is announced, HR and communications teams should inform all internal staff that you are becoming an accredited Living Wage Employer, communicating what this entails and how it affects them. You can then begin to plan exciting ways to showcase your Living Wage Employer Mark, especially during Living Wage Week, our annual celebration of Living Wage Employers each November.

POST-ACCREDITATION IMPACT

The impact a local authority can have when accredited:

- Shows its commitment to all staff and their quality of life
- Raise the profile of the Living Wage campaign locally
- Be a model employer and demonstrate visible leadership on tackling poverty pay, inspiring others to do the same
- Be celebrated and benefit from positive public relations with support from the Living Wage Foundation

Step 4: After accrediting, a local authority can:

- Promote itself as an accredited Living Wage Employer
- Display the Living Wage Employer Mark on websites, vehicles, recruitment advertisements and display the Living Wage plaque in all buildings
- Receive merchandise and digital assets from the Living Wage Foundation
- Feature in the Living Wage Foundation's Living Wage Business Directory

AVAILABLE SUPPORT

The Living Wage Foundation has significant experience of guiding complex organisations through the accreditation process. The Foundation can provide advice on paying the real Living Wage, including examples of best practice on implementing the rate increase, communication with your staff and ensuring the real Living Wage is embedded throughout procurement.

Due to the nature of the services they deliver, local authorities often have complex procurement and contract structures. When it comes to longer-term contracts, the Living Wage Foundation works with employers to identify opportunities for uplift to the real Living Wage, such as through break clauses or renegotiation mid-cycle, so that most contracts are uplifted to the real Living Wage within three years.

Given this complexity, it is often best for local authorities to learn from each other about how to tackle particular challenges. The Foundation can set up a 'buddying' arrangement between a council which wishes to accredit and one which already has.

It is important to see accreditation as representing the first significant step in your Living Wage journey, rather than it being the destination itself.

3. THE JOURNEY TO BECOMING AN ACCREDITED LIVING WAGE EMPLOYER

PROMOTING THE LIVING WAGE: CARDIFF COUNCIL

In 2012, CARDIFF COUNCIL started paying its entire workforce the Living Wage. Since gaining accreditation in 2015, the Council has actively promoted the Living Wage across Cardiff.

Actions include:

Publicising the fact that 2,200 full and part-time Council staff get an annual pay uplift, at a cost of around £1 million

Putting Living Wage advertisements on bin lorries

Displaying the Living Wage logo in all Council buildings and on the Council jobs page

Flying 40 huge Living Wage flags, sourced from another Living Wage Employer, from Cardiff Castle's ramparts during Living Wage Week

Amending our tender documentation to ask tenderers a range of questions on fair work practices including encouraging payment of the Living Wage

Establishing and marketing a Living Wage Accreditation Support Scheme to 4,000 business to encourage more SMEs to pay the Living Wage by covering their accreditation costs for 3 years

Embedding the Living Wage into the Council's key strategic documents including Capital Ambition the five year plan for Cardiff and the Socially Responsible Procurement Policy which sets out the Council's values and principles

Making a video with Living Wage Employers and employees to promote the benefits of paying the real Living Wage

Developing and then circulating a Living Wage leaflet to businesses in Cardiff and handing out at Economic Development Business Forum meetings

Publicising Councillor Weaver's blog about the Council being the Living Wage for Wales Champion 2017-18



SECTION 4

Common challenges
and overcoming them

DIRECTLY EMPLOYED STAFF

In order to become an accredited Living Wage Employer, you must be paying all of your directly employed staff at least the real Living Wage. Whilst many of the challenges local authorities face in accreditation relate to procurement, it is important not to overlook this first phase of the journey.

The steps to implement the real Living Wage for all directly employed staff are:



THE LEGALITY OF INSERTING THE REAL LIVING WAGE AS A REQUIREMENT IN PROCUREMENT

Local authority lawyers often express concern regarding potential legal challenge, should their council make the real Living Wage an explicit requirement in their procurement processes. The European Union's Posted Workers Directive regulates what is permitted in relation to the pay of workers travelling from one member state to another for employment. This directive only permits procurement requirements that are either part of the receiving country's national legislation or are established through a collective agreement that is universally applicable. The real Living Wage satisfies neither of these criteria and so could be perceived as an invalid imposition on workers travelling to the UK to work as contractors on behalf of a local authority here. This could put a council in breach of its legal obligations under the directive, providing grounds for a challenge under the Public Procurement Regulations. However, Living Wage accredited local authorities have found effective mechanisms to secure the real Living Wage in all new or renewed contracts, whilst minimising the risk of any legal challenge:

- Seek a real Living Wage tender and a non-Living Wage tender and then always opt for the real Living Wage tender.
- Make the real Living Wage an explicit question in tender documentation and the contract conditions issued with the tender for standard contracts. It can then be introduced as a consideration later in the process for contracts large enough to garner cross-border interest. The real Living Wage can be given weight at the tender evaluation stage as a valid Social Value consideration or as a method of achieving financial Best Value.

It is important to note that no legal case has ever been brought against any local authority in the UK for building the real Living Wage into its procurement policy and practice. As such, the risk of such a case being brought is low.

4. COMMON CHALLENGES AND OVERCOMING THEM

PROCUREMENT

As well as directly employed staff, all accredited employers must also ensure that all regular third-party contracted staff receive the real Living Wage. The definition of 'regular' for accreditation purposes is those who work on the council's behalf for two or more hours a week, for eight consecutive weeks. These criteria try to capture outsourced workers such as cleaners and caterers, rather than occasional staff such as those who perform irregular maintenance. However, it is best practice to pay all contracted workers the real Living Wage.

It is not uncommon for local authorities to have thousands of contracts in place and it is often in contracted areas of business, such as care, cleaning and security, that most low-paid jobs are concentrated. So, whilst it can be challenging to implement the real Living Wage as a criterion in procurement, it is here that the decision to

pay the real Living Wage has most impact on low-paid workers. The Living Wage Foundation can provide assistance and best practice in helping a local authority navigate these obstacles.

It is also important to note that Living Wage accredited local authorities have not found that they have become uncompetitive as a result of implementing the real Living Wage in their procurement processes. In most cases, contractors still compete and bid for their work as they did before.

As with directly employed staff, when it comes to implementing the real Living Wage across third-party contracts, there are several steps a local authority should take:

Step 1:

Collate all third-party contracts and identify which fall within scope of the Living Wage licence agreement. The Living Wage Foundation will help you to review this to make sure all relevant staff are covered.

Step 2:

Budget for the real Living Wage in all new and renewed such contracts. This will be easier for some contracts than others (please see the following sections for guidance on implementing the real Living Wage in particularly challenging areas, such as adult social care).

Step 3:

Work with the Living Wage Foundation to set target dates for when the real Living Wage will be implemented in each contract. These target dates should be within three years of accreditation and will form 'milestones' that are continually monitored. Once this has been agreed, the local authority can become an accredited Living Wage employer.

Step 4:

Include the real Living Wage in your procurement policy and as part of standard terms and conditions as a permanent requirement.

Step 5:

Record the overall percentage of (relevant) contracts (by financial value) which require that the real Living Wage be paid.

Step 6:

Record how many workers have their wages uplifted in each council contract.

4. COMMON CHALLENGES AND OVERCOMING THEM

MONITORING COMPLIANCE

While local authorities accredited as Living Wage Employers can sign contracts which require contractors to pay the real Living Wage, it is important that this commitment is followed through and workers on this contract actually receive this wage.

Monitoring contractor compliance is therefore an important consideration for an accredited local authority.

First and foremost, it is important for all accredited local authorities to publicise and promote their status as Living Wage Employers. By making this well-known within the local area, all staff working on contracts will be aware of the wage they should be receiving. Any concerns can be raised via the [Living Wage Foundation's whistleblower service](#), which will then be dealt with directly with the contractor. Some local authorities ask their local trade unions' representatives to encourage their members to flag any contractor which is not paying the real Living Wage to their workers.

Local authorities accredited as Living Wage Employers are ultimately responsible for ensuring all staff on relevant contracts are receiving the real Living Wage.

The **LONDON BOROUGH OF CAMDEN** is a model of good practice in this regard, requiring its contractors to submit each year a 'London Living Wage Payment Certificate of Compliance' or 'London Living Wage Confirmation of Payment Annual Declaration'.

SHEFFIELD CITY COUNCIL

“ Sheffield's low wage economy motivated us to adopt the real Living Wage. We have had to change the way we procure and specify, educate and raise awareness with suppliers on the bottom line benefits and brand value that the real Living Wage generates.

Our changes include:

- Launching an Ethical Code of Conduct for Suppliers, (ECCS), detailing a commitment to pay the real Living Wage. This will be in all tenders issued by the Council and embedded in to contract management to hold suppliers to account.
- Development of an Ethical Scorecard including a KPI on the Living Wage, which is recorded and reported at both Executive and Member level. This is also in our Contract Management toolkit including processes to monitor and manage Living Wage values and volumes as applicable.
- Data collected across 28 categories informing the Council of the gaps and cost pressures which has informed the consideration of the impact of the Living Wage at commissioning stage. This in turn has allowed us to develop a targeted action plan by category in order to embed the Living Wage across our supply chain. This has also provided a baseline to measure KPIs.
- We have worked with the University of Sheffield on an Employment Diagnostic toolkit that amongst other things seeks to identify the wage status of employee across the Council's supply chain.
- Setting up a 'Progressive Procurement' Group of key Sheffield Partners including colleges, universities, NHS/CCG with a key agenda to increase the real Living Wage across its considerable combined supply chain.

Our data suggests that now circa **80% OF OUR SUPPLY CHAIN IS NOW PAID THE REAL LIVING WAGE** with recent service contracts being moved to the Living Wage following procurement exercises. Feedback from one of our contractors is that sickness absence has been reduced. This has meant less reliance on organising costly agency cover staff resulting in lower business costs. ”

4. COMMON CHALLENGES AND OVERCOMING THEM

AREAS TO CONSIDER

TENANT MANAGEMENT ORGANISATIONS

Tenant Management Organisations (TMOs) and Tenant Management Co-operatives (TMCs) are arrangements under which council tenants exercise their legal right to run their own estate.

Such outfits run and maintain council estates, but they employ staff on their own terms and conditions, separate from the council. This means it is difficult for the local authority to mandate them to pay staff the real Living Wage.

As with schools outside of the direct governance of the local authority, the role of the council is to **persuade these organisations to pay their staff the real Living Wage.**

SCHOOLS

Schools present difficulties for a local authority wanting to accredit as a real Living Wage employer. In recent times schools have gained more autonomy and therefore their pay rates are difficult local authorities to dictate.

To accredit with the Living Wage Foundation, local authorities will need to show they have:

1. Paid the real Living Wage in schools managed by the local authority
2. Encouraged academies to pay the real Living Wage and sign up to accreditation
3. Promoted paying the real Living Wage to free schools where the local authority does not have the power to mandate it.

TRADING COMPANIES

In recent years, many local authorities have established their own trading arms. Employees of these companies, although wholly owned by council shareholders, need not be council staff and, as such, need not be subject to the same pay-bands. There is a risk then that those working for these trading companies get paid below the real Living Wage.

Local authorities, however, as the sole shareholders of such companies, are responsible for ensuring that all employed by these organisations are paid at least the real Living Wage. As part of the accreditation licence agreement, all employers are required to ensure that all staff working for wholly-owned subsidiaries are paid at least the real Living Wage.

SHARED SERVICES

Where local authorities share services, the real Living Wage should be implemented within the terms and conditions across the whole of the shared service. Where such an agreement cannot be reached, **local authorities should negotiate specific terms and conditions for staff working on their side of the contract.**

Examples of this around the country can be found in fields such as Revenues and Benefits, School Meals and Museums.

ADULT SOCIAL CARE

There are significant challenges facing local authorities seeking to implement the Living Wage in adult social care. However, progress is being made on this front by a growing number of councils, and these challenges should not discourage any local authority from becoming an accredited Living Wage Employer.

The Living Wage Foundation explicitly acknowledges the difficulties local authorities encounter when they try to drive the Living Wage throughout their contracted adult social care workforce and that there is no simple or cost-free fix. Nonetheless, significant progress is being made by determined councils nationwide. The Foundation does not exclude adult social care workers from its requirement that all council contractors be paid at least the real Living Wage, but it does accept that in many cases this will be the hardest category of contractor to crack, and likely the one which will take the longest.

To make real impact in this area, the Living Wage Foundation takes a proactive approach:

1. Locally – working with local authorities to help them take the specific steps laid out over the next pages in this toolkit to secure the real Living Wage for their social care workforce
2. Regionally - fostering collaboration and joint commissioning between local authorities within regions to implement the real Living Wage in care homes which are shared

The Living Wage Foundation also encourages local authorities to sign up to [UNISON's ethical care charter](#).

DOMICILIARY ADULT SOCIAL CARE

Domiciliary adult social care is an area in which political will and additional finance are crucial if the real Living Wage is to be secured. While it is less challenging to secure the real Living Wage for those delivering 'block' contracts in domiciliary care, 'spot' contracts and direct payments (where residents receive money to purchase their own care) are harder to address. Nevertheless, several councils have managed to secure the real Living Wage for some or all their domiciliary adult social care staff, including Hackney, Newham, Cheshire West and Chester, Perth and Kinross and Islington.

STEPS TO IMPLEMENTATION:

Step 1: Ensure any directly employed homecare staff are paid at least the real Living Wage.

Step 2: Secure payment of the real Living Wage for staff delivering homecare block contracts by building in this requirement. Ideally, this can be done mid-contract via negotiation with relevant contractors. If that proves impossible, then it should be done for all new or renewed such contracts. This may have significant financial implications for the local authority but should otherwise prove relatively straightforward as contracts come up for renewal.

Step 3: Stipulate payment of the real Living Wage for staff delivering homecare spot contracts by building this stipulation into the letters or service level agreements through which the local authority secure spot purchased homecare. Again, this will likely have financial implications and implementing it effectively will demand closer monitoring than is currently standard with most spot purchasing arrangements.

Step 4: Encourage the recipients of direct payments to ensure their carers are receiving the real Living Wage for the time they are providing their care. This should take the form of a letter to all direct payment recipients, making clear that the local authority is giving them sufficient funds to pay the real Living Wage for their hours of care. It is still the individual's decision to pay their carers the real Living Wage, but the local authority should provide the means and encouragement to enable this decision.

RESIDENTIAL ADULT SOCIAL CARE

Residential adult social care is the most challenging area for local authorities to secure the real Living Wage for their contractors. The business model for most care homes in the country is usually predicated on low pay, and the vast majority of costs are staff costs.

Additional challenges are presented when different public organisations and private individuals purchase beds within a single care home. Even if one of these organisations wishes to pay the real Living Wage for the care staff working on 'their' beds, it is not feasible for staff to be paid different amounts for the work they do on different sides of the same room. A coalition can be built among the purchasers of beds, but building such coalitions is far from easy, and the homes themselves are sometimes governed by lengthy Private Finance Initiative (PFI) contracts with limited flexibility, adding additional complexity.

However, there are now some care homes where all the beds are bought by one purchasing organisation, which do pay their staff the real Living Wage. It may also be that health and social care integration, perhaps most advanced in Greater Manchester, will reduce the complexity of implementing the real Living Wage in adult residential social care.

STEPS TO IMPLEMENTATION:

Step 1: Ensure any directly employed care home staff are paid at least the real Living Wage.

Step 3: Negotiate payment of the real Living Wage for your contractors delivering residential care in care homes where the local authority buys *some* but not all of the beds through a *block* contract. Start with those care homes where you buy a higher proportion of the beds. This may have financial implications for the council and will certainly involve negotiating with the contractor, as well as potentially with other purchasers of beds in the care home in question.

Those other purchasers will often be other nearby local authorities or clinical commissioning groups (CCGs), with whom collaboration on a collective approach may well be possible. Other beds in the care home may be purchased by self-funding families, who tend to pay more per bed in care homes than councils, effectively subsidising local authority beds. This means it is the other public sector parties who need to pay more to enable the contractor to pay its staff the real Living Wage. In order to avoid some local authorities subsidising others, it is desirable to broker a unified approach and set of rates.

Step 2: Secure payment of the real Living Wage for your contractors delivering residential care in care homes where the local authority buys all the beds. Such a situation will usually arise where there is a block contract for all the beds. This may have financial implications for the council but should otherwise prove relatively straightforward to achieve.

Step 4: Stipulate payment of the real Living Wage for staff delivering residential spot contracts by building this stipulation into the individual service agreements or preplacement agreements. If successful, this approach will likely have financial implications, and implementing it effectively will demand closer monitoring than is currently standard with most spot purchasing arrangements, some of which may involve sending residents to care homes outside the local authority area.

Step 5: Ensure contract managers and quality assurance staff meet regularly with adult social care contractors to examine their staff files, inspect payrolls and encourage whistleblowing regarding any pay below the real Living Wage.

CASE STUDIES: SOCIAL CARE PROCUREMENT AT THE LIVING WAGE

BLACKPOOL COUNCIL has undertaken thorough research on the implications of the real Living Wage in social care locally, including detailed analysis of the operating conditions and pressures on providers in the field.

The council established an “Adult Social Care real Living Wage Working Group” which performed consultation with affected staff, remodeled fee structures and simulated operational changes. It concluded that securing the real Living Wage for domiciliary care staff in the area would cost roughly £3m extra, despite the Adult Social Care Levy only raising £900,000 locally. It encountered problems with the erosion of differentials in an industry where supervisors are typically paid only 20p more per hour than those they supervise. It also observed unintended consequences, with some staff, now better paid, opting to work fewer hours, which meant a reduction in capacity while demand rose.

Nonetheless, Blackpool has persevered and managed to convince its local Clinical Commissioning Group (CCG) to pay the increased council rate for homecare staff and has set up a Health and Social Care Career Academy with the local further education college and the NHS.

In 2014, **ISLINGTON COUNCIL** secured the real Living Wage for approximately 500 domiciliary social care workers, working for three different contractors, delivering 530,000 hours of home care each year for 850 service users. This cost the council £1m on top of contracts which collectively already cost £7m per annum. Of these staff, 180 lived in Islington, and most were black and minority ethnic (BAME) women.

In a sign of innovation in the private sector, **LABOUR XCHANGE**, whose purpose is to connect underemployed workers with the world of work, recently began piloting a platform called ‘Care Xchange’ with Sunderland Council and North Yorkshire County Council. The platform is focused on ensuring that care workers whose services are purchased via direct payments receive at least the Living Wage, as well as aiming to increase the number of care workers available, and understanding how they can be up-skilled.

HACKNEY COUNCIL’s approach to securing the real Living Wage in adult social care is underpinned by strong political support and robust arrangements of democratic scrutiny.

In domiciliary care, the council’s block contracts are secured via a framework which requires payment of at least the real Living Wage. Spot purchase of homecare is performed by way of a letter to the provider, setting out the council’s clear expectation that carers be paid at least the real Living Wage, along with a going rate which enables this. Those in receipt of direct payments to purchase their own care also receive a letter from the council, urging them to pay at least the real Living Wage and making clear they are receiving sufficient funds to be able to do so.

In residential care, the council’s in-borough block purchase of beds is via a contract that secures the Living Wage for carers. Its block purchase of out-of-borough beds, and its spot purchase of beds in general, are again performed via a letter which sets out the council’s expectations in terms of carers being paid at least the Living Wage.

The letters, which feature in some of the arrangements mentioned above, fall short of constituting fully-fledged contracts per se, and so the Living Wage, whilst an explicit expectation, may not, strictly speaking, be a contractual requirement. In terms of monitoring these arrangements, Hackney Council’s contract managers and quality assurance staff meet quarterly with relevant providers, look at staff files, inspect payrolls, and encourage whistle-blowing regarding any pay below the Living Wage, including via trade unions. The council also engages with care providers on an ad hoc basis, if any concerns arise.

SECTION 5

What next?

5. WHAT NEXT?

BEYOND ACCREDITATION: CHAMPIONING THE REAL LIVING WAGE

As well setting an excellent example locally, becoming an accredited Living Wage Employer also gives local authorities the power to influence their local economy. Not only does it boost the income and purchasing power of your residents, it means you are able to engage and convene local businesses, promoting the real Living Wage and celebrating those businesses who go further than the government minimum.

Local authorities around the country go above and beyond the requirements of the licence to develop innovative methods of supporting the real Living Wage in their communities. Examples of best practice include:

- Renegotiate *existing* contracts to secure the real Living Wage mid-contract
- When accrediting, backdate real Living Wage payments to the date of the rate-rise announcement itself and adjust pay to meet the new rate earlier than required
- Require that organisations benefitting from concessions on the council's premises (such as cafes in its libraries or leisure centres) pay their staff the Living Wage

- Celebrate Living Wage Week in November. Living Wage Week is the annual celebration of the Living Wage movement in the UK and it is when the new rates are announced.. For many accredited local authorities, Living Wage Week is an annual celebration of their commitment as well as a chance to promote the real Living Wage amongst local businesses. Fly the Living Wage flag from your town hall, organise business events or create social media content; we encourage you to be as inventive as possible in celebrating the annual rate announcement, like Islington Council, who projected the Living Wage logo on their town hall.



- Become a [Living Wage Funder](#) to enable all local authority grantees to pay their staff the real Living Wage

LIVING WAGE FUNDERS enable and encourage their grantees to cost up funded salaries at the Living Wage and above. To sign up as a Living Wage Funder, organisations must:

1. Be an accredited Living Wage Employer
 2. Seek to ensure your grant funded posts are funded at the Living Wage
 3. Support grantees to become Living Wage Employers
- Make Living Wage accreditation a requirement for local good employment standards or badges, such as Croydon's Good Employment Kitemark or the Mayor of London's Good Work Standard
 - Pay the Living Wage to apprentices (as, for instance, Salford Council does after a year of their employment)

5. WHAT NEXT?

BEYOND ACCREDITATION: CHAMPIONING THE REAL LIVING WAGE

- Offer business rates relief for accredited Living Wage Employers and communicate this to local businesses

LAMBETH COUNCIL is proud to be a London Living Wage Employer with all staff and 99 per cent of its contracts all paying the rate at a minimum. Workers who are paid the Living Wage are more financially secure – they are more able to pay rent, buy food and pay taxes – as it's designed to better reflect the cost of living. So the council is keen to do what they can to promote paying the Living Wage to local businesses.

For the 2019/20 financial year Lambeth Council is offering a business rate discount, equivalent to double the accreditation fee, to employers who become newly accredited with the Living Wage Foundation. Employers need to complete a short application for the discount and provide their accreditation letter as proof of the date of accreditation. It's had a brilliant response from local businesses and will lead to many Lambeth residents being lifted out of in-work poverty. Similar business rate discount schemes are also operated in London by Brent, Greenwich, Ealing and Lewisham councils.

- Establish a real Living Wage Zone or Building. The first Living Wage Building is International House in the London Borough of Lambeth - an 11-storey tower block, owned by Lambeth Council and managed by 3Space.

A LIVING WAGE ZONE or BUILDING is a defined geographical area in which multiple employers are based, where all staff are paid at least the real Living Wage.

A clause should be included within tenancy agreements to ensure all staff including regular third party staff are paid the real Living Wage.

- Undertake shareholder activism to secure the real Living Wage at companies in which the council pension fund invests. The charity [ShareAction](#) is able to support activism of this kind.

“Local authorities wield a special sort of power to get big companies operating in their area to improve pay for workers and local residents. As asset owners with large pension pots to invest, they can supercharge their engagement with businesses as they often have a shareholding and therefore a say in how the company is run. It's also a great example of extending their democratic duty to voters by using shareholder activism to fight for better wages for their community.”

SHAREACTION

- Through the council's Licensing work, encourage licensees to become accredited Living Wage Employers, for instance by advocating Living Wage accreditation at Pubwatch, Environmental Health and Trading Standards meetings.
- Work to tackle underemployment and insecurity in the council's directly and indirectly employed workforces by signing up to be a Living Hours Employer.

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. Accredited Living Wage Employers sign up to:

1. **At least four weeks notice period for shifts, with guaranteed payment if shifts are cancelled within this time**
2. **The right to a contract that reflects accurate hours worked, and a guaranteed minimum of 16 hours a week unless the worker requests otherwise**

5. WHAT NEXT?

BEYOND ACCREDITATION: CHAMPIONING THE REAL LIVING WAGE

- Help your area become a [Living Wage Place](#). The first city to achieve recognition for their commitment to “Making a Living Wage Place” is [Dundee](#). There is now a growing number of cities, towns and boroughs across the UK looking at how they can begin their unique journey towards being recognised for making their own Living Wage Place.

LIVING WAGE PLACES is an aspirational model and brings together organisations, businesses and people to tackle low pay in a place. Three steps to making a Living Wage place are:

1. **Create an Action Group of accredited Living Wage Employers based in and representative of the city, town or borough**
2. **Research the local low pay landscape**
3. **Develop a clear and ambitious Living Wage Action Plan**

GLENROTHES is the first Scottish town to be recognised for Making a Living Wage Town in August 2019. The Glenrothes action group is comprised of Fife Council, Fife College, Fife Third Sector Interface, local councillors, Glenwood Salon, and Landfall Scaffolding Ltd with additional private enterprise members invited to feed in on accreditation.

The action group have developed the following action plan priorities for 2019-2022:

- Target the town’s most prevalent industries based on highest numbers of workers employed (care, construction and manufacturing), whilst assessing what works well, in order to inform the plans for making other Living Wage towns across the region
 - Prioritise engagement with key industries identified by the Action Group as low pay challenges including care, construction and manufacturing
- Celebrate businesses who join the Living Wage Employer movement with case studies and storytelling as part of a local Living Wage marketing strategy
 - Encourage major employers and anchor institutions in the wider Fife region to accredit
 - Support local employers with small grants to assist in their Living Wage accreditation, administered by the Action Group

These priorities are based on improving the region’s baseline coverage of 64 accredited Living Wage Employers, employing over 21,000 workers. In Glenrothes, this coverage represents the equivalent of 12 per cent of Fife’s workers being employed by Living Wage Employers.

- Use convening powers and business networks to promote the real Living Wage and accreditation to large, private organisations in your area such as universities, football clubs and transport companies.

CAMBRIDGE CITY COUNCIL has worked with local businesses to encourage and support them to become Living Wage accredited since their own accreditation in 2014. Around 40 local employers have become accredited as part of their work. A key part of the City Council’s Anti-Poverty Strategy is “Working with businesses to identify ways that they might use their skills, capacity and resources to support achievement of shared objectives around poverty and disadvantage.”

Actions the City Council have taken include providing advice on the Living Wage accreditation process and benefits to businesses; hosting an informative annual event with employers during Living Wage Week; networking and presenting at external events on the Living Wage; and developing and supporting the development of external campaigning groups promoting the Living Wage. They have also used communications and advertising to promote the Living Wage in the city. For example, they organised a poster campaign across Cambridge City, including at the train station, to raise awareness about the Living Wage and they produce an annual newsletter that gets sent to 4,500+ employers in the city.

Having a permanent member of staff who is part-time dedicated to the Living Wage campaign has made much of this work possible.

5. WHAT NEXT?

BEYOND ACCREDITATION: CHAMPIONING THE REAL LIVING WAGE

- Use the local authority's planning powers to secure the Living Wage for workers on development sites in the local authority area. This is more easily done when it is council land being developed or sold for development. Local authorities can use Section 106 of the Town and Country Planning Act 1990 to secure the Living Wage for apprentices on private building sites in their authority's area via Local Labour Placements. Islington Council does this through a Supplementary Planning Document, enacted in 2017, which requires one such placement per 1,000 square metres or 20 new residential units developed.

In its refreshed Local Plan, the **LONDON BOROUGH OF ISLINGTON** intends to include a new Promoting Social Value policy (SC4) which, in addition to existing requirements, will require developers seeking planning permission to include a Social Value Strategy in their planning application. That Social Value Strategy will need to include a completed Social Value Checklist.

The first box on that checklist will be payment of the Living Wage. Importantly, the checklist as a whole will constitute a material planning consideration, even if each item on it in isolation would not. Material planning considerations can be factored into account when a planning authority is deciding whether to award a planning permission or not.

- Become a Living Wage commercial landlord by requiring all organisations who lease a local authority's non-residential premises to pay their staff the real Living Wage

NEXT STEPS

We hope this toolkit has proved useful both in making the case for why paying the real Living Wage is important for local authorities as well as making clear the steps you can take to become an accredited Living Wage Employer.

As demonstrated through the case studies in this toolkit, the commitment to pay a wage that meets the cost of living is transformative for many local authorities. Not only does it make them more effective as organisations but it also ensures that all of your directly employed and regular third-party staff have enough to keep their heads above water, putting down a mark of responsible employment for other local businesses to follow.

PLEASE GET IN TOUCH WITH THE LIVING WAGE FOUNDATION TO BEGIN YOUR LOCAL AUTHORITY'S JOURNEY TO BECOMING AN ACCREDITED LIVING WAGE EMPLOYER.

[LIVINGWAGE.ORG.UK/CONTACT](https://livingwage.org.uk/contact)

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ISLINGTON COUNCIL

Councillor Andy Hull has been an elected councillor for Highbury West ward for nine years and Islington Council's Executive Member for Finance for the past six.

In 2010, he set up and ran the Islington Fairness Commission – the first of over thirty Fairness Commissions across the UK. Its top recommendation was to tackle the scourge of poverty pay. Since then, Andy has led Islington Council's trailblazing work to champion the Living Wage, including in 2012 becoming the UK's first accredited Living Wage Local Authority. He has also trained as a community organiser with Citizens UK, campaigning for a Living Wage at Tesco and Arsenal FC.

He was commissioned by the Living Wage Foundation to research and write this toolkit as an independent consultant. You can follow him on Twitter at @AndyHull79.



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