

CARDIFF
UNIVERSITY

PRIFYSGOL
CAERDYDD

Cardiff Business School

Ysgol Busnes Caerdydd

Twenty Years of the Living Wage

The Employer Experience

Edmund Heery, David Nash & Deborah Hann



Table of Contents

EXECUTIVE SUMMARY	1
1. INTRODUCTION	5
2. REASONS FOR ACCREDITATION	10
3. IMPLEMENTING THE LIVING WAGE	18
4. IMPACT ON EMPLOYERS	30
5. IMPACT ON EMPLOYEES	39
6. CONTINUED LIVING WAGE ACCREDITATION	49
7. ADDITIONAL EMPLOYMENT STANDARDS	53
8. LIVING WAGE ACCREDITATION AND COVID	58
9. SUMMARY AND CONCLUSION	60
APPENDIX: RESEARCH DATA	64
REFERENCES	69

Executive Summary

To mark the tenth anniversary of the scheme for accrediting Living Wage Employers, we joined with the Living Wage Foundation to survey accredited organizations in 2021. The survey sought information about why employers had joined the scheme, how they had implemented the Living Wage within their organizations, the effects of accreditation on business performance, how many and who amongst the workforce had benefited from the Living Wage, and whether employers were committed to maintaining their accreditation. The survey also inquired into employer views on new standards, such as Living Hours and the Living Pension, and asked about how they had been affected by the COVID pandemic.

Our questionnaire was sent to all 6993 employers who were accredited at the time, 1532 of whom (22 per cent) made a response. In the report below, we describe and analyze these responses and use them to present a broad account of how accredited Living Wage Employers have been affected by their membership of the network. Voluntary standards, like the Living Wage, are an important feature of the labour market today and in our report, we offer an insight into how they operate in practice.

The main findings of the study are as follows:

Reasons for joining the network. For most employers, the decision to join the Living Wage network was a complex one, informed by multiple considerations. To the fore, however, were what we have called ‘expressive’ motives, a desire to be a good employer, support the Living Wage campaign, and act in accordance with organizational mission and values. Many employers referred to an intention to ‘do the right thing’. Instrumental motivation was also important, with many employers joining the scheme to improve aspects of HRM, such as recruitment and retention, or to secure contracts or investment. Least important were what we have called ‘institutional motives’; that is joining the scheme because of encouragement from campaigners, politicians, trade unions, or community organizations. It was the case, however, that about a third of employers said they had joined the network to support a local campaign to promote the Living Wage. On this evidence, the Foundation’s commitment to place-based campaigning, through Living Wage Regions, Cities and Towns, has resonated with employers.

Implementing the Living Wage. Most employers implementing the Living Wage had briefed their managers and workforce about the standard in advance and had raised the basic rate of pay, rather than introducing the Living Wage as a pay supplement. Very few reported that they had withdrawn other elements of remuneration to fund the scheme or that they had reduced hours of work or the size of the workforce. The survey uncovered virtually no evidence of claw-back; of employers reducing other terms and conditions to pay a higher basic rate. There was stronger evidence of employers going beyond the strict terms of their Living Wage licensing agreement, to extend the standard to apprentices and casual workers and absorbing the cost of paying the rate to employees of contractors. Once accredited, most employers had communicated their membership of the network to a variety of external stakeholders, including customers, clients, funders, and prospective employees. A minority, however, had gone beyond this step and become active participants in the Living Wage campaign, seeking to encourage other employers to join the scheme.

Impact on employers. Virtually all employers responding to the survey reported that signing-up to the Living Wage had had a positive impact on their organizations. The main types of benefit identified were reputational gains, such as acquiring a reputation as a good employer, followed by HR benefits, with commercial gains, such as winning contracts or attracting customers coming third. Many employers also identified some adverse effects, the most frequently reported of which was a significant increase in labour costs, but for most, challenges of this kind were outweighed by reported benefits. While most employers reported positive effects flowing from accreditation, providing support for the 'business case' for good labour standards, it is important to enter a qualification. The scale of reported positive (and negative) effects of the Living Wage on employing organizations was often rather modest, representing a benign rather than a transformational change. A business case can be made for the Living Wage, therefore, but it would be wrong to exaggerate the scale of positive effects experienced by many of the organizations that have adopted it.

Number of employees benefiting from the Living Wage. Since its inception the Living Wage accreditation scheme has led to a substantial increase in hourly pay for about 400,000 UK employees. Our cautious estimate of the total wage transfer since 2011 is more than £2bn. Employers responding to the 2021 survey reported that more than 40,000 direct and contract employees had or were about to receive a Living Wage pay increase and a breakdown of this figure revealed that the impact was concentrated in large organizations, in low wage industries, such as retail and social care, and in London and Scottish-based employers, where take-up of the Living Wage has been greatest. The analysis also showed that the Living Wage has been particularly impactful in the public sector, with local authorities and NHS Trusts tending to report a large number of beneficiaries. Further analysis of the impact figures revealed that the 'bite' of the Living Wage (the percentage of workers receiving an increase in pay) is highly variable. In many professional service businesses that have joined the scheme few if any employees receive an uplift, reflecting the high level of earnings within this sector. In contrast, in social care, cleaning, and other businesses providing outsourced support services, a high percentage of employees often benefits. In these latter cases, where the bite of the Living Wage is strongest, employers are more likely to report a positive impact on business performance.

Types of employees benefiting from the Living Wage. The survey also provided information on the types of employees that have gained from the Living Wage. One important finding here was that those receiving a Living Wage pay increase disproportionately work part-time. Part-time work is often poorly paid and undervalued and is largely performed by women. A positive effect of the scheme has been to increase the rate of pay for many thousands of employees on part-time contracts. The scheme has also raised the pay of many thousands of contract workers. One of the reasons for introducing the Living Wage accreditation was to encourage large employers to take responsibility for the pay of employees on outsourcing contracts. In many respects this objective has been achieved: employers responding to the survey reported that 6000 contract workers had received a Living Wage pay increase in 2020/21. The survey also indicated that women employees form a majority of those benefiting from the scheme, amongst direct employees, in a majority of participating organizations. Young workers and black and minority ethnic workers rarely constitute a majority of benefiting employees, but they are reported to have gained directly from the Living Wage by a substantial minority of employers. The final information on the types of employees benefiting from the Living Wage concerned their occupational profile. The survey revealed that a

very broad set of low-wage occupations have gained from the Living Wage, with the most frequently reported occupations being clerical or administrative assistant, cleaner, receptionist, warehouse operative, and care worker. Further analysis of recipients' occupations showed that two broad groupings had gained disproportionately from the Living Wage: low-paid administrative occupations and business service occupations, such as cleaner, caretaker and security guard. These two groups of occupations share the character of ubiquity; they are jobs that are found throughout the economy, in all industries, and are also the low-paid jobs which are found in high-paying sectors.

Continuing support. Nearly all employers responding to the survey (99 per cent) reported that it was 'likely' or 'very likely' that they would continue with their support for the Living Wage. There is turnover amongst employer-members of the Living Wage network, but clearly there is a high level of commitment to the standard, with current members confident that they will maintain their accreditation. Asked about the reasons for this commitment, employers listed a range of factors but, once again, expressive motives were to the fore. A majority of employers reported that they wanted to continue with their support because doing so reflected their values and because the scheme was contributing to the reduction of working poverty both in their own organizations and beyond. Many employers also stated that they wanted to maintain accreditation because of support within their organizations, from employees and from those who had championed the Living Wage. In addition, substantial minorities (about a third) reported that research evidence, showing that the Living Wage was impactful and good for business, were factors in maintaining their support.

Additional standards. Shortly before our survey was released the Living Wage Foundation had launched the Living Hours standard and, more recently, it has launched the Living Pension and the Global Living Wage Affiliate Network. Other additional standards, relating to sick pay and gig work have been mooted. The survey sought to gauge the level of support amongst employers for this policy of 'diversification'. The responses revealed strong support for Living Hours with more than half of employers saying that they would 'definitely' or 'probably' adopt the new standard. For those who reported that they were 'unlikely' to adopt Living Hours the main stumbling block was the practicality of providing four-weeks' notice of shift changes, one of the three core commitments that employers signing up to the standard are required to make. The survey also indicated high levels of support for other proposed standards, with interest in the Living Pension being especially strong. Nearly 80 per cent of survey respondents stated that they would consider signing up to a voluntary pension standard for low wage employees.

Impact of COVID. The final section of the survey questionnaire asked for information about the COVID pandemic and whether it had affected employers' commitment to the Living Wage. Most employers reported that their organizations had been negatively impacted by COVID and about two thirds had made use of government support schemes to maintain employment. Despite adverse effects, however, the vast majority of employers denied that COVID had weakened their support for the Living Wage, and many reported taking additional steps to protect the incomes of low-wage employees. There was very strong support amongst employers for policy to raise the incomes of 'key workers', who had kept working and supported the public during the pandemic. COVID prompted widespread expressions of social solidarity, particularly with health and care workers, and the survey indicated that this support has encompassed many employers.

Beyond the direct evidence of the impact of the Living Wage on employers, we believe our survey results contain two general lessons about how the system of employment relations in Britain is

evolving. It points, firstly, to the important role now played by civil society organizations, like the Living Wage Foundation, which actively influence the behaviour of employers. It also points to the importance of 'civil regulation', norms, standards and codes of practice which originate in civil society, and which help govern the employment relationship. The Living Wage campaign and the Living Wage standard exemplify these important contemporary developments.

1. Introduction

The Living Wage, or the Real Living Wage as it is often called, is a voluntary labour standard that is promoted to employers by the Living Wage Foundation. It takes the form of an hourly rate of pay, updated annually, which is paid both to direct employees and to employees of contractors, such as cleaners and security guards, who work normally at an employer's premises. The Living Wage is payable to all direct and contract workers aged 18 and above and there are separate rates for London and the rest of the UK to reflect the higher cost of living in the capital. At the start of 2023, the London rate was £11.95 an hour and the UK-rate £10.90.

Since 2011, the Foundation has accredited organizations which agree to implement the Living Wage standard, formally designating them as Living Wage Employers and licensing them to use the Living Wage logo in their communications and publicity. In Scotland and Wales, this task of signing up employers is shared with the Poverty Alliance and Cynnal Cymru, respectively. There are currently 12,500 Living Wage Employers, with almost 10% of employees in the UK working for an accredited LW Employer. . These existing members directly employ more than 3.5 million workers and report that accreditation has led to an uplift in pay for almost 400,000. We estimate that the cumulative wage transfer to low-paid workers since the inception of the scheme is in the region of £2.2bn.

The success of a voluntary standard, like the Living Wage, is crucially dependent on the response of employers. Employers must be persuaded the standard is worthwhile, adopt it, implement its provisions conscientiously, and maintain their commitment over time if the standard is to achieve its purpose of raising the pay of low-waged workers.

In the report that follows, we use original research to describe, explain, and evaluate the response of employers to the Living Wage. We examine why employers have adopted the standard, how they have implemented it, what effect they believe accreditation has had on the performance of their organizations, and the number and characteristics of those employees who have gained from the scheme. We also consider if employers intend to continue with their commitment to the Living Wage and whether they will extend it to embrace additional labour standards, such as Living Hours and Living Pension. Finally, we use our evidence to review how the COVID pandemic has affected accredited employers and if it has shaken or reaffirmed their commitment to the Living Wage.

Our main source of evidence is a population survey of Living Wage Employers, carried out in 2021. This survey elicited responses from 1532 accredited organizations (22 per cent) and provides a solid basis on which to assess the response of employers to the Living Wage standard. The survey, moreover, repeats an earlier exercise performed in 2016, providing two snapshots in time of employer reactions to the Living Wage and allowing us to judge how these have evolved (Heery *et al.* 2017).

The Living Wage is a striking example of what is sometimes called 'civil regulation', the development of norms, standards, and codes of practice by civil society organizations to guide business practice towards desirable social and environmental goals (Vogel 2010). Regulation of this kind relies on its voluntary acceptance by employers if it is to prove effective. Our report examines in detail how employers have reacted to the Living Wage and shaped the implementation of the standard, and

how their organizations, in turn, have been impacted by accreditation. It uses the Living Wage to present a case study of the employer response to civil regulation.

1.1 The Employers

Reflecting the broad spread of the Living Wage, the employers who responded to our survey are diverse and drawn from all parts of the economy. Full details of respondent employers are reported in the Research Appendix, but it is important to recognise that they come from all four nations of the United Kingdom and all regions of England, all main sectors of the economy and all industry divisions. They also include micro-businesses, small and medium-sized enterprises, and large organizations with 500 or more employees, and both recently and long-established firms.

While respondent-employers are diverse, it is important to recognise that there are some distinctive groupings amongst them. Living Wage Employers are found in all parts of the country, but there are notable concentrations in London and Scotland and just over half of respondents are based in these two geographical hotspots. There is also a notable concentration in the not-for-profit sector, which accounts for just under 40 per cent of respondents. Reflecting this sectoral pattern, nearly five per cent of respondents are faith organizations and a fifth have an anti-poverty or social justice mission akin to that of the Living Wage campaign.

A final notable characteristic is that most respondents are based in relatively high paying industries and in parts of the country with relatively high pay. This pattern probably reflects the fact that it is easier for organizations with relatively few low-paid workers and those employers based in areas where prevailing wages are higher to take the step to becoming a Living Wage Employer. Banks, investment companies, law firms, and tech businesses and those employers based in the UK's core cities can more readily afford the Living Wage and this is reflected in the characteristics of respondents.

It is important to recognise, however, that not all respondents are drawn from the high-wage economy. The main industries distinguished by low-pay identified by the Low Pay Commission – retail, hospitality, cleaning, and residential social care – account for 15 per cent of respondents and there are significant numbers (10 per cent) from the main outsourcing industries, which include social care and cleaning alongside security, catering, grounds maintenance, and combined facilities support. The pattern of response is tilted towards the high-wage economy, but low-wage sectors are also represented, reflecting the broad spread of the Living Wage standard.

1.2 The Research

The main source of evidence reported below is our 2021 population survey of accredited Living Wage employers. Details of this survey are contained in the Research Appendix, but it is worth noting a number of its features here. First, the survey largely reproduced an earlier exercise, carried out in 2016, though with additional sections covering the impact of COVID and employer attitudes towards additional voluntary standards, such as Living Hours. At a number of points in the report we compare the results of these two surveys. Second, the survey received a good level of response, with respondents broadly reflecting the characteristics of accredited employers. The degree of confidence that can be placed in reported findings is therefore high. Finally, the survey was

completed by the named Living Wage Foundation contacts in accredited organizations, who were asked not just to complete the survey but to provide comments on their experience of the Living Wage. This latter, qualitative component of the survey is the source of many of the quotations reported in the text below.

While most of the evidence that we present below is taken from the 2021 survey, it is supplemented with and informed by a broader programme of research that stretches back to 2015. The two main elements of this research that we have drawn upon in compiling this report as follows:

- A database of all employers accredited by the Living Wage Foundation between May 2011 and January 2023. This database contains information on how many, and which types of workers have benefited from the Living Wage as well as basic descriptive data on the characteristics of each employer – size, sector, industry, and geographical location - taken from Companies House and other official information sources. We have used this contextual information to help us analyze the employer survey.
- More than 100 interviews with Living Wage campaigners, Living Wage Employers, representatives of employers’ organizations, and trade unionists. These interviews have provided qualitative insight and illustrative examples and, together with written comments on survey returns, are the source of the direct quotations that are spread throughout the text.

Over the past seven years, we have developed a case study of the Living Wage campaign, which has made use of a variety of research methods. This work has relied upon the willing cooperation of a great many, very busy people, who have completed our questionnaires, agreed to be interviewed, and helped us in lots of other ways. We are extremely grateful to them all for the help that we have received.

1.3 Plan of Report

In the body of the report below we use our evidence to consider the following aspects of the employer experience of the Living Wage:

- *The reasons why employers have decided to adopt the Living Wage and become accredited.* We examine the degree to which employers have been motivated to join the Living Wage movement for ‘instrumental’ reasons; because they believe that adopting the standard will generate benefits for their organizations. We also consider the degree to which accreditation has been motivated by ‘expressive’ considerations, such as a desire to act in accordance with organizational values or to support the campaign, or by ‘institutional’ pressures, such as encouragement from campaigners, trade unions, or politicians.
- *How employers have implemented the Living Wage within their organizations.* In this section we first consider what might be thought of as ‘process’ issues, the methods of communication and involvement that have been adopted when introducing the Living Wage. We also consider whether adoption has prompted other changes in the organization, such as a wider reform of pay structures, changes to working practices, and altered relationships with supplier businesses whose employees are covered by the Living Wage. To conclude, we examine the ways in which

Living Wage Employers have communicated the fact that they are accredited to the outside world and whether they have engaged in attempts to persuade other employers to follow suit and adopt the Living Wage.

- *The impact of the Living Wage on employers.* The next section of the report reviews the evidence on how organizations have been affected by the Living Wage, considering a broad range of both positive and potentially negative consequences. A major objective of this section is to assess whether there is a ‘business case’ for the Living Wage and it reports on the number of employers who believe that they have gained from accreditation, the different types of benefit that are reported, and the strength of these positive effects. We also report on the challenges that employers have faced in introducing the Living Wage. In some cases, these challenges have been significant, but across the survey population it is apparent that the benefits of accreditation have outweighed the disadvantages.
- *The impact of the Living Wage on employees.* In this section we use a mix of survey and other evidence to consider the impact of Living Wage accreditation on employees. In the first part, we examine evidence on how many employees have benefited from the Living Wage, the ‘bite’ of the Living Wage within individual organizations (i.e. the percentage of workers receiving a pay increase), and whether there is evidence of the numbers benefiting increasing or declining over time. In the second part, we consider which types of employees have most frequently benefited from the Living Wage. We examine the extent to which women, ethnic minorities, and young people have gained from the Living Wage, and also report on the occupations of Living Wage workers, presenting evidence on the types of job that are most frequently covered by the scheme.
- *Employer commitment to continuing accreditation.* The key piece of evidence presented in this section of the report is that the vast majority of accredited Living Wage Employers who completed the survey are committed to maintaining their membership of the scheme. The section also presents evidence of the kinds of reason that underpin this continuing commitment, examining the part played by internal champions, business benefits accrued through accreditation, the effectiveness of the scheme in tackling in-work poverty, and the role of campaigners in recognizing and supporting accredited employers.
- *Living Hours and other new standards.* Section 7 explores the theme of diversification, examining employer knowledge of and likelihood of committing to the new Living Hours Standard. The latter was launched by the Living Wage Foundation in the wake of the Taylor Review of Modern Working Practices and seeks to enlist employer support in reducing precarious employment. The section also reports on employer interest in other new standards established by Foundation, such as a Living Pension.
- *The Impact of COVID.* The final section of the report looks at how the Living Wage campaign was affected by the COVID pandemic. We present evidence on the extent to which the recruitment of employers was influenced by the spread of COVID and the extent to which accredited organizations were adversely affected. We also look at how employers responded to COVID and whether the pandemic diminished or reinforced their commitment to Living Wage accreditation.

To conclude the report, we summarize our principal findings and reflect on the more general significance of the Living Wage. The latter resides, we believe, in the spread of civil regulation of which the Living Wage is a primary example, and the increasingly important role of civil society organizations, like the Living Wage Foundation, in influencing employers and shaping their labour market behaviour. The Living Wage is but one of a number of schemes that seek to promote 'standards-based HRM' and is a striking example of a new type of labour market institution.

2. Reasons for Accreditation

The first objective of our survey was to establish why employers signed up to the Living Wage and became accredited. To explore this issue, employers completing the questionnaire were presented with a list of 23 potential reasons for adopting the Living Wage and were asked to rate how important each had been in their decision to become accredited. They were asked to use a four-point scale ranging from 'great importance', through 'moderate' and 'little importance', to 'no importance'. Employers completing the 2016 survey were presented with a similar list, containing many of the same items, allowing comparison between the two surveys.

The first thing to note about employer responses, is that most reported several considerations had influenced their decision to accredit. The average number of reasons reported to have had at least some influence on the decision to join the scheme was 16, while the average number said to have been of 'great importance' was seven. Clearly, becoming a Living Wage Employer is a complex decision in most cases, in which a range of considerations exert influence. One practical lesson that can be drawn from this finding is that attempts by campaigners to persuade employers to join the scheme should not focus on a single rationale, such as a single-minded emphasis on the 'business case'.

While many employers cite multiple reasons for joining the scheme, it is apparent that some reasons are more important than others. Figure 1 shows the responses of employers to all 23 items, placed in rank order: those reasons for accrediting at the top of the chart have been cited by more employers and given a stronger importance rating, while those at the bottom have been mentioned by fewer and generally have been given a lower rating. The results show that there is a clear hierarchy of reasons for becoming a Living Wage Employer, which encompass three broad types of motivation.

2.1 Expressive motives

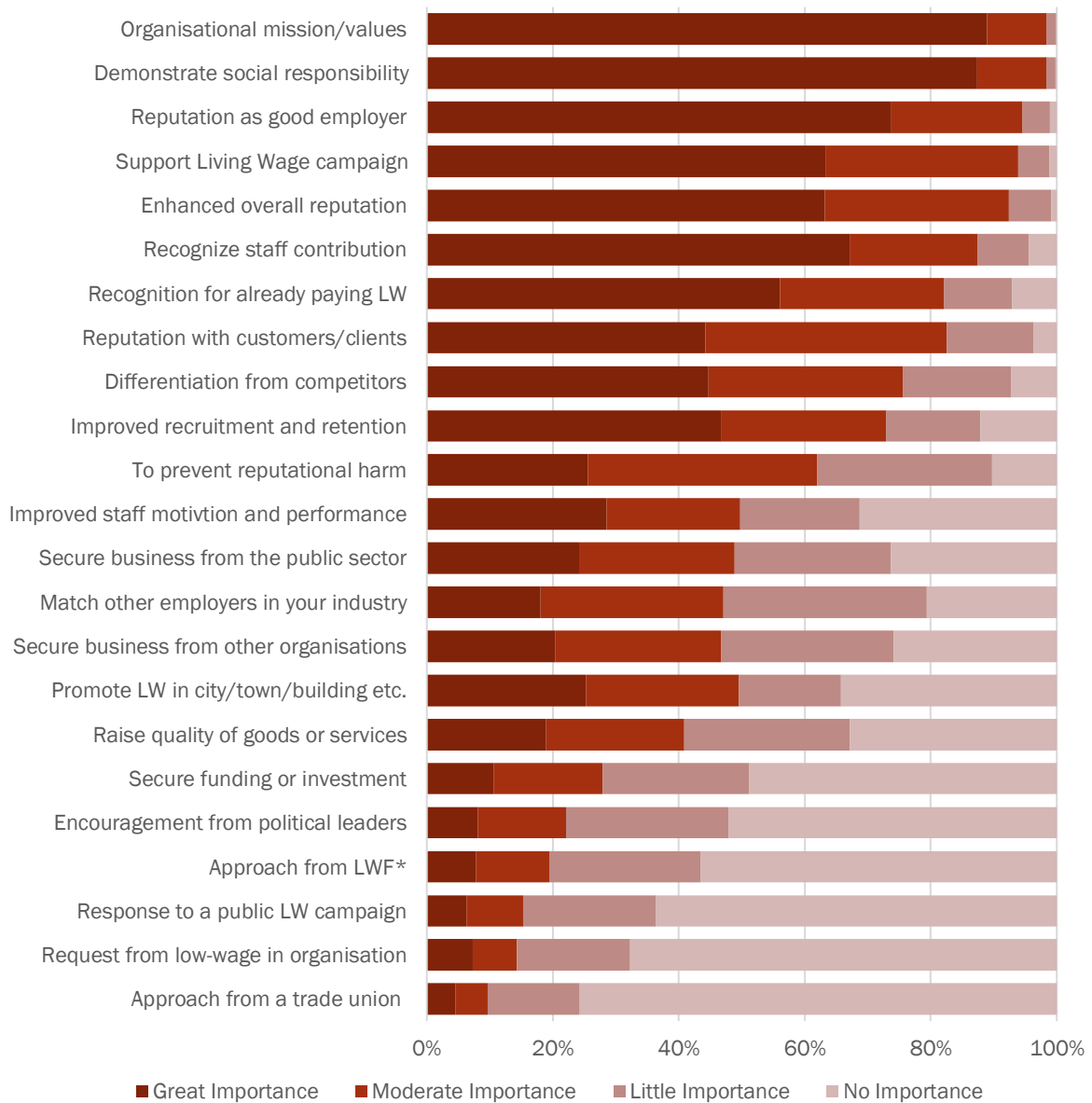
At the top of the hierarchy are what might be thought of as 'expressive' motivations, a wish to support the Living Wage because the standard is desirable in itself and doing so reflects the values and purpose of the organization. Thus, the most frequently cited reasons for becoming a Living Wage Employer are to demonstrate responsibility and to act in accordance with the organization's mission and values, while a large percentage of employers also report that they became accredited to support the Living Wage campaign.

Perhaps the most obvious expressive rationale is a desire to be a good employer, providing conditions of employment that match the needs of employees. Many of the explanations of accreditation we gathered through our qualitative research were couched in terms that emphasised a sense of fairness that lay at the core of businesses' ethics:

"It felt like the right thing to do." [Engineering consultancy]

"As owner of the business, it has always been my goal to ensure that my employees work to live, not live to work. They should be happy and fulfilled and should most definitely be valued. All, of my employees were already being paid the Living Wage!" [Construction company]

Figure 1 - Reasons for Becoming a Living Wage Employer



* This Includes *Cynnal Cymru* in Wales and *Living Wage Scotland* in Scotland

Number of cases: All survey respondents; 1462-1521.

Repeatedly, we encountered the phrase, “the right thing to do”, with its sense of a moral obligation to provide decent employment conditions.

“The organisation believes strongly that people should be paid a fair day’s pay for a fair day’s work and that it must be enough to live on.” [Carers’ organization]

“We became a Living Wage Employer, not because of some imperative to show our ethical credentials to the outside world, but because it is morally right that everyone in the organisation should earn a decent wage.” [Internet retailer]

Seeking to be a responsible employer can arise from a broader set of values and Figure 1 indicates that a desire to act in accordance with organizational values or mission is another major reason for adopting the Living Wage. The statements collected from employers often attested to this type of motivation:

“As a credit union we believe in ethical financial services, and it follows that we also believe in ethical employment practice.” [Credit union]

“[We] have a fundamental belief in equality and [have] always paid above the Living Wage to all its employees.” [Faith organization]

“As a third sector organisation, operating in a caring environment, we felt it our duty to be a Living Wage Employer.” [Mental health charity]

These statements suggest that many faith and social justice organizations have joined the Living Wage scheme because to do so is expressive of their fundamental purpose and this is probably why not-for-profit organizations are disproportionately represented amongst the ranks of Living Wage Employers.

It is also striking that many environmental organizations have also joined the scheme. The ranks of Living Wage Employers include zero-waste shops, wholefood stores, organic catering businesses, green-energy firms, environmental consultants, and environmental charities. The Soil Association, Friends of the Earth, and Sustrans are accredited organizations. For these employers, a commitment to environmental sustainability has led to a corresponding commitment to social and economic sustainability, which in turn is expressed through Living Wage accreditation.

A final expressive motivation for accreditation is to provide tangible support to the Living Wage campaign. A majority of accredited employers report that this has been one of their principal reasons for joining the scheme and our qualitative evidence supplied plentiful illustrations:

“We joined to signify our commitment to the cause and to try influence others to commit to the Living Wage Foundation.” [Primary healthcare provider]

“It hasn't made a significant difference to us; we just had to make adjustments for cleaners. For us it was more a case of setting an example and showing support.” [Publisher]

“We joined the scheme to show support and encourage other employers to join.” [Trade association]

For many employers, as we explore below, support for the campaign has extended beyond accreditation to encompass participation in campaigning activity, with employers actively trying to spread the standard amongst their peers.

Studies of the adoption of the Living Wage by individual organizations have shown that expressive motivations are often paramount in leading employers to support the Living Wage (Carson 2022; Prowse and Dobbin 2022; Werner 2021, 2022). Our survey results, we believe, indicate that these findings have a general relevance. They also suggest that Living Wage campaigners should have regard to the ‘moral case’ for adopting the standard when seeking to persuade employers to adopt it. Many of the latter, as we have seen, are motivated by a desire to “do the right thing”.

2.2 Instrumental motives

While expressive motives were reported most frequently, it is also apparent that many employers have adopted the Living Wage for instrumental motives; because they feel that it can improve the performance of their organizations. These instrumental motives assume several forms, but it is clear from Figure 1 that a desire to secure reputational benefits is to the fore.

Among the most frequently cited reasons for becoming accredited are to develop a reputation as a good employer, enhance overall corporate reputation, improve relations with clients, and differentiate the organization from others in the same industry or performing the same activity. A branch of Age UK in the South-East of England, for instance, remarked that accreditation is, “Generally of benefit, especially when positioning the organization against competitors in the same field”, while an independent coffee chain reported that, “We had great PR as a result of signing up to the London Living Wage as the Mayor came to our café to launch the recent increase in the LLW. Very useful to us as an organization and a great boost for our staff at the café!”

A desire to secure reputational benefits from the Living Wage in some cases can arise from a carefully considered attempt to build a positive employer or consumer-brand. We spoke to a sustainability manager from a large manufacturing business who described accreditation in these terms, as part of an attempt to position the firm in the graduate labour market as an attractive and responsible employer. In many cases, though a desire to obtain reputational benefits is not as thought-through as this but rather takes the form of a generalized hope that accreditation will improve the standing of the organization in the eyes of those with whom it deals.

The next most, commonly given positive reason for becoming accredited was to obtain HR benefits. Large percentages of employers reported that they hoped the Living Wage would improve recruitment and retention and raise motivation and performance. Interestingly, these hoped-for benefits were to come, not just from employees directly affected by the Living Wage, but from the higher paid, especially graduate entrants. A small consultancy, for instance, reported that, “We were already paying the Living Wage, but we thought it would be nice to have the accreditation to support tender applications and to attract junior Uni leavers”.

While a desire to secure HR benefits is widely reported, it is notable that using the Living Wage to recognise employees’ existing contribution is the most common motivation and that more ambitious objectives, such as raising product quality, are the least. Paying the rate has been viewed as a way of signalling to employees that they are valued and are already making a significant contribution to organizational success. The motive has been to recognise, not necessarily stimulate, good performance. As a small parish council expressed it:

“We were looking to recognise that our basic-skilled jobs were being done by people who were carrying out their duties in such a way that was above and beyond the call of duty and we wanted to reward their professionalism and dedication. Becoming a Living Wage Employer gave Council a recognised benchmark, sending a clear message to staff that they are valued and appreciated.”

Beyond HR, businesses might introduce the Living Wage to secure other positive benefits, such as access to funding and winning contracts. A facilities management company commented, “If it were not for the Scottish Excel National Contract requiring Living Wage accreditation, we might not have even heard about it, let alone completed it.” Securing tangible business benefits has been an

important reason for accreditation for some employers. The survey evidence indicates that a desire to obtain tangible benefits from Living Wage accreditation has been widespread – just over 70 per cent of organizations report that the hope of winning contracts played at least some part in their decision – but that this type of consideration has been less important than gaining reputational or HR benefits.

Only a minority of employers, less than 25 per cent, report that securing wider business gains was pivotal to their decision to adopt the Living Wage, suggesting that often this motivation has been present but not decisive and has operated alongside others. A provider of primary healthcare in the North-West, for instance, said that they notified public sector clients that they were a Living Wage Employer when bidding for contracts, but “that wasn’t the driver” for becoming accredited. The organization is a social enterprise, owned by its employees and one of its main objectives is to provide good quality, well paid employment. It had become accredited, principally to raise the pay of the call centre operators, receptionists, and mini-bus drivers who provide its services: “It was a values-based decision: as part of valuing our staff we pay the Living Wage”.

Another instrumental motivation reported in Figure 1 is to obtain recognition of the fact that the organization was already paying the Living Wage. More than half of surveyed employers reported that this reason was of ‘great importance’ in their decision to become accredited. A motivation of this kind might arise from ‘negative instrumentalism’, adopting the Living Wage because to do so incurs minimal costs. Undoubtedly some organizations joining the scheme have been driven by this type of calculation, engaging in ‘box-ticking’ or ‘badge collecting’. One caveat to this finding is the possibility, identified through employer interviews, that some organisations pre-emptively raise their wages before seeking accreditation.

A final set of instrumental reasons for becoming accredited are primarily defensive: becoming accredited to prevent harm to the organization’s reputation, match the behaviour of competitors, or respond to an external campaign. The value of civil regulation for businesses has often been described in these terms, as a means of managing risk and the survey indicates that this type of consideration has often motivated adoption of the Living Wage (Jackson *et al.* 2018). While a ‘defensive instrumentalism’ has been important in leading employers to accreditation, the evidence from the survey suggests it has been less significant than either a search for positive benefits or expressive motivation. Avoiding harm, on this evidence, is a factor that leads organizations to comply with civil regulation, but it is by no means the sole or primary rationale.

2.3 Institutional motives

By institutional motives we mean the adoption of the Living Wage because of pressure or encouragement to do so from formal institutions beyond the organization, such as the Living Wage campaign, trade unions, or political authorities. The evidence in Figure 1 suggests that motives of this kind have been secondary in leading employers to Living Wage accreditation and of much less significance than instrumental or expressive motives. Fewer than 10 per cent of employers, report that encouragement from political leaders, accrediting organizations, external campaigners, or trade unions have been of ‘great importance’ in the decision to become accredited and a majority deny that these institutions have exercised any influence. An identical pattern is seen for the item on pressure from low-paid employees seeking to be paid the Living Wage.

One explanation of this pattern of responses is that many accredited employers initiate contact themselves and are not actively recruited to the scheme by the Living Wage Foundation or its allies. As one campaign worker put it: “There is a steady stream that comes to us” (see also Carson 2022). Small and medium-sized organizations are particularly likely to join the programme in this self-initiated way. Reactive recruitment likely depends on maintaining a strong Living Wage brand and an active media strategy that can bring the standard to the notice of employers as well as an element of peer recommendation, in which already accredited organizations urge similar or associated businesses to join the scheme.

The one partial exception to the low salience of institutional motives, is seen in the relatively high proportion of employers who report that they have adopted the Living Wage to support an attempt to promote the standard in their ‘city, town, borough, building or area’. About two-thirds of employers, report that a consideration of this kind has played some part in their becoming accredited and a quarter say that it has been of ‘great importance’. This evidence is supportive of the Foundation’s Living Wage Places scheme, suggesting that the latter has been important in boosting employer support. A significant proportion of employers, the evidence indicates, are responsive to place-based campaigning.

2.4 Groups of motives

Statistical analysis allowed us to identify groups of motives for adopting the Living Wage, where multiple employers have responded in similar fashion on a range of items. Three main motive-groups were identified: an HR group, a contracting group, and a campaign pressure group where employers have identified several external institutions that have encouraged them to adopt the Living Wage. Each of these groups of motives were associated with specific types of employers.

Thus, employers citing HR motives for adopting the Living Wage tended to be found in low-wage industries and in parts of the country with low pay and to report that a relatively large percentage of employees gained from the Living Wage when they accredited. Employers in social care and in other outsourcing industries, such as cleaning and security, were especially likely to report HR motives for accreditation. These patterns suggest that employers in these industries see the Living Wage as a potential source of competitive advantage, allowing them to reduce turnover, raise employee performance and improve the quality of the services they provide.

Employers citing a desire to secure private and public contracts, in contrast, tended to have a different profile. They tended to be private-sector employers found in higher paying industries, such as construction, information and communication, and professional services. They also tended to have accredited relatively recently and to be located in parts of the country where the local council was controlled by a political party that was explicitly supportive of the Living Wage. A motive of this kind, therefore, tends to be reported by building firms, software companies, and management consultants seeking to win contracts in parts of the country where local councils may be keen to promote the Living Wage.

The final motive-group, which encompassed responses to external campaigners, tended to be found in larger organizations, which may reflect campaign-targeting on large, high-profile organizations. These organizations also tended to be found in an institutional context likely to generate campaign pressure: they were found in parts of the economy with a relatively strong union presence and,

again, where local political leadership was supportive of the Living Wage. A final characteristic of employers reporting this kind of motive is that they may be susceptible to campaigning. Public sector and not-for-profit organizations featured disproportionately in this group, as did educational and health organizations. Employers reporting institutional motives for introducing the Living Wage, seem to look like anchor institutions, the kind of large, prominent service providers that campaigners are keen to enlist in attempts to diffuse the Living Wage standard.

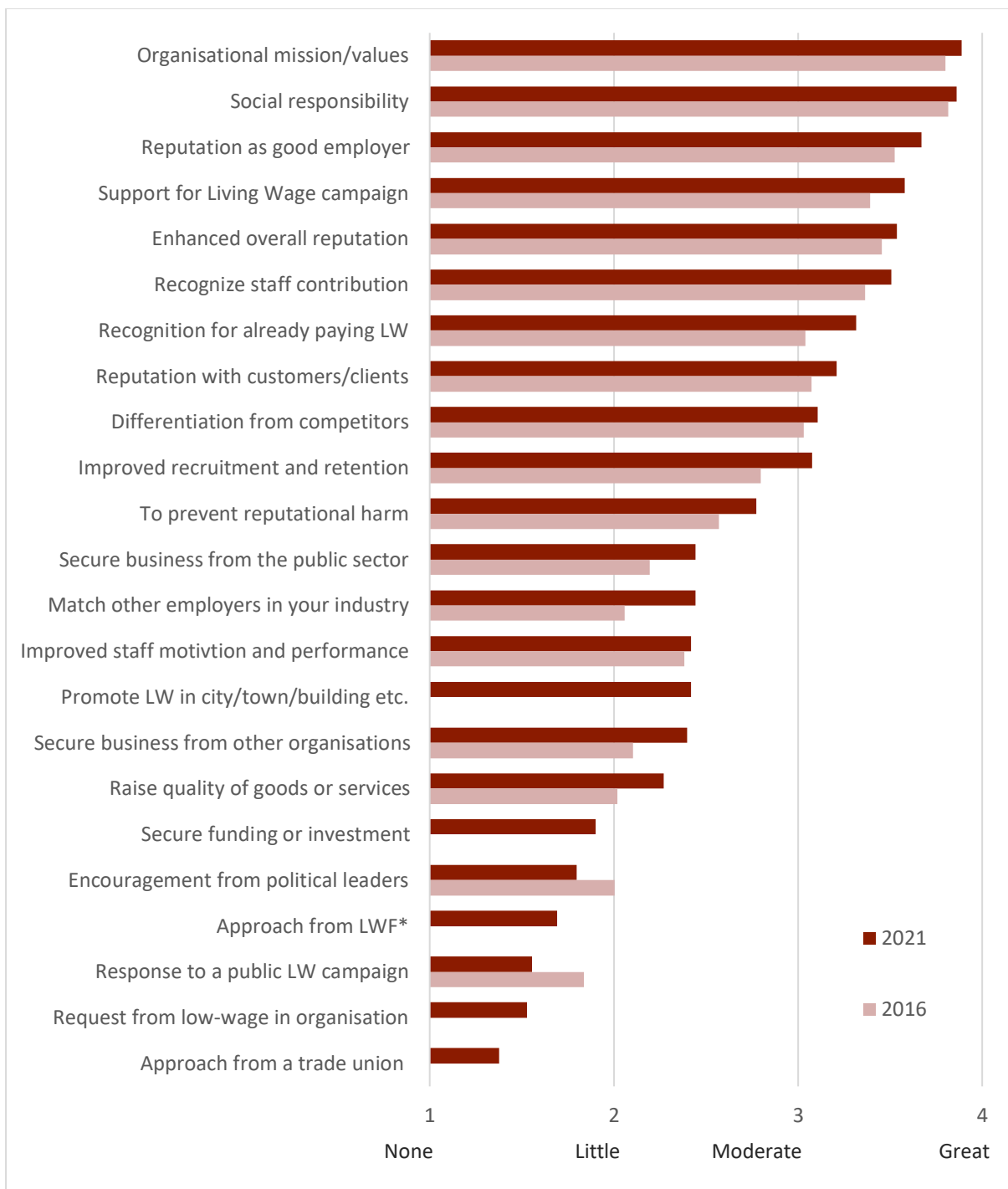
2.5 Comparing motives for accreditation over time

Drawing on our earlier 2016 survey of Living Wage Employers it is possible to determine whether the motives for accreditation has changed over time. The results in Figure 2 show the importance attached to each of the factors, expressed as a mean score ranging from 'of no importance' scored 1 to 'of great importance' scored 4. The factors are arranged in descending order according to the responses to the 2021 survey.

The most striking feature of Figure 2 is the similarity in the pattern of responses across the two surveys. Reasons for becoming accredited that were given a high or low rating in 2021, were also given a high or low rating in 2016, and the rank order of reasons in the two surveys is virtually identical. The pattern identified in the 2021 data of expressive motives to the fore, followed by instrumental motives, and institutional reasons bringing up the rear is also identifiable in 2016. The motivations of employers for adopting the Living Wage and becoming accredited have clearly been stable over time.

There are some modest changes across the two survey points. Responding to political and campaigning pressure was reported more frequently in 2016 than in 2021, which may reflect the high visibility of the Living Wage in mayoral and other election campaigns in the period leading up to the first survey. It also appears that a desire to be recognised for already paying the Living Wage and to avoid reputational harm have become more important motivations over time. It may be that what we have termed 'defensive' and 'negative' instrumentalism have become more significant as the Living Wage has become an established standard and employers do not want to be left behind as accreditation spreads in their industry or region. These differences are slight, however, and the overwhelming lesson of Figure 2 is that motives for adopting the Living Wage have largely remained constant.

Figure 2 – Importance of reasons for becoming a Living Wage Employer 2016 & 2021



* This Includes *Cynnal Cymru* in Wales and *Living Wage Scotland* in Scotland
 Number of Cases: All survey respondents (2016=826-836; 2021=1462-1521)

3. Implementing the Living Wage

In this section of the report, we examine how employers have set about implementing the Living Wage within their organizations. The focus here is on process, on what actions have been taken to smooth the implementation of the Living Wage and what changes have been made to other aspects of the organization to complement the decision to accredit. In turn, we consider the following issues:

- Measures taken to inform and involve managers, employees, and their representatives in the decision to adopt the Living Wage.
- The form in which the Living Wage has been paid and wider changes to pay and benefit systems that have been made following its adoption.
- Changes to working practices that have been implemented to reinforce the decision to introduce the Living Wage.
- The impact of accreditation on relations with contractors whose employees are entitled to be paid the Living Wage.
- Steps taken by employers to promote the Living Wage and to communicate with those outside the organization that they have adopted the Living Wage standard.

As we will see there is considerable variation in how employers have acted with regard to all these issues and a further objective is to identify factors that underlie differences in implementing the Living Wage.

3.1 Communication and Involvement

The Living Wage Foundation urges employers joining the scheme to communicate effectively with their employees, and it is widely accepted that involving employees and their representatives in change constitutes good practice. Accordingly, the first 'process' theme we examined was how and to what extent employers had engaged in communication and involvement when implementing the Living Wage.

The questions we asked are shown in Table 1 and were chosen to identify employers that had adopted a considered or structured approach to communication and involvement; for example, by establishing a working party drawn from the organization to oversee implementation. They also covered attempts to engage different groups amongst the workforce: managers, employees, and employee representatives including trade union representatives.

The table shows that the main emphasis of employers has been on explaining the Living Wage to employees, with just over half reporting that they have used face-to-face meetings to communicate in this way. Other methods of communication and involvement, however, are reported by minorities of employers, with only 12.8 per cent reporting that they have made use of a working group to implement the Living Wage, although this proportion rises to 35 per cent of large employers. Larger percentages report training managers and consulting with employee representatives, but the overall impression is one of a rather limited effort to engage members of the organization in the implementation process.

Table 1 Communication and Involvement around Living Wage Accreditation

<i>When your organisation first became an accredited as Living Wage did you make use of any of the following methods to involve managers, staff, and employee representatives in the decision?</i>	N	%
Creating a working group within the organisation to oversee introduction of the Living Wage	193	12.8
Providing training for managers about the Living Wage and the terms of the license agreement	328	21.8
Explaining the Living Wage to non-management employees through face-to-face meetings; e.g. at briefing groups	819	54.2
Consulting with representatives of employees about the introduction of the Living Wage; e.g. members of a staff forum or council	347	23.0
Involvement of trade union representatives		
Does your organisation recognise or deal with a trade union (or trade unions) that represents your employees?	148	9.8
<i>If 'yes', was the union supportive of your decision to introduce the Living Wage?</i>	128	92.1
<i>If 'yes', were trade union representatives involved in the introduction of the Living Wage?</i>	49	34.5
<i>If 'yes' was the introduction of the Living Wage negotiated with a trade union or unions; i.e. there was a collective agreement over the issue?</i>	33	24.4

Number of cases: 1503-1511; responses to the questions on union involvement are restricted to those organizations reporting that they deal with unions representing their employees, N=139-142.

In interpreting the figures in the table, it is important to remember that many respondents are small employers, with relatively under-developed HR systems and it is notable that the percentage of positive responses to the questions on communication and involvement all drop for micro-employers with fewer than ten employees. It is also the case that use of the most structured, formal methods of engagement increases amongst large employers. For organizations with 500 or more employees, just over a third report establishing an implementation working group, while nearly two-thirds report consulting with employee representatives. Even in the largest organizations, however, only a minority report using the other methods and the impression of rather limited communication and involvement remains.

Further analysis of the replies in the table, controlling for the effects of organizational size, revealed an association between attempts at communication and involvement and the reasons given for adopting the Living Wage. All four methods of communication are reported more frequently amongst employers who say that they adopted the Living Wage for HR reasons, such as improved recruitment and retention. The strongest associations are with training of managers and face to face briefings with employees; that is with direct forms of involvement. All four methods are also associated with reports that the employer was encouraged to adopt the Living Wage by campaigners and other external organizations. In this case, though, the strongest associations are with the more indirect forms of communication and involvement: creating a working group to oversee the Living Wage and consultation with employee representatives.

The bottom half of Table 1 shows responses to questions on the involvement of trade unions in the introduction of the Living Wage. The first thing to note is that only a small minority of employers (ten per cent) reported that they recognise or deal with trade unions, reflecting the broad extent of non-unionism in the economy. This finding again is due to the large number of small employers in the survey sample: amongst micro-businesses only three per cent report dealing with trade unions. Among large organizations, with 500 or more employees, in contrast, the percentage increases to 55 per cent. It remains, though that with, the exception of these large employers, only a minority of accredited organizations report dealing with unions.

Across this minority, it seems that while unions have generally been in favour of the Living Wage, in most cases they do not appear to have been centrally involved in its introduction. In just over a third of unionized organizations union representatives played a part in implementation and in just under a quarter there was collective bargaining over the Living Wage. Moreover, even amongst employers which recognise unions, only 13 per cent said unions had been of 'great importance' in persuading the organization to adopt the Living Wage and 57 per cent said they had been of 'no importance'.

Other research has identified the important role that unions have played in spreading the Living Wage in specific industries, such as local government and universities (Lopes and Hall 2015; Prowse and Fells 2016; Shenker 2019). Our own work has also identified several cases where unions have pushed for and shaped the implementation of the Living Wage, particularly in the early years of the scheme. Unions have negotiated collective agreements which guarantee the Living Wage for their members, at both industry and single enterprise levels. In many cases, though, union pressure has not resulted in the accreditation of employers but has generated a 'shadow' Living Wage beyond, in the unionized segment of the economy.

Where organizations have become accredited, the evidence in the table suggests, it has often been an employer-led decision, often with limited union involvement. One reason for this is that union members may not be affected directly by accreditation, either because they are already paid above the rate or because the beneficiaries of the Living Wage are contract workers who are not union members. Our analysis indicated that in organizations where a relatively large number of employees benefited directly from the Living Wage and where the directly employed were amongst those benefiting, reported union influence tends to be higher. This pattern suggests that where accreditation has greatest salience for unions, then they tend to have more influence.

3.2 Changes to Pay Arrangements

A second aspect of the implementation of the Living Wage that was covered by the survey was changes to pay arrangements. The survey sought information on how the Living Wage was paid to those receiving a pay increase and whether other elements of remuneration were altered when employers became accredited. The results to these questions, for those employers that reported uplifting pay for their employees either at the point of accreditation or at the time of the survey, are shown in Figure 3.

The questions on how the Living Wage was paid explored the degree to which implementing the standard had led to the revision of pay arrangements for those benefiting directly from the scheme. Thus, employers were asked whether they had paid the Living Wage as a non-consolidated supplement without revising existing pay arrangements, whether they had incorporated it into the

base-rate for low-wage jobs, and if introducing the Living Wage had led to the abolition or merger of pay grades.

The method adopted by fewest employers was to introduce the Living Wage through a pay supplement. We encountered examples of this response in our field research. A local authority had introduced a Living Wage pay supplement on top of base pay for more than two thousand employees when it first accredited but had gradually withdrawn the payment as the lowest rate in the national pay structure negotiated with trade unions reached the level of the Living Wage. The purpose of this supplement was to preserve the integrity of an agreed pay structure, based on job evaluation, but it is likely that a consideration of this kind does not apply in many organizations, which have less formal pay arrangements. Our analysis revealed that this type of arrangement is most common in the public sector, where a third of employers reported using pay supplements and where formally negotiated pay structures are the norm.

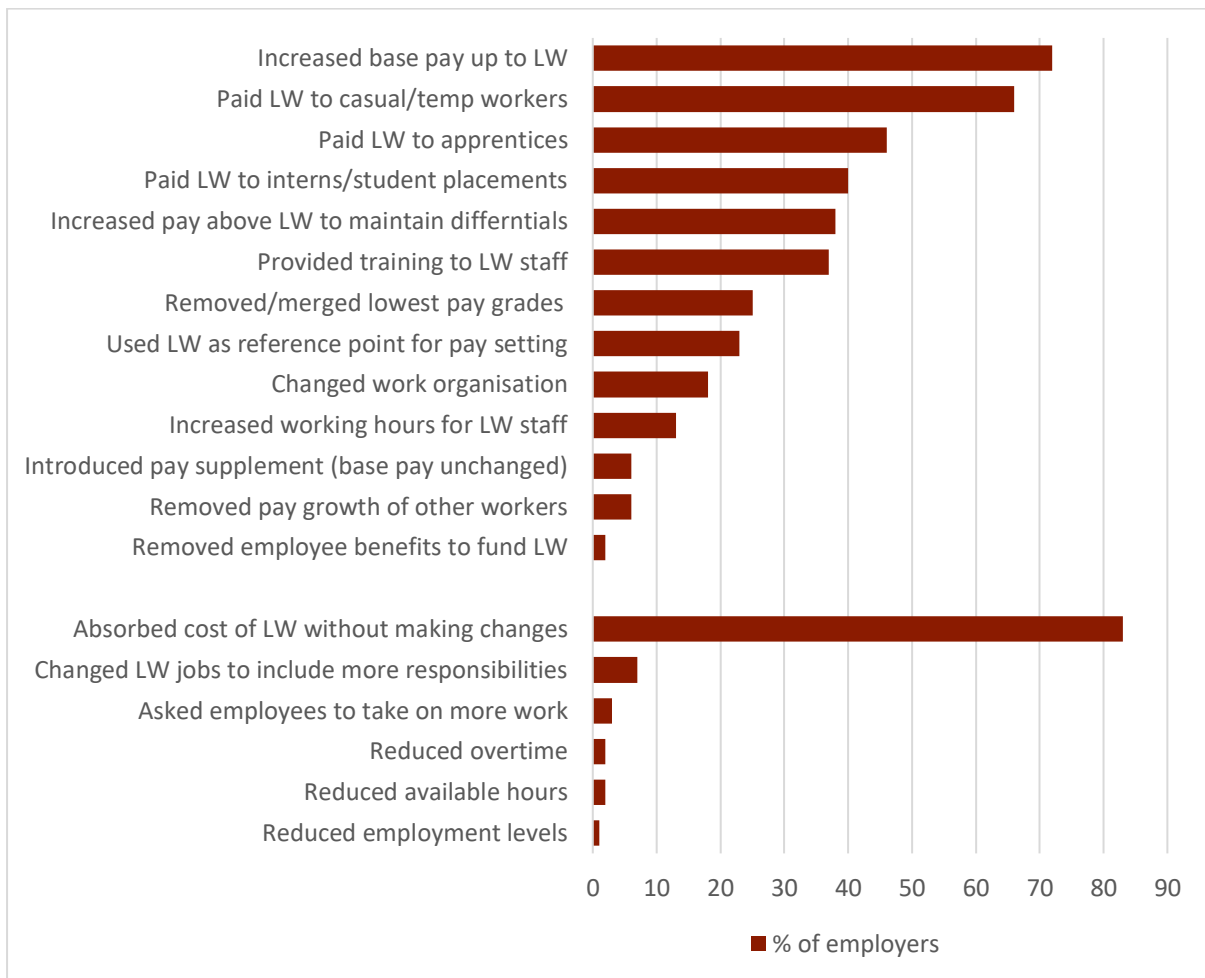
The revision of an existing pay structure to accommodate the Living Wage, by abolishing or merging pay grades, was also reported by a minority of employers. A quarter of employers reported a change of this kind, which other things being equal, is likely to lead to the compression of the pay structure and the reduction in the number of pay rates or grades. This method of paying the Living Wage tended to be reported by larger organizations, more likely to have formal grade structures, and not-for-profit organizations, nearly a third of whom reported revising grades in this way.

By far the most common method was to increase the base rate of low-paid workers, such that the rate for the job became the Living Wage. More than 70 per cent of employers reported paying the Living Wage through an increase in the base rate. Most employers in all size categories, from micro-businesses to large employers with 500 or more employees, reported making use of this method but it was most frequently reported by the largest organizations and least frequently by the smallest.

“We use the Living Wage to make sure that the lower end of our lowest pay band is at least the living wage; we feel it ensures that we don't rely too much on the cost of living increases based on inflation as the general rate may not be correct for the lowest paid.” [Health charity]

The remainder of the items included in Figure 3 refer to changes in remuneration practice that have accompanied Living Wage accreditation. Two of these items concern economy-measures introduced to help fund the Living Wage: removing or reducing the value of employee benefits or restraining pay growth for higher paid employees. In our field research we encountered changes of this kind. A Scottish local authority, for example, informed us that it had reduced overtime premiums and cut hours for better-paid employees, when it implemented the Living Wage. What the table indicates, however, is that clawback measures of this type have been confined to a small minority of accredited employers. Thus, fewer than two per cent report removing benefits and fewer than six per cent report reducing pay growth for other employees. Most employers adopting the Living Wage, it seems have not given with one hand only to take away with the other.

Figure 3 – Changes in pay arrangements and working practices following Living Wage accreditation



Number of cases: All survey respondents; N=1435-1511.

The Scottish local authority had negotiated its change in overtime policy with trade unions and we encountered other cases where a union attempt to secure the Living Wage had resulted in a search for compensating changes by the employer. A PCS representative in the heritage sector told us that this kind of trade-off was common and noted: “In the context of austerity, unfortunately we have to make concessions: negotiations are about giving and taking” [PCS Lay Representative].

Our analysis of the survey data bore out this view. Although the number of cases remain small, there is a weak correlation between union recognition and union collective bargaining over the Living Wage and the withdrawal of other elements of remuneration. What this pattern suggests is that when unions submit a negotiating demand for the Living Wage, employers sometimes respond in bargaining mode, seeking a trade-off that helps fund ‘concession’ of the Living Wage. Where introduction of the standard originates in management policy, in contrast, changes of this kind are less likely to be sought.

The remaining items in Figure 3, refer to positive changes to remuneration that are not required by the terms of the license agreement employers sign with the Living Wage Foundation. They involve going beyond the Living Wage standard. Two of these items concern the pay of employees paid above the Living Wage. Nearly 40 per cent of employers, report increasing the wages of the latter to

maintain differentials, an action that will have increased the cost of accreditation, while about a quarter report using the Living Wage as a reference point in setting rates of pay. This latter development is important. The UK in many respects has a weakly regulated labour market and a national standard, like the Living Wage, can act as a point of reference, helping employers set and adjust wages annually in the absence of other mechanisms to help them do so.

The other type of positive adjustment involves paying the Living Wage to groups who may fall outside the terms of the licence agreement. Two thirds of employers, report paying the Living Wage to casual workers, such as agency temps, while more than 40 per cent reporting paying it to apprentices and to those on student or work experience/intern placements¹. An accredited restaurant commented “I wanted to show our commitment to opposing unpaid internships and also provide better pay than, for example, university schemes recommend paying for their own provided students to companies.” The responses to these three items combine to form a statistically reliable, ‘positive remuneration’ scale and it was possible to identify the characteristics of organizations with a relatively high score on this measure.

Not surprisingly, larger organizations, more likely to have apprentices or offer student placements, scored relatively highly. If one controls for size, however, other factors come to the fore. Motives for accreditation appear to be important in leading employers to extend the reach of the Living Wage, with those identifying both HR and campaign pressure as significant. The period of time that has elapsed since initial accreditation was also associated with a higher score. What this suggests is that employers may become progressively more ambitious in their embrace of the Living Wage, extending the standard to groups other than those that are specified in the license agreement.

3.3 Changes to Working Practices

Figure 3 also provides evidence on the extent to which adoption of the Living Wage has led to changes in working time and other aspects of human resource management. The most striking finding in the table is that most organizations – more than four-fifths – report absorbing the cost of the Living Wage without making changes to working practices. In our field research we encountered examples of businesses that had made changes of this kind: a professional services firm had agreed extensive changes to working time for its contract workforce, including moving from part-time to full-time hours, while a national arts organization had negotiated the flexible deployment of employees across previously separate task boundaries. The key message of the survey research, however, is that cases of this type constitute a minority. Adoption of the Living Wage has not led most employers to reappraise their methods of working.

Where the Living Wage has led to change in working practices, the evidence suggests that these have been broadly positive from the perspective of employees. The most frequently reported changes are provision of training, greater flexibility in job roles, and enabling employees to work more hours. Changes of this kind tend to be reported by organizations where a relatively high proportion of employees directly benefited from the Living Wage and where HR reasons had led to accreditation. They were also associated with positive changes in reward practice, such as extending

¹ Under the Living Wage licence agreement, short-term agency temps are covered if they work for longer than eight weeks. Likewise, interns should be paid the Living Wage if they're classed as employees by the organisation; whereas work experience placements (who might also be called interns) are exempt.

the Living Wage to apprentices. These changes appear to have been introduced to reinforce the positive effect of the Living Wage by organizations seeking to use the latter to enhance their performance. Investment in training for low-paid employees, for example, is likely to prove more productive when retention is greater because of the higher rate of pay. A building services company illustrated this point: “Being a living wage employer has increased ability and our understanding of why it is so important to retain staff that we have already invested training, resources and skill enhancement programmes in.”

The least frequently reported changes in Figure 3 are those that are negative from the perspective of employees. Reducing hours, overtime, and workforce size and increasing workloads to help fund the Living Wage are reported by, at most three per cent of employers. This evidence provides further indication that in the vast majority cases employees have not had to carry a cost for being paid the Living Wage.

Analysis of the small number of employers that did report changes of this kind revealed that they were more likely to report that they had adopted the Living Wage because of external pressure. This suggests, perhaps, that when adoption of the standard is not fully voluntary employers are more likely to try and recoup costs.

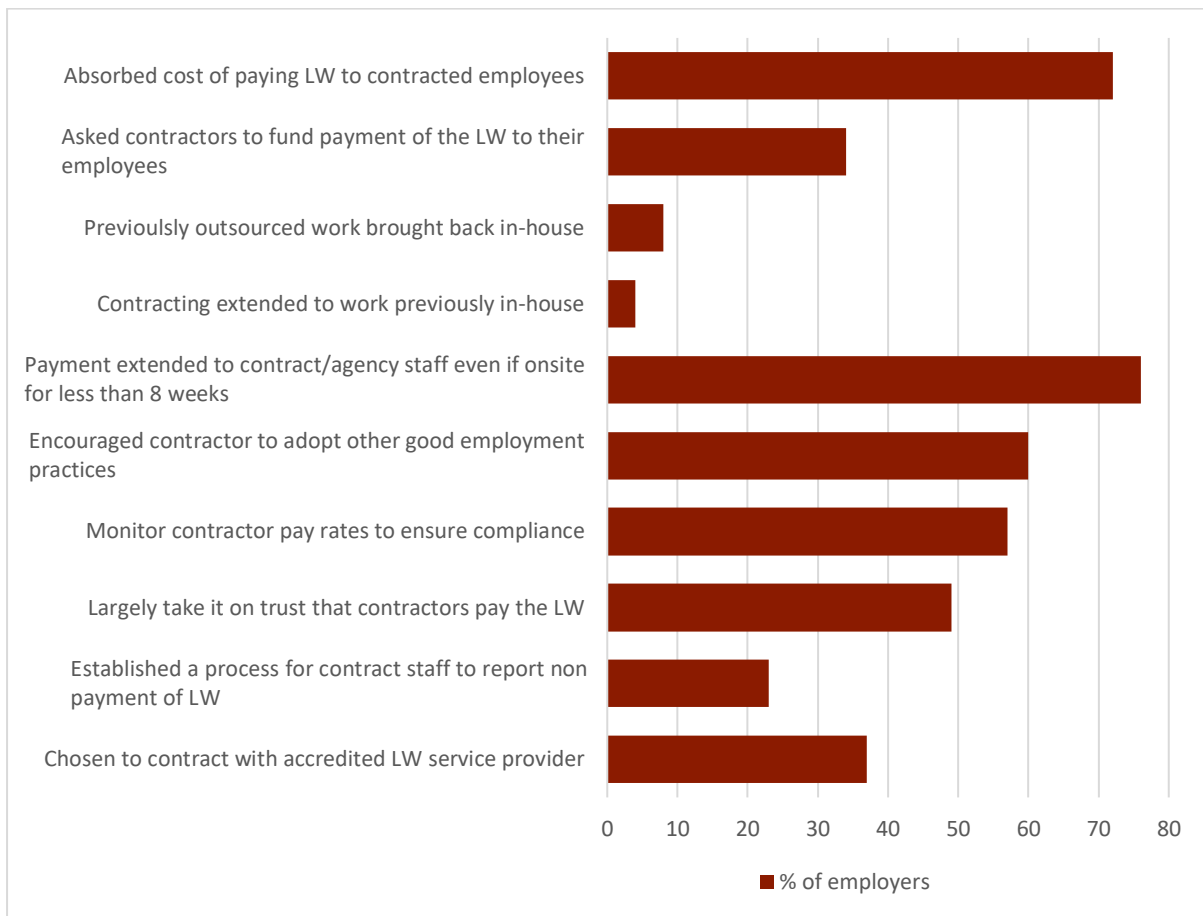
The absence of negative changes to working practices is an important finding. It is often argued that adoption of good labour standards will rebound against employees, leading to job cuts and work intensification. Free market critics of the Living Wage have made this argument (Shackleton 2012). Our evidence, and that of other studies looking at the effects of increasing statutory minimum wages (Davies and D’Arcy 2016), suggests that these claims are exaggerated. Even in organizations reporting large numbers of workers receiving the Living Wage or where a high proportion of workers has benefitted, attempted clawback of costs through hours or workforce reduction are confined to a handful of cases.

3.4 Contractors

A distinctive feature of civil and other forms of voluntary regulation is that they seek to use commercial relationships to leverage labour standards. At a global scale, the codes of conduct promoted by bodies like the Ethical Trading Initiative seek to improve employment conditions in supplier businesses in the global south, using the contracting power of product and retail brands in the global north (Bartley 2018). The Living Wage standard also possesses this attribute and one of its distinctive features is that it requires accredited employers to ensure that employees of contractors providing them with labour or services are paid the Living Wage.

To explore the effects of this provision, we asked survey respondents if they contracted with providers whose employees were eligible for the Living Wage and, for those that did, requested information on what steps they had taken to ensure these employees were paid the rate and how accreditation had impacted their policy towards contractors. The results are shown in Figure 4.

Figure 4 – Contracting and the Living Wage (employers with contractors)



Number of cases: Accredited employers who report making use of contractors whose employees are eligible for the Living Wage, N=446

A total of 446 respondents (29.4 per cent) reported that they dealt with contractors whose employees worked on their premises, a figure which indicates that outsourcing is a common but by no means ubiquitous feature of the UK labour market. Employers that reported dealing with contractors tended to be large, with a higher reported headcount at the point of accreditation, and to be found in London and other large cities. They also tended to be found in the public sector, where 57 per cent of responding employers reported that they dealt with contractors whose employees qualified for the Living Wage. This relatively high percentage is the product of legislative and other pressures that have encouraged public sector organizations to outsource functions since the 1980s.

A primary purpose of the Living Wage is to encourage client organizations to assume responsibility for employment conditions within their suppliers. A tangible expression of this commitment is for clients to absorb the cost of paying the Living Wage to contract employees and the evidence in Figure 4 is that a clear majority of accredited employers have acted in this manner. Almost three-quarters report that they have covered the cost of pay increases for contract workers.

Not all have acted in this way, however, and a third of employees reported that they expected contractors to fund pay increases. This minority is formed primarily of not-for-profit and public

sector organizations located in small towns and rural areas, away from the main cities. They also tend to report adopting the Living Wage because of campaigning pressure, suggesting again that when adoption of the Living Wage is not wholly voluntary employers may try to pass on some of the cost to others.

The terms of the license agreement signed by Living Wage Employers require that the Living Wage will be paid to employees of contractors working regularly for the employer, including on their premises and do not encompass other aspects of HR practice. Large majorities of employers, report going beyond these provisions, however, with three-quarters reporting they ensure the Living Wage is paid to contract employees even 'when they work on our premises for a period of less than eight weeks' and 60 per cent stating that they encourage contractors to adopt other good employment practices. Paying the Living Wage to temporary agency staff and issuing a list of desirable HR practices to potential contractors appear to be relatively common amongst Living Wage Employers. The findings are further evidence of employers going beyond the formal requirements of the Living Wage standard.

To provide further impetus to efforts to extend the Living Wage to contract employees, the Living Wage Foundation created the Recognised Service Provider (RSP) standard in 2014. The key feature of the standard is that Recognised Service Providers commit to providing an estimate based on paying the Living Wage, alongside a conventional estimate, whenever they tender for work. The purpose of the standard is both to ensure that there is a group of providers supportive of the Living Wage available to clients and to use these providers as a channel to promote the Living Wage to other businesses. In December 2022, 187 contract and facilities management firms were current members of the scheme and reported that a total of 242,730 employees were working on contracts that guaranteed payment of the Living Wage.

In the survey we asked Living Wage Employers if they had deliberately chosen to contract with a Recognised Service Provider, in the manner intended by the scheme. Just over a third of those dealing with contractors reported that they had done so. These employers tended to be London-based, reflecting the concentration of Recognised Service Providers in the South-East and to be drawn disproportionately from the not-for-profit sector. Private businesses were noticeably less likely to report that they had contracted deliberately with a Recognised Service Provider.

The final items in Figure 4 refer to employer policy on contracting and whether signing up to the Living Wage has led to a reappraisal of that policy. In the early phase of the campaign, some hoped that adoption of the Living Wage would reduce the incentive to put services out to contract and would lead to a return to direct employment (Wills 2009). More recently, what are sometimes known as 'indie unions', IWGB and UVW, have linked a demand for payment of the London Living Wage to a reversal of outsourcing (Shenker 2019).

The evidence shown in the table indicates that change in this direction has been limited. A minority of accredited employers have brought jobs back in-house; in some cases because of union pressure and in others because of the collapse of outsourcing companies that were providing services. The scheme has not induced widespread reversal of outsourcing, however, and, indeed, has prompted some change in the opposite direction, with employers contracting out services in the wake of joining the scheme.

The main thrust of the Living Wage campaign, the findings demonstrate, has been not to challenge but to ameliorate outsourcing. The requirement for Living Wage Employers to ensure contract employees receive the Living Wage, the development of the Recognised Service Provider scheme, and the inclusion of contract workers in the new Living Hours accreditation, are meant to reduce the negative consequences of outsourcing for employees, while leaving commercial relationships between clients and contracts in place. The objective is the better regulation of outsourcing, not its reversal (Heery *et al.* 2022)

3.5 Promoting the Living Wage

The final aspect of Living Wage implementation on which we gathered information was the extent to which employers had communicated that they were accredited and whether they had promoted the scheme to other employing organizations. The responses are shown in Figure 5, which displays two distinct patterns.

The top of Figure 5 indicates that most Living Wage Employers have communicated the fact of their accreditation at their premises, on their website, and in social media activity. Most had also communicated the fact that they were a Living Wage Employer to prospective employees and to clients, funders, and investors. There is some variation in this first set of responses: employers who had adopted the Living Wage for HR reasons were particularly likely to inform job applicants that they were accredited, while those seeking to win contracts or funding were likely to inform clients and investors. Setting aside this variation, however, it is apparent that most employers that have joined the scheme have communicated the fact to a variety of stakeholders, using a range of methods.

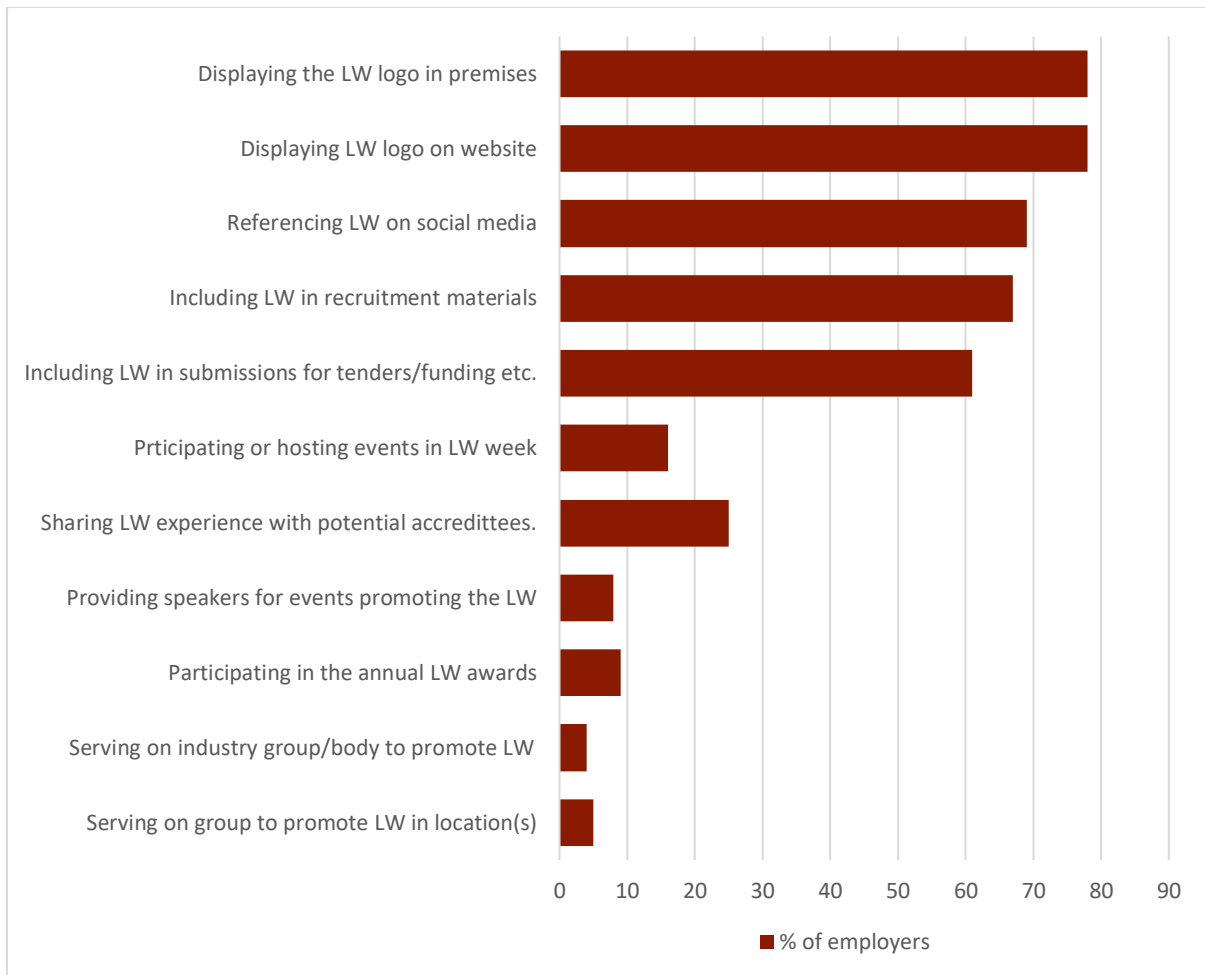
The bottom of Figure 5 tells a different story. The items here deal with active participation in the Living Wage campaign and involvement in activities to promote the scheme to other employers. Here, fewer employers report participation, although a sizeable number (25 per cent) informed us that they had provided information about 'being a Living Wage Employer to other employers considering accreditation'. However, fewer than ten per cent reported that they had served on task groups, provided speakers, or taken part in the annual Living Wage awards. This may be partly explained by a lack of awareness with one employer commenting "Serving on a task-group or advisory body set up to promote the Living Wage in your industry...isn't something I was aware was set up for the fashion industry but if there is one, I would love to get involved."

The Living Wage Foundation has often referred to its campaign as a 'movement of employers' and the evidence indicates that a substantial minority of employers do act as movement participants, engaging with the campaign and promoting the Living Wage to peers. The Foundation has designated Living Wage champions amongst leading employers and recognises the contribution of active participants through its awards.

"We are so proud to be a Living Wage employer. It's a cornerstone of everything that we believe in as a business, and working with the Living Wage Foundation to help improve industry employment standards for the hospitality sector is one of the things we are most proud of." [Brewery]

“We were reluctant to pay for accreditation for something we were doing anyway but can now see that only strength in numbers and a movement will change things, so it is good to be part of this movement.” [Charity]

Figure 5 – Promoting the Living Wage



Number of cases: All survey respondents, N=1520

In some cases, this commitment has been fostered through the application of community-organizing techniques, such as ‘one-to-one’ conversations with managers to elicit their involvement and employer representatives giving testimony at campaign meetings. What the survey indicates, however, is that this movement-component of the campaign, embraces only a minority. For many employers, as a campaign worker put it, “It’s a matter of just getting the marque”, with little expectation of becoming actively involved in the campaign.

Analysis revealed that this activist minority possesses distinctive characteristics. They tend to be found in the public sector and to have joined the scheme to demonstrate support for the campaign and to participate in an initiative to grow accreditation amongst local employers. They also tend to report both a large, absolute number of benefiting employees and that a high proportion of their

workforce has gained from the scheme: active participation in the campaign appears to have grown from a substantial organization-level investment. Finally, campaigning employers tend to be found in a particular context, where there is a Living Wage City or the local council is itself supportive of the Living Wage. Contact with and encouragement from campaigners has drawn at least some employers into active participation in efforts to grow the Living Wage.

4. Impact on Employers

The adoption of labour standards, like the Living Wage is often advocated on the grounds that they can have beneficial consequences for employers, as well as employees. A ‘business case’ is often advanced, which argues that adopting labour standards can enhance reputation, improve workforce relations, and attract customers, clients, and investors. Our earlier research provided support for this argument. The initial survey of accredited employers identified widespread positive effects and other research has supported the same broad conclusion; that implementing the Living Wage often raises organizational performance (Barford *et al.* 2022; Heery *et al.* 2017; Werner 2022; Wills and Linneker 2012).

In what follows, we assemble further evidence to assess the business case, using the latest survey to examine what proportion of accredited employers believe the Living Wage has improved the performance of their organizations and what types of positive effects have been experienced. In addition, however, we also use the evidence to consider two competing arguments about the impact of labour standards on business performance.

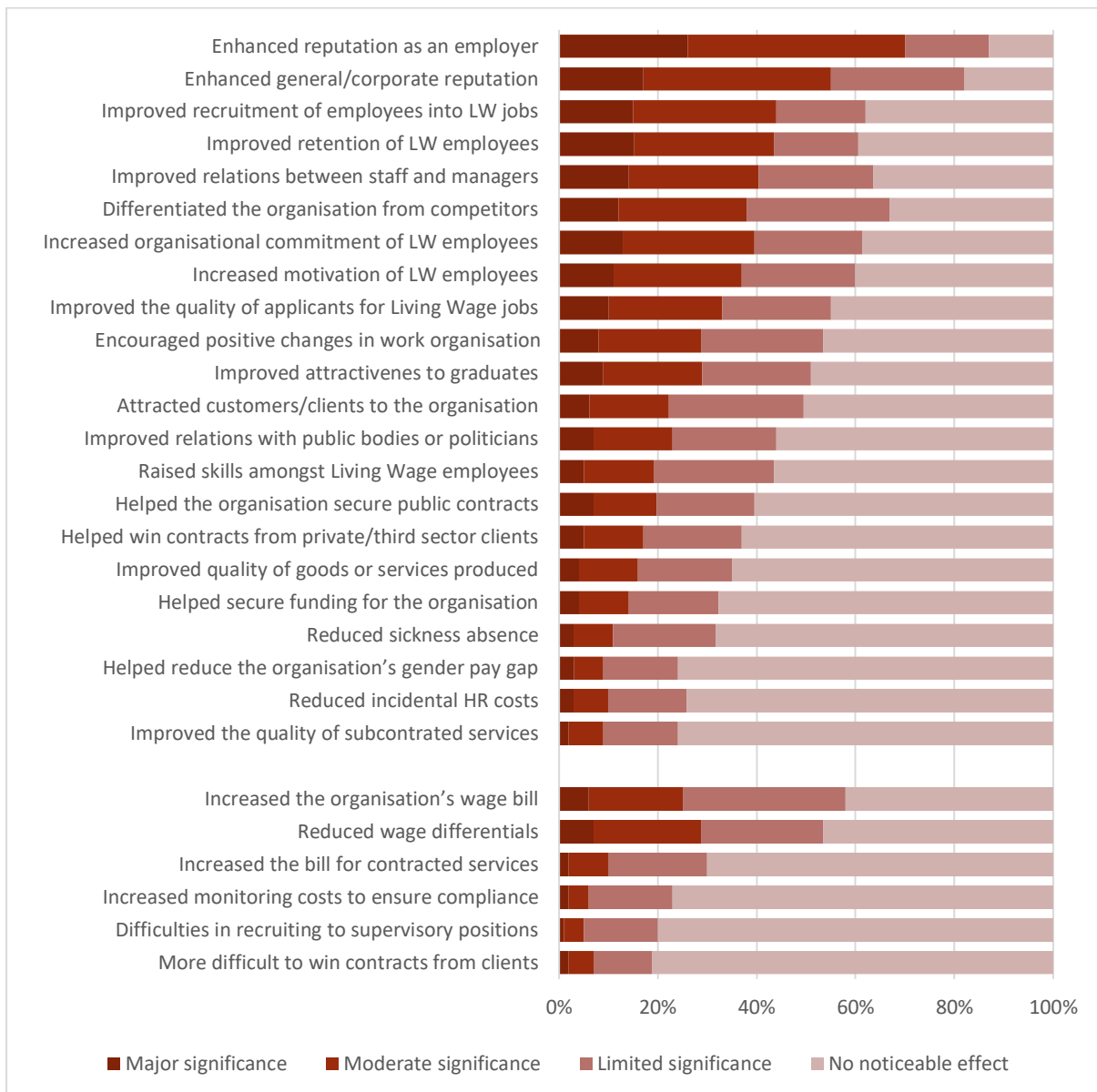
The first of these holds that the adoption of labour standards usually has beneficial consequences for employees but is performance neutral from the perspective of employers. Research on equal opportunities and diversity management programmes, for instance, has sometimes registered marked positive effects for disadvantaged groups amongst the workforce but an absence of impact on business performance, whether positive or negative (Forth and Rincon-Aznar 2008; Riley *et al.* 2013). One conclusion that can be drawn from findings of this type is that the case for labour standards rests primarily on a social justice rationale, rather than the business case.

A second more critical perspective is proposed by free marketeers who argue that all forms of labour market regulation, including voluntary regulation like the Living Wage, will tend to produce negative effects. Labour standards and other regulations, advocates of this perspective claim, inhibit the ability of employers to respond to market signals, directly raise costs, and inhibit flexibility. On this view, the negative, cost-increasing effects of Living Wage adoption will outweigh any positive consequences.

To assess these different arguments, we asked employers completing the questionnaire to state whether they believed becoming accredited had led to a series of impacts within their organization. This series included 22 positive effects including enhancing corporate reputation, improvements in HR, such as better recruitment and retention, and greater success in winning contracts, attracting customers, and securing investment. We also asked if adopting the Living Wage had improved relations with politicians and public bodies.

The series also included six negative consequences. These negative effects included a substantial increase in direct labour costs, increases to indirect costs through the need to monitor contractors to ensure they were paying the Living Wage, and disruption to internal pay structures, such as the squeezing of differentials and consequent difficulty in recruiting to team-leader positions. All these potential consequences, both positive and negative, emerged from our qualitative research and had been raised in discussions with employers and those involved in the campaign.

Figure 6 – Impact of Living Wage accreditation



Number of cases: All survey respondents, N=1471-1499

For all 28 items, employers were asked to rate the impact of Living Wage accreditation using a four-point scale. The latter ranged from 'no noticeable effect', through 'little significance' and 'moderate significance' to an effect of 'great significance'. The questionnaire was designed, therefore, to identify which types of positive and negative impacts had been experienced by employers, while also permitting us to gauge the scale of impact: whether it represented a major or more modest change. The responses are shown in Figure 6 which are ordered in descending order of reported significance.

4.1 Scale of Impact

One way of assessing the three arguments about impact is simply to count the frequency with which accredited employers report positive and negative effects and an absence of effects. Table 2 shows frequency distributions for the number of positive and negative effects of accreditation reported by employers. It also shows separate distributions for reports that identified effects were of ‘great significance’.

The most notable feature of the table is the widespread reporting of positive effects by survey respondents. Ninety-four per cent of employers report at least one positive consequence from accreditation and just over half report eleven or more positive effects. There is strong support in the table for the ‘business case’ argument, that the Living Wage can enhance performance.

Table 2 - Frequency Distributions of positive and negative effects of Living Wage accreditation

Positive effects			Negative effects		
Number reported	Any effect reported %	Effect of ‘great significance’ %	Number reported	Any effect reported %	Effect of ‘great significance’ %
0	6.0	58.6	0	26.3	87.8
1-5	20.3	29.3	1	20.1	8.5
6-11	23.2	7.9	2	20.0	2.0
11-15	24.3	2.3	3-4	21.2	1.4
16-22	26.2	1.8	5-6	12.4	0.3

N=1,511, all accredited employers

The table shows that while positive impacts were reported almost unanimously, there were also some negative consequences reported through the network. Nearly three quarters of surveyed employers identify at least one negative effect of accreditation, while about a third report three or more. Several employers elaborated on the difficulties they had encountered:

“We are concerned that the formula for determining the annual increase in the Living Wage results in a pay increase which consistently exceeds what our other employees receive by way of an annual pay increase, thereby continually eroding pay differentials at the lower end of our pay scales. This is making it more and more difficult for us to maintain a worthwhile pay differential between first line supervisors in functions such as catering and cleaning and the employees they supervise.” [Higher education institution]

There are negative consequences that flow from the adoption of labour standards, therefore, as critics suggest, but these are reported less frequently than are positive effects. Moreover, comparison of the distributions for strong positive and negative effects, indicates that the latter are much less likely to be reported. Thus, 41 per cent of employers report at least one positive effect of ‘great significance’, while only 11 per cent report a negative effect of this strength.

Another point to note about the relationship between positive and negative effects is that they are reported by the same employers. There is a strong positive correlation between the number of positive and negative consequences of accreditation, suggesting that the two go together. They appear to be two sides of the same coin, with the adverse consequences perhaps being the necessary 'price' that employers pay for beneficial change.

Given this association, it is important that positive impact is greater than negative impact. To test if this is the case, we calculated the average score per item across the 22 reported positive effects of the Living Wage and the six negative effects. The scores were calculated by allocating a numerical value to the four points in the scale measuring the significance of reported effects; such that 'no noticeable effect' scored zero, while an effect of 'great significance' scored three. Using this procedure, the average score across the 22 positive items was found to be 0.86, while that across the six negative items was 0.50. The average reported positive effect, therefore, is considerably stronger than the average negative effect, indicating that while the Living Wage carries costs for many employers these typically are outweighed by benefits.

Another argument outlined above is that labour standards are performance-neutral, generating neither positive nor significant negative effects. There is seemingly least support for this argument in the evidence in Table 2, which shows that very few employers report an absence of effects. Across the survey sample, only a small minority of 76 employers (five per cent), reported that adopting the Living Wage generated no impact whatsoever, whether positive or negative, within their organizations. A pure form of the performance-neutral argument is therefore not supported.

However, arguably there is support for a qualified version of this argument. Table 2 shows that most employers failed to report a single strong positive or negative effect. Moreover, while the mean score across the 22 positive items was higher than the mean negative score, both were below one, the value for an effect of 'little significance'. What this suggests is that although the positive (and negative) impact of the Living Wage is widespread, that effect is generally modest, rather diluted.

Several comments written on questionnaires by respondents attested to the limited impact of the scheme:

"We have found that being a Living Wage Employer has made little difference to whether or not we win contracts - even when those contracts are being offered by some of the most vocal LWF champions they seem quite happy to use non-LWE suppliers instead. Similarly, we have found that it makes little difference to our ability to attract and retain staff. We stick with it because I believe in the concept of fair pay and action to reduce social inequalities, but I can honestly say we've seen little, if any, business benefit." [Utility meter reading company]

"As a relatively new organization adopting RLW early it is hard to evidence the positive impact of RLW. It is not evident that it has impacted absence, turnover, or quality of applications as this can't be easily disaggregated from other factors, such as policy developments and changes in management personnel. Our driver for being a RLW employer is that it is the right thing to do and if you can't pay RLW then you don't have a viable business model. It should not be an option." [Social enterprise providing building maintenance services]

“We believe the Living Wage accreditation is important, but it has little tangible effect on a small organization like ours which mostly already met the Real Living Wage. We wanted the accreditation to show we think it is important and set an example rather than to transform our own organization necessarily.” [Community foundation]

These statements do not just attest to the limits to the impact of the Living Wage but also identify reasons. The Living Wage, they suggest, has not produced major effects because businesses were already compliant, few if any workers benefited materially, and other progressive policies were in place whose effects were difficult to disentangle from the Living Wage. The statements also indicate that many organizations remain committed to accreditation despite limited, practical outcomes: their motivation for joining the scheme was to show support and not to boost performance.

Our research findings therefore do not show that the Living Wage has been performance neutral in a strong sense of the term: nearly all employers report positive impact and a high percentage also identify some negative effects, though these are typically outweighed by the positive impacts. There is evidence though for a qualified version of the performance neutrality argument. The survey results indicate that the Living Wage brings modest benefits to most employers; it emerges from the data as a benign rather than transformative influence.

Regulation of the employment relationship is often proposed on the grounds that it can be transformative, shocking employers onto a new line of development which not only improves employment terms for workers but also raises performance. In most organizations that have adopted it, the Living Wage does not seem to have generated a shock-effect of this kind. Rather, it has stimulated modest improvements to business in line with a model of incremental, not transformative change.

While the general pattern is for the scale of Living Wage impacts to be modest, there is considerable variation in reported effects. Analysis of these patterns revealed that strong effects, both negative and positive, were reported where employers also said that a large percentage of employees had benefited from the Living Wage. Where the ‘bite’ of the scheme is stronger, therefore, affecting more people, then impact is greater.

The reported effects of the scheme also tended to be greater, when the employer had been accredited for a long period of time, where other positive changes to pay practices had accompanied the Living Wage, and when the employer had been actively involved in trying to promote the standard to other businesses. What these patterns suggest is that where there is stronger employer commitment to the Living Wage, there is a pay-off in greater impact.

4.2 Types of Impact

Figure 6 contains information on the different types of impact experienced by employers and reveals that certain positive (and negative) effects are reported much more frequently than others. The figure indicates that the 'business case' for the Living Wage comes in different forms, with some possessing a broad resonance, affecting multiple employers, and others being much more restricted, confined to a minority.

Two types of benefit stand out from the figure as being reported most frequently. The first are reputational effects, with majorities of surveyed employers reporting that accreditation has boosted corporate reputation (81 per cent) and their reputation as an employer (86 per cent) and permitted the organization to differentiate itself from competitors (66 per cent). Our qualitative research reinforced these findings with employers attesting to the positive reputational effect of the Living Wage. The director of a small charity in Wales described Living Wage accreditation as "great PR" and emphasized the value of being listed alongside other, larger, and more prominent organizations in campaign publicity. An HR manager at an English university stressed the value of being "the first in the city to accredit" and reported that accreditation had reinforced the university's position as an "employer of choice". In a third organization, a waste collection and recycling business, a manager simply declared: "Since getting accreditation through the Living Wage Movement our business has had a positive reputation across the region. Many thanks!"

The second type of widely reported benefits are improvements to human resource management. Clear majorities of employers reported that Living Wage accreditation had improved recruitment and retention (60 per cent), the quality of job applicants (55 per cent) and workplace relations, led to positive changes in work organization, and raised employee commitment and motivation (60 per cent). Substantial minorities also reported that the scheme had made the organization more attractive to graduates and helped skill acquisition. Relatively few reported that the Living Wage had reduced sickness absence or helped close the gender pay gap, but it is clear from the survey that improvements to HRM have been one of the main gains from accreditation.

This impression was reinforced through qualitative evidence, with a range of employers citing positive effects, particularly with regard to employee resourcing. The HR manager of a theatre company said that the Living Wage, "has been positive in that we feel able to attract and select the best candidates", while her counterpart in an educational charity said that "retention is good" and reported that the scheme had led to turnover rates well below those expected for low-paying employment.

Other employers observed that paying the Living Wage had helped them retain key workers during COVID. The manager of a homecare provider said that "We feel it was a contributing factor to our stability during the pandemic", while an operator of residential care homes in Greater Manchester, which employed 600 care workers, reported in 2021 that, "We just don't have a recruitment problem anymore". This employer further stated that paying the Living Wage had reduced expenditure on costly agency fees and that future savings were anticipated in staff recruitment and induction training.

Other beneficial effects of accreditation were reported by only a minority of employers and tended to have low 'impact' scores. Items in this category comprise improvements to business performance

beyond the employment relationship, such as attracting customers, winning contracts or funding, and improving both the quality of the organization's own goods and services and those provided by suppliers. For some accredited employers benefits of this kind were significant: a visual arts organization supported by Creative Scotland reported that, "Being a Living Wage Employer means that we meet the criteria when applying for certain funding". For most, though, this kind of commercial pay-off from the Living Wage was either absent or of minimal significance. The business case for labour standards has often emphasized commercial benefits, with the attraction of consumers featuring particularly in the academic literature on civil regulation. Benefits of this type, however, lagged behind reputational and HR gains and possessed a rather niche quality, reported by particular segments within the survey population, such as those providing services to larger organizations keen to encourage the Living Wage through procurement.

While positive effects outweighed the negative consequences of accreditation, it is clear from Figure 6 that the latter have been experienced by a substantial number of employers. The most frequent complaint was that the Living Wage had increased costs, with nearly 60 per cent of employers reporting that the scheme had substantially increased their wage bill and 20 per cent reporting that it had increased the cost of contracted services. Several reported that difficult trading conditions arising from the pandemic had exacerbated these problems, while others complained that tight public sector contracts made it difficult to continue paying the rate. Reports of this kind attest both to the substantial commitment that some employers have made in implementing the Living Wage and to the difficulty for individual firms in low-wage industries adopting a wage standard when their competitors do not.

The other main problem identified by the survey was disruption to internal pay structures. More than half of those responding reported that introducing the Living Wage had reduced pay differentials and about a fifth said that this had led to difficulty in recruiting to team leader positions. The manager of an electronics company described this problem as follows:

"It becomes increasing difficult to pay the RLW in terms of the impact on other wages for highly skilled and graduate employees. We are a small company and believe in fair wages but the RLW might push us to abandon it if we get into more financial struggles."

In interviews with other managers, however, it was stated that problems of this kind had not proved as severe as they feared and in many cases employers have awarded compensating increases for higher-graded staff to preserve differentials. It remains though that pegging wage rates to an external standard has disrupted internal pay relativities.

4.3 Clusters of Impact

Further analysis of the evidence in Figure 6, revealed that there are clusters of impact, with discrete groups of employers tending to report impacts of a specific kind across several items. One such cluster focused on the business benefits of the Living Wage, with the same employers tending to report that they had attracted customers, won contracts, secured funding, and improved relationships with public bodies. These employers also tended to share certain other characteristics. Their motivation for seeking accreditation was often to secure business benefits and they tended to be located in parts of the country where there was encouragement from political authorities to

adopt the Living Wage. Businesses were reporting contractual gains, that is, where public authorities were trying to use procurement and associated measures to promote the Living Wage.

Another cluster focused on reports that the Living Wage had improved labour market performance, making it easier to attract, recruit and retain employees, while a third focused more on employee performance, such as higher motivation and commitment, reduced absence, changes to work organization, and improvements in service quality. The principal motivations for becoming accredited reported by employers with these impact profiles, perhaps unsurprisingly, tended to be HR reasons, though many also mentioned a desire to win contracts and institutional pressures.

Perhaps the most striking feature of businesses reporting HR impacts, however, is that a relatively high proportion of employees had benefited from the Living Wage. Once again, this evidence indicates that where the 'bite' of the Living Wage is stronger, then it tends to be more impactful. These employers also tended to be found in low-wage and outsourcing industries, such as retail, care, and hospitality, reinforcing the point made earlier that it is in these industries that the Living Wage is most likely to confer competitive advantage.

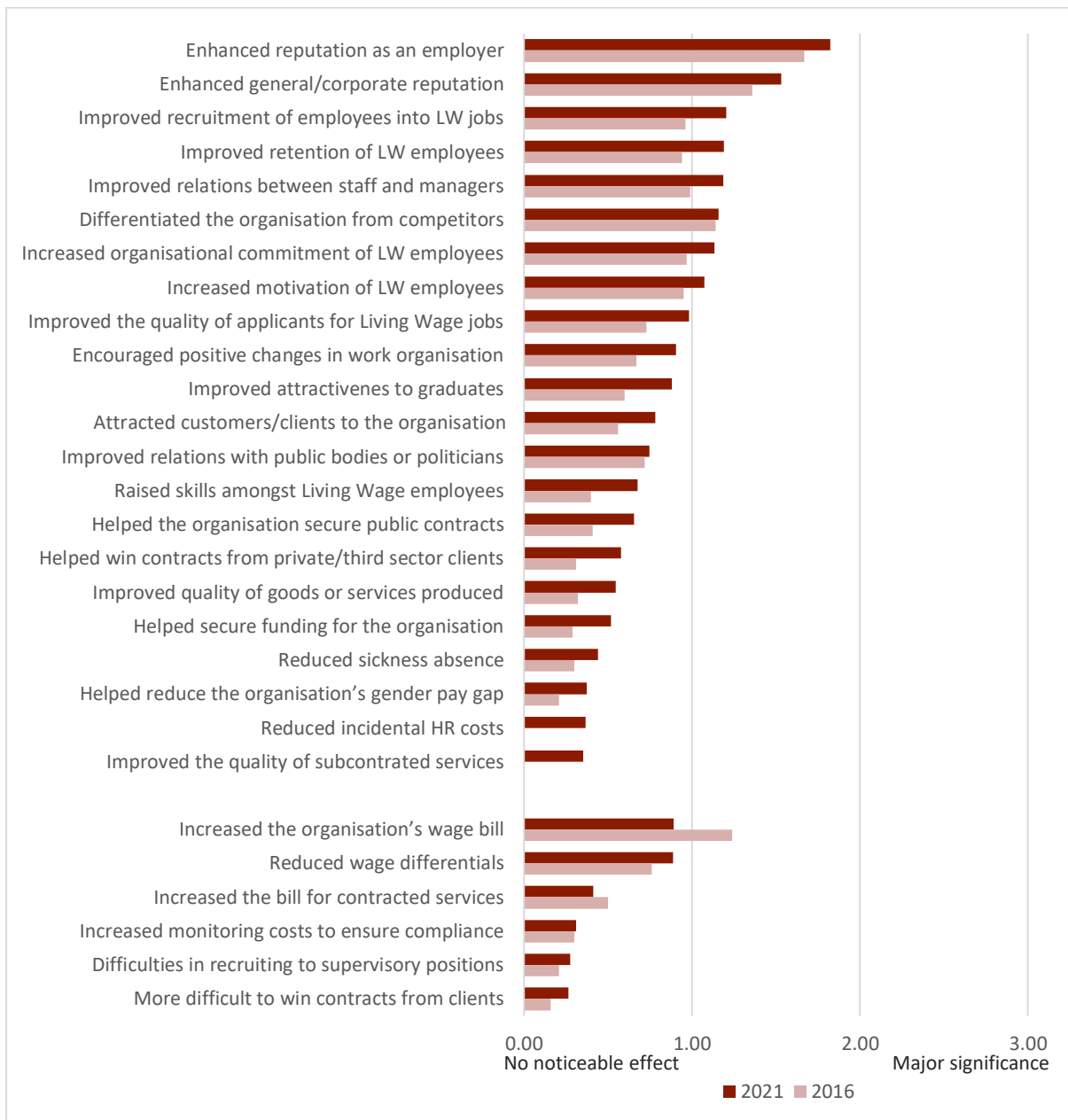
4.4 Comparing Living Wage Impact 2016-2021

Drawing again on our 2016 survey of Living Wage Employers we can trace whether the impact of Living Wage accreditation on employers has changed over time. The results in Figure 7 show the importance attached to each of the factors both positive and negative, expressed in the same way as in table 2; as a mean score ranging from 'no noticeable effect' scored zero to 'major significance' scored three. The positive and negative factors are arranged in descending order according to the responses to the 2021 survey.

In summary the results in Figure 7 show that the reported significance for each of the positive benefits listed in the survey was higher in 2021 when compared to five years earlier. The differences in relation to the negative factors are smaller. It is also noteworthy that the mean reported significance of the two items related to the increased wage costs of accreditation (for both direct and contracted staff) has fallen.

The differences in reported impact between the two survey years could have both temporal and compositional explanations. On the one hand, some employers responding to the survey in 2021 will have been accredited longer than they were in 2016 and have a longer evidence base on which to base their assessment of the impact of the Living Wage on their organisations. The above mentioned finding that the strength of impact is positively associated with length of accreditation lends some support to this explanation. The compositional explanation for the apparent increased impact is that the organisations that have been accredited since the 2016 survey are different in nature to those earlier respondents and perhaps provide a more receptive environment for accreditation to yield benefits.

Figure 7 – Comparing Living Wage Impact 2016 to 2021



Number of cases: All survey responses (2016=803-825 , 2021=1471-1499)

The other main thing of note about Figure 7 is that is that the relative strength of different impacts is stable over time: impacts which are reported by a majority of employers in 2021 were also reported by a majority in 2016 and the same is true of minority impacts. This repetition is indicative of both the reliability of the survey results and of the stability of the scheme's effects. In 2016, just as in 2021, employers were most likely to report reputational gains from the Living Wage, followed by HR effects and with harder, business benefits following up in third place. In both years, the main negative effect was to directly raise wage costs. There have been some minor shifts between the two surveys, but the main finding is that the Living Wage has been consistent in its effects on employing organizations over time.

5. Impact on Employees

While accreditation may be beneficial to many employers, the main purpose of the Living Wage is to benefit employees. The primary evidence that has been used to gauge the positive effects of the scheme for employees is the return that employers submit at the point of their accreditation, on which they are asked to provide information on the number of direct and contract employees receiving a Living Wage uplift and the hourly rate of pay for these employees prior to accreditation.

Between the launch of the accreditation scheme and January 2023, more than 14,000 employers provided this information and reported that 375,794 employees had received a pay increase that brought their hourly rate up to the Living Wage. A further 550 employers failed to report, but it is possible to estimate the number of employees benefiting across this group from the reports of employers with similar characteristics. When this is done then the estimate of the total number of employees benefiting from the Living Wage at the point of accreditation increases to 395,532.

From these data we have been able to calculate that the average pay increase for low-wage employees at the point of accreditation was 11.6 per cent and that the cumulative money transfer to employees since the inception of the scheme in 2011 has been over £2.2bn. It is clear from the evidence gathered at accreditation, therefore, that the Living Wage campaign has met its central objective of benefiting low-wage workers. The scheme has had a positive impact for employees: tens of thousands have gained, many of whom have received a very substantial pay increase.

One purpose of our survey was to establish if this positive impact continued to register post-accreditation. To this end, we asked employers to report 'how many direct employees and employees of contractors have or will receive a pay increase to bring them up to the new Living Wage rate in your organisation in the six-month period from November 2020' (i.e. the period when accredited employers are required to implement the new rates announced in Living Wage Week). As with the return submitted on accreditation, employers were asked to provide separate estimates for direct and contract workers, for employees on full-time and part-time contracts, and for those receiving the London and UK Living Wage rates.

From this information it is possible to calculate: the number of workers benefiting from the scheme across the survey population, whether the number of workers benefiting has grown or diminished since initial accreditation, what proportion of employees have benefited within organizations, and in which type of business positive impact is concentrated. It is also possible to use the information to test for 'mutual gains' (Kochan and Osterman 1994); to measure the extent to which positive impact for employees is found in the same organizations that report positive organizational impact.

5.1 Total Impact

We collected information on uplift from 1,532 employers, 975 of whom (63.6 per cent) reported that employees had received a Living Wage pay increase. Across the latter group a total of 40,003 employees were reported to have benefited. The average number of benefiting employees per Living Wage Employer reporting uplift was 42.2, but the median was only six. As this difference indicates there was tremendous variation in reports of Living Wage impact. At the bottom of the range, 570 employers (37.6 per cent) reported that they had no current or anticipated beneficiaries

from the Living Wage, whilst at the top more than 8,000 workers were reported to have benefited in one large employer.

Analysis of these impact data revealed that benefiting employees were concentrated in specific parts of the economy and in certain types of organization. Organizational size, measured by headcount, emerged as particularly important. The survey collected information from 67 organizations with 500 or more direct employees and together these employers accounted for 60.1 per cent of benefiting employees. In contrast, 514 businesses with fewer than ten employees responded to the survey but only accounted for 4.8 per cent of impact. The data point to the need for the campaign to continue to target large corporates and public service 'anchor institutions' if it is to maximize impact.

Most employers responding to the survey were found in the private sector, as were most employees who had received a Living Wage pay increase: 889 private sector businesses (58.0 per cent) accounted for 59.2 per cent of impact. The public sector in contrast was represented only by 44 organizations (2.9 per cent) but accounted for 13.9 per cent of benefiting employees. Most public sector organizations are large employers and for this reason the sector has contributed disproportionately to impact.

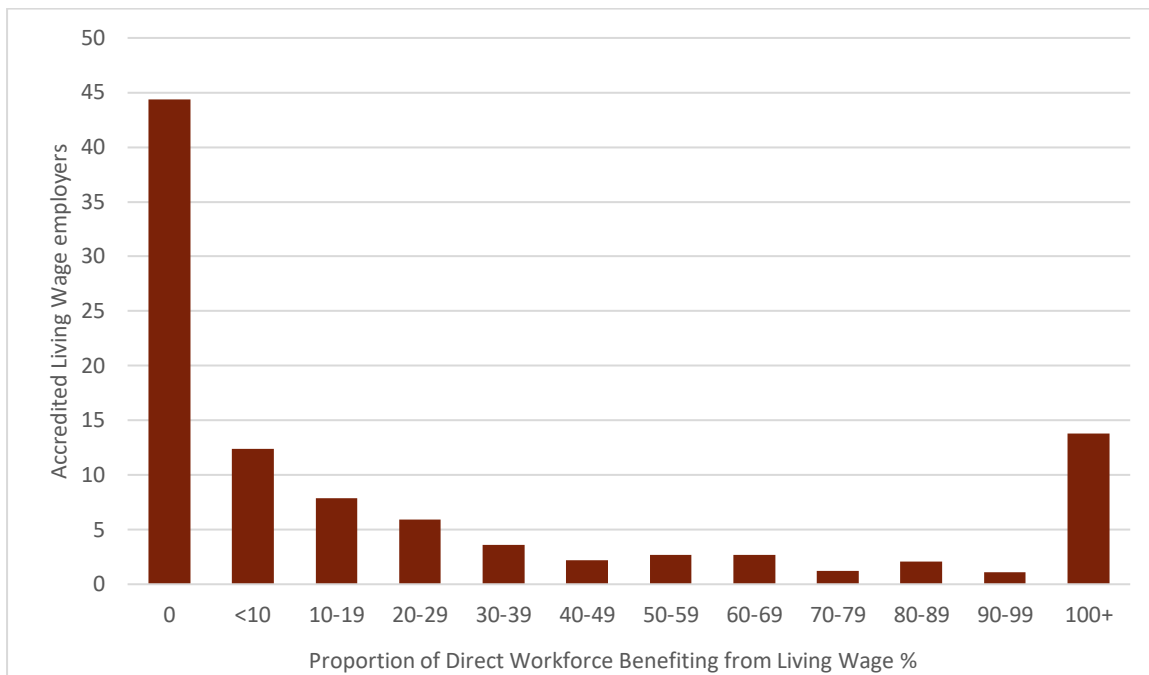
A number of individual industries also contributed markedly to impact. Wholesale and retail trade accounted for 27.7 per cent, though much of this was due to one very large retail chain joining the scheme, while health and social work accounted for 17.6 per cent. Both these industries, retail and the social care element within health, are characterized by low pay, with large numbers of low paid employees likely to benefit from the Living Wage when it is adopted.

The final thing to note about the pattern of total impact is that, like accreditation, it is concentrated geographically. Most benefiting employees worked for responding businesses headquartered in London (43.5 per cent) or in Scotland (22.7 per cent). In many cases these employees will be spread across the country in branches and local outlets, but the data suggest that impact is greatest where the campaign is well-established and has been supported by public authorities.

5.2 Depth of Impact

Figure 8 presents the distribution of employee impact as expressed as a percentage of the directly employed workforce. It shows the percentage of employees that have benefited directly from the Living Wage, reported by employers responding to the 2021 survey. This is an important measure. It effectively shows the depth of Living Wage impact within participating employers; what might also be construed as a measure of the 'bite' of the Living Wage. As we have seen in the previous section 'bite' is associated with stronger reported scheme effects. Where a relatively high proportion of employees benefit directly from the scheme, employers are more likely to report both positive and negative effects on their organizations and to assess these impacts as relatively strong, of major significance. Positive HR effects are particularly likely to be reported where bite is strong, with employers more likely to report that the Living Wage has facilitated recruitment and retention and led to positive changes in work attitudes and behaviour.

Figure 8 – Distribution of Employee Impact



Number of cases: Survey respondents reporting uplift figures, N=909;

Note that the percentage is calculated by dividing the total number of direct and contract employees reported to have received a Living Wage pay increase by the direct headcount of the employer at the point of accreditation.

Figure 8 shows that the depth of Living Wage impact varies very substantially across employers. At one end of the spectrum a substantial minority of employers (44.4 per cent) report that no workers are due to receive an uplift in the next six months, while a further 12 per cent report that 10 per cent or fewer employees have benefited.² These figures may include organisations that had already raised their wages to the Living Wage. The median reported figure across those surveyed was 7.4 per cent. As one might expect, low percentage coverage tended to be reported by employers operating in high wage industries with relatively few low paid workers. In professional service firms, such as legal and architectural practices, management consultancies, public relations, marketing and engineering firms relatively few Living Wage recipients are reported.

The substantial minority of employers who reported zero impact for employees in 2021 indicates that the Living Wage shares a feature noted with other systems of voluntary regulation: a tendency for membership to be concentrated amongst employers who are already compliant or who can comply at minimal cost (Hoque 2003). Behaviour of this kind is sometimes labelled ‘badge-collecting’ and identified as one of the weaknesses of voluntary regulation.

However, it is important to enter a note of qualification. Table 3 shows whether survey respondents reported employees benefiting from the Living Wage both at the time of the 2021 survey and at the

² 617 respondents did not provide any uplift data in the survey. Cross-checking the results with our database revealed that the majority of these organisations reported no uplifts at the point of accreditation. For the following analysis, we have consequently coded cases with missing data as zero uplift.

point they first became accredited. It shows that about a fifth of employers, report that there was no impact at either reporting-point but that a half report, employees gaining at both points. The remaining 28 per cent of employers reported workers receiving a pay increase at one of the two reporting points but not at the other. What the table shows is that the beneficial effects of the Living Wage for employees can vary from year to year. As a consequence, relying on evidence from one single point of time is likely to underestimate the number of workers that have gained from the scheme.

Table 3 Employer reports of impact over time

Employer reports of workers receiving Living Wage	Number	Per cent
No reports of impact	336	21.9
Impact reported only at point of accreditation	234	15.3
Impact reported only at point of 2021 survey	188	12.3
Impact reported at both accreditation and at time of 2021 survey	773	50.5
Total	1531	100.0

While Figure 8 shows that the positive effects of Living Wage accreditation for workers are often limited, it also shows that in a substantial number of employing organizations large percentages of employees have gained. In a quarter of organizations responding to the survey, the employer reported that a majority of employees were due to receive a Living Wage pay increase. Indeed, in 14 per cent of cases it was reported that 100 per cent or more of the directly employed workforce were beneficiaries. A very strong Living Wage ‘bite’ of this kind generally occurs when the scheme has been extended to contract workers. A Premier League football club, for instance, reported that 198 per cent of its workforce had benefited from the Living Wage because of its indirect employment of match-day attendants and catering assistants.

The final point to note about the depth of Living Wage impact is that employer reports of a high percentage of workers benefiting tended to come from low-wage industries. These employers tended to be located, in industries with relatively low hourly pay and a relatively high percentage of low paid workers. These industries include social care and industries providing outsourced services such as cleaning, security, and grounds maintenance. The bite of the Living Wage is strongest where it is needed most.

5.3 Change in Impact

By comparing employer responses on impact from the survey to the initial accreditation returns from the same employers, it is possible to explore whether the number of employees gaining from the Living Wage is increasing or declining over time. One possibility is that the number of workers benefiting from the scheme will fall as employers reduce the size of their workforce or their reliance on low-wage labour in order to make membership of the scheme more affordable. The evidence, however, indicates that this has not been the case. Employers responding to the survey, reported

that a total of 34,952 workers had received a pay increase at the point of accreditation. Since this point, therefore, the number of benefiting workers has grown by 5,051, an increase of 12.6 per cent.

While there is evidence of growth in the overall number of workers benefiting from the scheme since accreditation, there is considerable variation across employers. Indeed, the survey respondents are divided into three almost equally sized groups: those reporting a decline in the number of uplifts (30.3 per cent), those reporting no change (33.4 per cent), and those reporting an increase (34.2 per cent). Analysis of these groups showed that smaller organizations, with fewer employees were more likely to report an increase in the percentage of those benefiting from the Living Wage. If one controls for organizational size, however, other characteristics of these employers stand out. They are more likely to have been recently accredited and to be operating in low wage industries and industries that provide outsourced services to corporate and public sector clients. They are also more likely to be found amongst key industries; that is those parts of the economy designated by government as providing essential services during the COVID pandemic.

5.4 Mutual Gains

The Living Wage has been promoted on the grounds that it can benefit both employers and employees: it is 'good for business and good for society'. The evidence presented so far provides support for these claims. Virtually all employers report some benefit from Living Wage accreditation and four-fifths report that employees have received pay increases, either at the point of accreditation or when the survey was distributed in 2021.

To explore this issue of 'mutual gains' further, we identified four groups amongst the survey population as follows: 1) employers who reported no positive impact either for themselves or for their workforce; 2) employers who reported worker-only gains; 3) employers who reported positive impact for their business but an absence of impact for employees; 4) employers who report positive impact both for themselves and for the workforce.

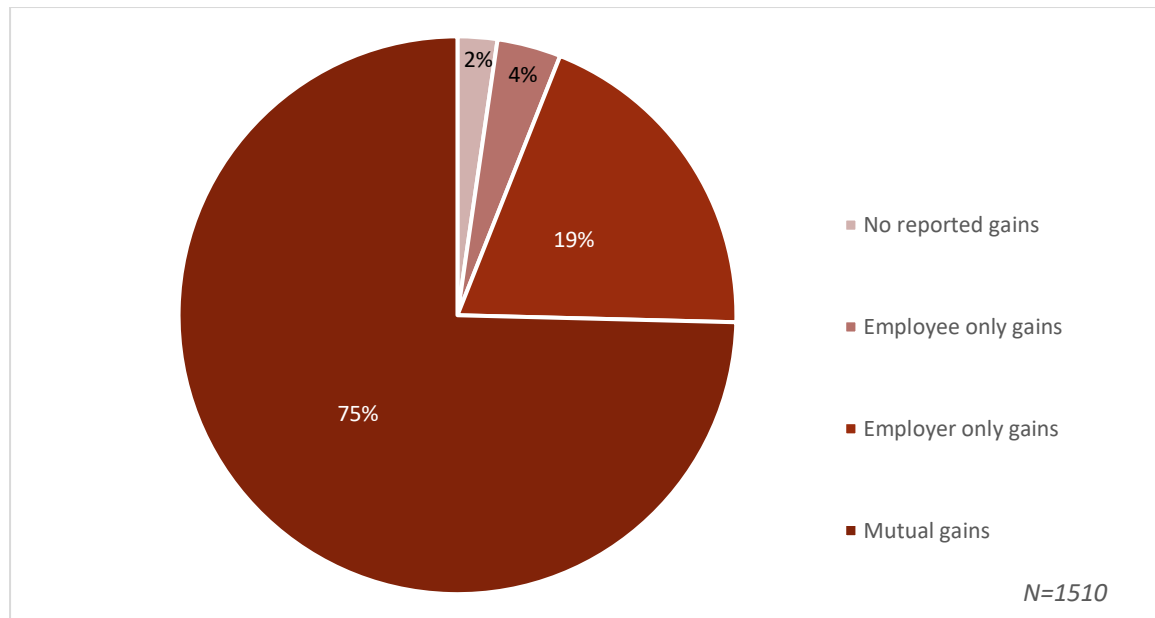
The sizes of these four groups are shown in Figure 9. The smallest group is that reporting no impact, a pattern visible in less than three per cent of accredited organizations. It is sometimes suggested that adopting voluntary standards is largely performative, a symbolic change at most with little tangible impact on compliant organizations (Hoque et al. 2014). This judgement is not warranted in the case of the Living Wage: employers report impact either for themselves or for their employees in the vast majority of accredited organizations.

The next group, comprised of organizations where positive impact for employees is reported but not for the employer, is also very small making up slightly more than three per cent of the sample. Substantially larger but still only a minority, is the group comprising employers that report benefit for themselves but not for employees. Just under a fifth of employers report this pattern. Critics of private regulation sometimes charge that this is the dominant pattern of effects to which it gives rise: generating reputational and other gains for business while leaving the situation of employees unchanged (Lebaron et al. 2022). This pattern is visible amongst Living Wage employers, but it is by no means dominant.

The pattern that is dominant is that of mutual gains, with benefits for both the employer and employees reported in the same organization. The mutual gains pattern is present in three-quarters

of accredited organizations, bearing out the claims of Living Wage campaigners. Civil regulation in the form of the Living Wage standard, the evidence shows, operates to the benefit of both parties to the employment relations - employer and employees.

Figure 9 - Evidence for 'mutual gains' from the Living Wage



5.5 Characteristics of Benefiting Employees – Employment Status

The survey asked respondents to provide details about those workers who had benefitted from the latest uplift in Living Wage rates. One set of characteristics about which employers were asked related to the employment status of Living Wage recipients. Employers were asked whether the latter worked full-time or part-time or were direct employees or employees of contractors. They were also asked whether benefiting employees had received the UK-wide or London Living Wage. These same questions were asked when employers first accredited and so it is possible to identify change in the employment status of Living Wage recipients over time.

Table 4 presents this information. The first two rows show that most beneficiaries of the Living Wage are direct employees but that a substantial minority are employed by contractors and gain from the provision in the scheme to extend the Living Wage to all working on the premises of an accredited organization. One of the objectives of the scheme was to reverse some of the negative consequences of outsourcing for low wage workers and in many respects this objective has been achieved (Wills 2009). It is notable, however, that the 2021 figure for contract beneficiaries is substantially below that for the point of accreditation. This finding may be due to the impact of COVID, leading to changed working practices and reduced demand for outsourced business services, such as office cleaning. Analysis of the characteristics of organizations reporting that contract employees had gained from the Living Wage revealed, unsurprisingly, that they tended to be large organizations and were also more likely to operate in the public sector.

The next two rows in the table show the extent to which full-time and part-time employees have benefited from the Living Wage. The figures point to a decline in the number and percentage of part-timers receiving the Living Wage and this may also be a consequence of COVID. The main finding, however, is that part-time workers have been major beneficiaries of the Living Wage: 698 employers report that more than 16,000 part-time workers had received a pay increase in 2021. The percentage figures for part-time gainers, of 40.2 per cent in 2021 and 62.3 per cent at accreditation, are well above the percentage representation of part-timers in the UK employed workforce (24.7 per cent), indicating that part-time workers have benefited disproportionately from the scheme. Employers reporting that part-time workers had received the Living Wage tended to be found in low-wage industries, such as social care, business services, and hospitality, several of which were designated key industries by the UK government during the pandemic.

Table 4 Employment status of Living Wage recipients

Employment status	2021 Survey				Accreditation	
	Employers		Employees receiving LW		Employees receiving LW	
	N	%	N	%	N	%
Direct employees	866	57.6	34,016	85.0	27,495	78.1
Contract employees	223	14.8	5,983	15.0	7,713	21.9
Full-time employees	678	45.1	23,904	59.8	13,166	37.7
Part-time employees	698	46.4	16,095	40.2	21,710	62.3
UK-wide Living Wage	747	49.7	30,556	76.4	29,272	83.9
London Living Wage	231	15.4	9,443	23.6	5,607	16.1

Number of cases: Employers responding to 2021 survey. Data for 2021 based on 1504 cases; accreditation data based on 1468-1486 cases.

The final two rows in the table do not present information on employment status but rather on whether employees have received the London or UK-wide Living Wage. They show that a large majority of benefiting employees receive the UK rate and, also that both the number and percentage of those receiving the London rate has declined over time. This latter shift may be due to the outward spread of the Living Wage beyond London. A last thing to note about the data on the London Living Wage is that the percentage of workers reported to be receiving it in 2021 (23.6 per cent), falls well below the percentage of all reported beneficiaries working for London-based employers (43.5 per cent). This difference indicates that many of the latter have operations across the UK and that many of their employees who have received the Living Wage work outside London, in branch plants, offices, and outlets spread across the country.

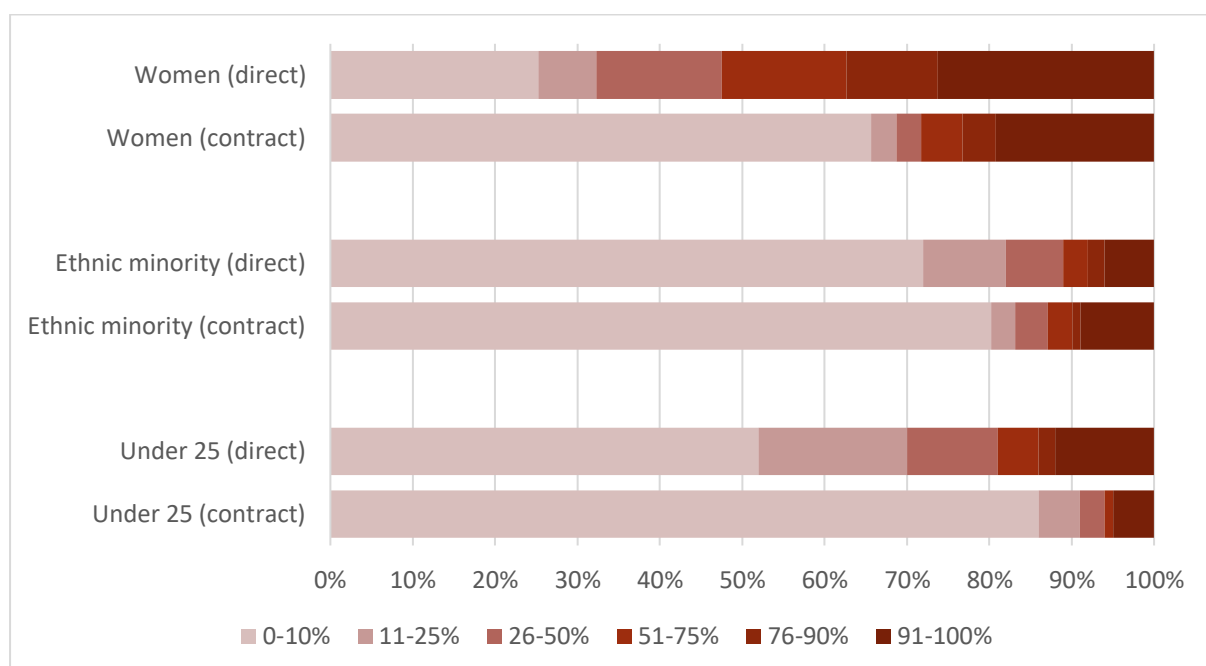
5.6 Characteristics of Benefiting Employees – Demographic Characteristics

The Living Wage is often promoted on the grounds that it will be of particular benefit to women and ethnic minorities in the workforce who are more likely to be low paid (Living Wage Foundation 2017; Richardson and Reddyhoff 2022). To examine if this was the case, employers were asked to quantify the proportion of benefiting employees who were women, members of an ethnic minority or aged

under 25. Separate estimates were asked for directly employed staff and those employed by contractors. The results are shown in Figure 10.

The results indicate that in the case of direct workers, female employees have benefited from the Living Wage in at least three-quarters of organizations and form the majority of those who received a pay increase in just over half. The evidence supports the claim of Living Wage campaigners that the scheme will be of specific benefit to low paid women employees. It also reinforces the finding on disproportionate impact amongst part-timers, noted above, as women are still much more likely than men to work part-time. The proportions of ethnic minority and young workers benefiting are smaller, but it is still the case that in a substantial minority of organizations they are part of the direct workforce that have gained from the Living Wage and in some cases, they constitute an absolute majority. Reports that women and ethnic minorities, but not young workers, formed a large percentage of the benefiting workforce tended to come from employers with a now familiar profile: organizations operating in low wage sectors and in key industries, such as social care. They were also more likely to operate in the not-for-profit sector.

Figure 10 - Characteristics of Living Wage recipients



N= 726-795 for direct employees and 369-388 for contract staff

Amongst indirect workers, the pattern is rather different and women and young workers, in particular, are poorly represented amongst contract employees receiving a Living Wage pay increase. Quite why there is such a sharp difference in the demographic profiles of direct and contract recipients of the Living Wage is uncertain. It may reflect the strong representation of male-dominated occupations, such as security guards and industrial cleaners, amongst the latter within the survey sample.

5.7 Characteristics of Benefiting Employees – Occupation

Employers completing the survey were asked whether members of 34 low-wage occupations had received or were scheduled to receive a Living Wage pay increase in the current year and were asked also whether members of these occupations were directly or indirectly employed. Their responses generated a total of 2,238 reports of occupations gaining from the Living Wage. These data provide information on the occupational spread of the Living Wage, allowing us to identify which occupations have most frequently benefited from the scheme.

It is important to recognise, however, that they do not allow us to estimate the number of recipients within each occupation. For example, if an employer has one cleaner, two receptionists, and five telesales employees who benefit from the Living Wage the data simply report that members of these three occupational groups are covered. Asking for more detailed information was not judged feasible.

All 34 occupational categories on which information was sought were reported to have gained from the Living Wage, indicating the broad spread of the standard across the UK economy. Nevertheless, some occupational categories were particularly likely to have benefited. Across the entire sample the ten most frequently reported benefiting occupations were: 1) clerical or administrative assistant; 2) office or domestic cleaner; 3) receptionist; 4) warehouse operative; 5) care-worker or home-carer; 6) kitchen or catering assistant; 7) machine or process operative; 8) security guard or attendant; 9) sales assistant or shelf-filler; and 10) call or contact-centre operative.

Amongst indirect employees a narrower range of recipient occupations was identified, with five accounting for 40 per cent of coverage: office cleaner, security guard, industrial or window cleaner, receptionist, and administrative assistant. All of these are jobs that are commonly outsourced.

To further examine occupational coverage by the Living Wage, the 34 jobs were placed in larger groupings with common characteristics. The results of this exercise are shown in Table 5, which shows both the frequency with which these clusters were reported to have benefited from the Living Wage and their relative contribution to low-wage employment across the UK economy. Two groups of jobs are shown particularly to have gained from the Living Wage – administrative and building service jobs – and to have done so to an extent that exceeds their share of low-wage employment. What distinguishes these two groups of jobs is their quality of ubiquity: cleaners, office assistants, receptionists, security guards, porters, and caretakers are found in multiple industries, spread across the economy. They are also low-wage jobs which are found in high-wage industries.

Several of the other job clusters in the table, such as hospitality and leisure, retail and customer service, and care and personal services, are shown to have low Living Wage coverage, relative to their scale. Many of these jobs, such as care assistant, checkout operative, hairdresser, sport or leisure attendant, waiter or waitress, and bar worker, are concentrated in particular industries that are characterized by low-wage employment; for example, social care, retail, personal services, leisure, and hospitality. The table shows that those performing jobs of this kind have benefited from the Living Wage, reflecting the latter's penetration of low-wage industries. But it also shows that the campaign has found it harder to impact these types of jobs. The pattern of impact described above, with its tilt towards high wage industries and parts of the economy, is echoed in the pattern of occupational coverage with its bias towards ubiquitous low-wage jobs and away from jobs concentrated in low-wage parts of the economy.

Table 5 Occupational groups benefiting from the Living Wage

Occupational Group	Per cent of employer reports N=2,238	Per cent of low-paid jobs reported by ASHE, 2019
Administrative jobs ¹	28.5	10.0
Building service jobs ²	26.3	13.5
Hospitality & leisure ³	8.7	14.3
Retail & customer services jobs ⁴	6.9	18.5
Transport & storage ⁵	5.9	11.9
Manufacturing ⁶	5.4	5.7
Care & personal services ⁷	4.5	12.0
Construction ⁸	2.2	1.0
Education ⁹	1.9	12.0
Refuse ¹⁰	0.8	0.4
Farming ¹¹	0.4	0.5

Source: Survey of Living Wage Employers, 2021; Annual Survey of Hours and Employment, 2019.

1. Administrative: clerical or administrative assistant, receptionist, library assistant, secretary, typist, or keyboard operator.
2. Building service: office or domestic cleaner, security guard or attendant, industrial or window cleaner, housekeeper, porter, postal or mailroom worker, caretaker, gardener or grounds person.
3. Hospitality and leisure: bar worker, waiter or waitress, kitchen or catering assistant, sport or leisure attendant
4. Retail and customer service: telesales, call or contact centre operative, sales assistant or shelf-filler, cashier or checkout operator
5. Transport and storage: warehouse operative, van, taxi, or mini-bus driver.
6. Manufacturing: packer or assembly operative, machine or process operative.
7. Care and personal services: care-worker or home-carer, hairdresser or beautician, launderer, dry-cleaner, or presser.
8. Construction: building labourer.
9. Education: teaching or educational support assistant, school breakfast or midday supervisor or crossing patrol, nursery nurse, assistant, or playworker.
10. Refuse: street cleaner, refuse and salvage collector or sorter.
11. Farming: farm labourer

6. Continued Living Wage Accreditation

The survey asked respondents about the likelihood that they would retain their living wage accreditation over the next three years. Ninety-nine per cent said it was 'likely' or 'very likely' and 86 per cent that it was 'very likely'. Comments entered on the questionnaire further attested to this strong commitment to continuing accreditation:

"We remain committed to being a Living Wage Employer and it is fundamental to our values and culture." [Law firm]

"As a small charitable organisation, it has always been a challenge to sustain our activities; however we remain committed to the principles of the living wage which is reflected in how we operate as a business." [Development consultancy]

This pattern of positive response was consistent across all types of employers with no statistically significant differences according to organisation size, economic sector or length of accreditation. We also asked about the factors that could be expected to maintain employer support for the Living Wage with employers asked to rate the importance of several items for maintaining their own support for continuing accreditation on a four-point scale ranging from 'great importance' to 'no importance'.

As with the motivations for accreditation, the survey revealed that most respondents reported numerous factors that maintained the support for continued accreditation. The average number of factors that were claimed to have had at least some influence on maintaining support was 17, while the average number said to have been of 'great importance' was seven. Thus, the decision to continue as a Living Wage Employer seems as multifaceted as the initial choice to become accredited.

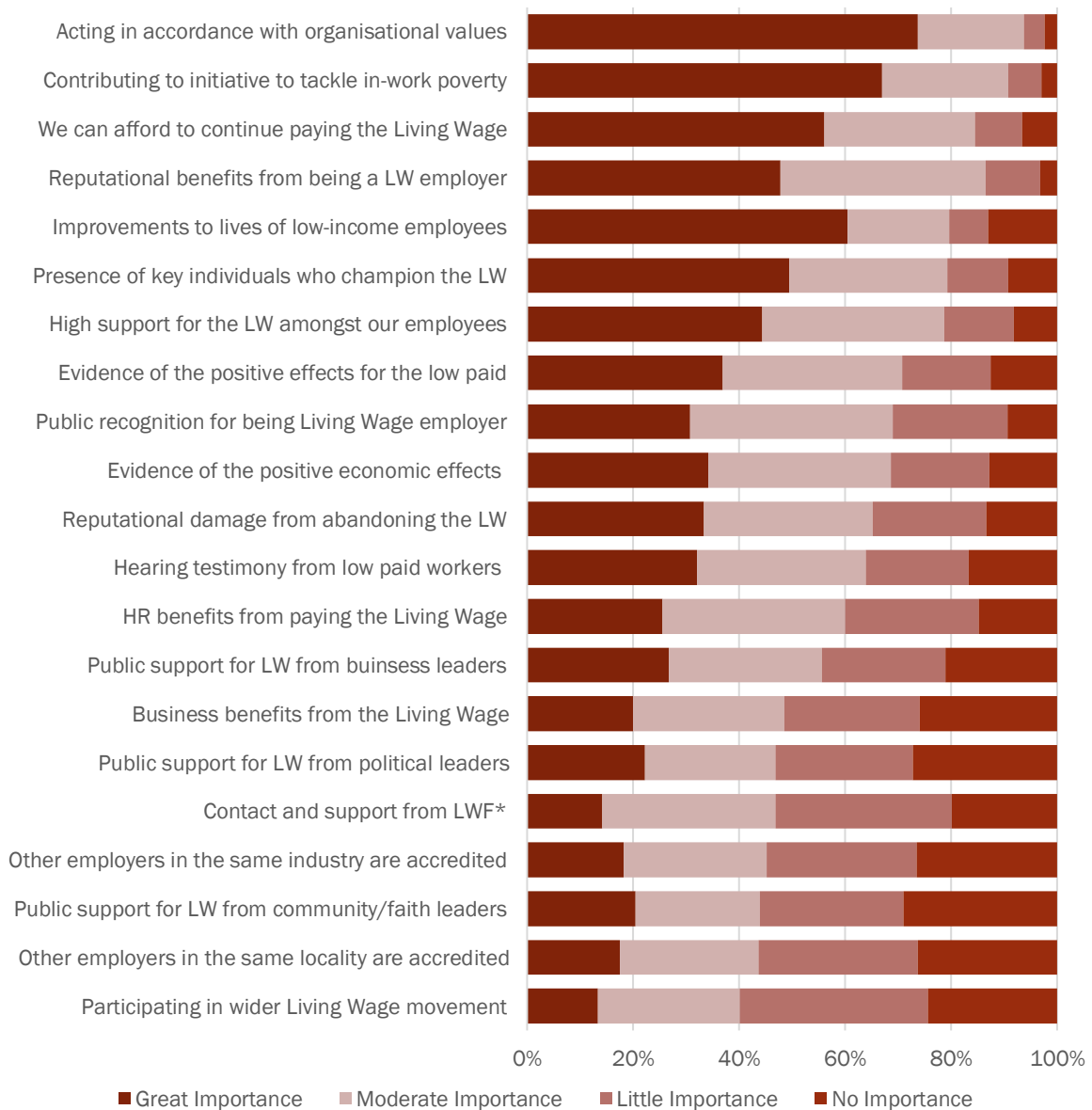
While most employers cite multiple factors that support continued accreditation, some are clearly more important than others. Figure 10 shows the responses of employers to all 21 items, placed in descending order of importance (those with a higher mean score at the top). Analysis of the results shows that underlying the various reasons for supporting continued accreditation there are four broad groups of factors.

Public Support for the Living Wage

The first underlying factor relates to public support for the living wage and encompasses two elements. The first concerns involvement with the Living Wage campaign, including contact with or support from the Living Wage Foundation and participating in the wider Living Wage moment; for example, by taking part in Living Wage Week. The second element is the public support afforded to the Living Wage from various stakeholders. These include business leaders, faith and community groups and political leaders at various levels of government including council leaders, metro mayors and the first ministers of the devolved governments in Scotland and Wales. The presence of this

factor attests to the important role that campaigners and a wider set of stakeholders can play in reinforcing employer commitment to the Living Wage.

Figure 11 – Factors relating to continued Living Wage Accreditation



* This Includes *Cynnal Cymru* in Wales and *Living Wage Scotland* in Scotland
 Number of cases: All respondents, N=1462-1476

Internal organisational values

The next factor relates to internal organisational features and values and is closely aligned with the ‘expressive’ motives for accreditation that were discussed in section 2. Again, there are two sub-themes that are identifiable in this factor. The first derives from employee support for Living Wage accreditation, both from the workforce as a whole but also from key individuals who champion the scheme. These reasons were cited as being of great importance in maintaining support for the

Living Wage by 44 per cent and 50 per cent of survey respondents respectively. The other sub theme that is related to this factor concerns how Living Wage accreditation is an expression of organisational values, which is explicitly rated as of great importance by three out of four respondents – the highest scoring single component. Tackling low pay is also strongly related to this factor, both internally within the organisation, and more widely. Over 60 per cent of respondents reported that ‘feeling we are contributing to an important initiative to tackle in-work poverty’ was of great importance in maintaining support for the Living Wage. Examples of written statements to this effect include the following:

“We are intent on continuing to raise the standards for our team. It's been a very difficult period for our business and we wanted to show a commitment to the team that has helped us through the worst of the pandemic. There is lots still to do. This survey has also raised a number of areas where we can improve our approach to HR.” [Manufacturer]

“I think it is shameful that an organisation like the LWF has to exist...Inequality is bad for each one of us and bad for our country.” [Biotechnology company]

“We became a Living Wage Employer from the outset six years ago because it was the right thing to do: it's not a position to which we moved...As an organisation we want to move to a position where we have reciprocal commitment to each other.” [Hospitality]

Reputational and commercial considerations

The third group of reasons associated with maintaining support for the Living Wage mainly concern the reputational consequences that stem from accreditation. Most obviously this includes the perceived benefits the organisation receives from accreditation which are claimed to be of great importance by nearly half of respondents. The obverse force - the potential reputational damage from abandoning accreditation, although less significant is still an important consideration for many employers. The final reputational variable associated with this factor concerns the public recognition and celebration of Living Wage status which over two thirds of respondents, claimed was of moderate or great importance. Finally, a fifth of respondents cited the tangible financial benefits of accreditation such as winning contracts or funding as of great importance in their continued support for accreditation.

Competitive and cost considerations

The fourth and final underlying factor that is associated with continued support for the Living Wage relates to the comparative advantage from doing so. Where competitors in the same industry or region had signed up to the Living Wage, nearly half of respondents reported that this was of ‘moderate’ or ‘great importance’ in their decision to maintain accreditation. Affordability of the Living Wage was also a factor for this group. Indeed, affordability was the third most important single item, with 56 per cent of respondents claiming that being able to afford to continue paying the Living Wage was of great importance in maintaining their support for the wage standard.

The analysis of the results in Figure 10, thus paint a mixed picture of the reasons that employers continue to support accreditation in such high numbers. A mixture of expressive and instrumental reasons is reported to be important; just as it was in the original decision to seek accreditation. A

striking feature of the results is the relative importance of externally focused factors, such as reputational benefits from accreditation and broader public support for the campaign from a wide group of stakeholders. This is testament to the effectiveness of the Living Wage campaign in raising the awareness of the Living Wage standard and creating a brand that organisations want to be associated with.

7. Additional Employment Standards

With the presence, importance, and reputation of the Living Wage well established, the Living Wage Foundation has moved on to consider broader aspects of the employment relationship. The Foundation has been exploring how to expand its work to promote decent work beyond wages and has considered a further five key aspects of the existing employment relationship: Living Hours, the Global Living Wage, Living Pension, Living Sick Pay, and Living Gig Work. Together these comprise a strategy of diversification, extending the 'Living Wage' brand to new issues.

The primary focus so far has been on Living Hours. The Foundation wants to ensure that the hours of work are both determined in a way that allows for an employee to be able to plan finances but also are set at a level that allows for the Living Wage to be meaningful, i.e. that the number of hours worked for the pay the employee receives does in fact enable them to live a decent life. The newly established Living Hours standard allows for:

- Decent notice periods for shifts of at least four weeks, with guaranteed payment if shifts are cancelled within this period.
- The right to a contract that accurately reflects actual hours worked.
- A guaranteed minimum of 16 hours a week (unless the worker request otherwise)

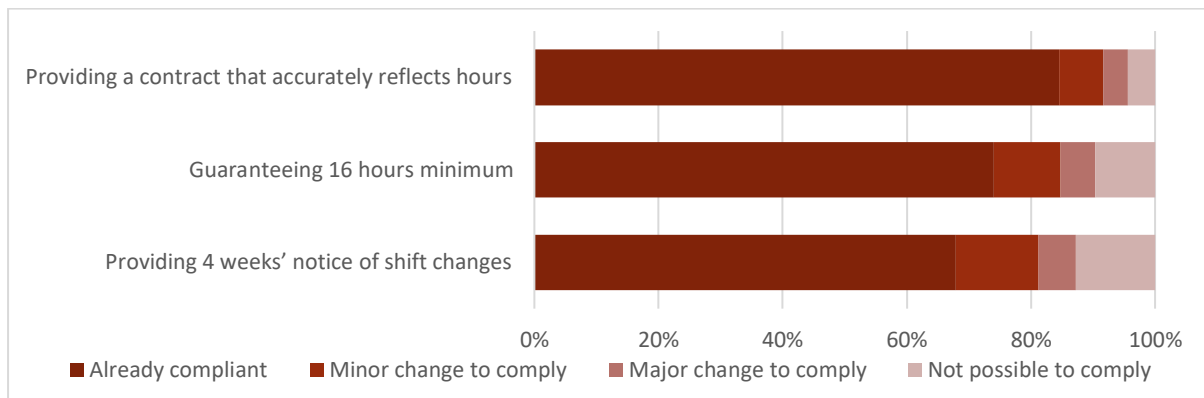
(Living Wage Foundation n.d.)

This standard was established in 2019 and is a response to the growth in insecure work in the UK economy. A report by the Living Wage Foundation found that just over one fifth of workers (21 per cent) in the UK, or 6.6 million workers, are engaged in insecure or precarious work (Richardson 2021). The same report shows that 53 per cent of shift workers receive less than a week's notice of their working hours, making it difficult to plan their lives. The Living Hours standard was introduced to address these issues of insecurity. By early 2023 there were more than 80 accredited Living Hours employers, and it is the objective of the Foundation to spread the standard further

To this end, our 2021 survey asked employers about their knowledge of Living Hours, how feasible the adoption of the different elements of the standard was for their organization, and whether they were likely to adopt it. The degree of knowledge of the standard, revealed by the survey, was highly variable, with the sample split into four groups of roughly equal size: 29.1 per cent who said that they had full knowledge of Living Hours, 26.4 per cent who said they had partial knowledge, 23.2 per cent who said they had limited knowledge, and 21.3 per cent who said that they had no knowledge or understanding of the standard. It is likely that awareness of the standard will spread as it is adopted by more organizations, but clearly there is scope for the Foundation to invest further in communications with member-employers about Living Hours.

Although knowledge or understanding appeared mixed, most responding employers felt able to say whether it was feasible for them to comply with the standard. Employers were asked if they were already compliant with, could feasibly implement, or could not comply with the three main components of Living Hours: a contract that accurately reflects hours of work; 16-hours per week minimum hours for all who want it; and four-weeks' notice for changes in shifts. The results are shown in Figure 12.

Figure 12 – Feasibility of implementing Living Hours



Number of cases: All respondents, N=1484, 1473, 1452

The results in the figure show that there are some differences between the different elements of Living Hours. More than 90 per cent of employers, report that they already comply with the provision for contract accuracy; or could comply by making minor changes. This percentage drops to 81 per cent for the provision on advance notice for shift changes. A sizable minority of employers, report that it would be difficult or impossible to implement this element of Living Hours. A care provider, for example, elaborated as follows:

“We would find the Living Hours difficult if we had to pay for 4 weeks of cancelled hours although, generally at the moment we would find other work for our employees, this would be difficult as a signed commitment. In practice it would generally work but it would be difficult to put this commitment into a contract.”

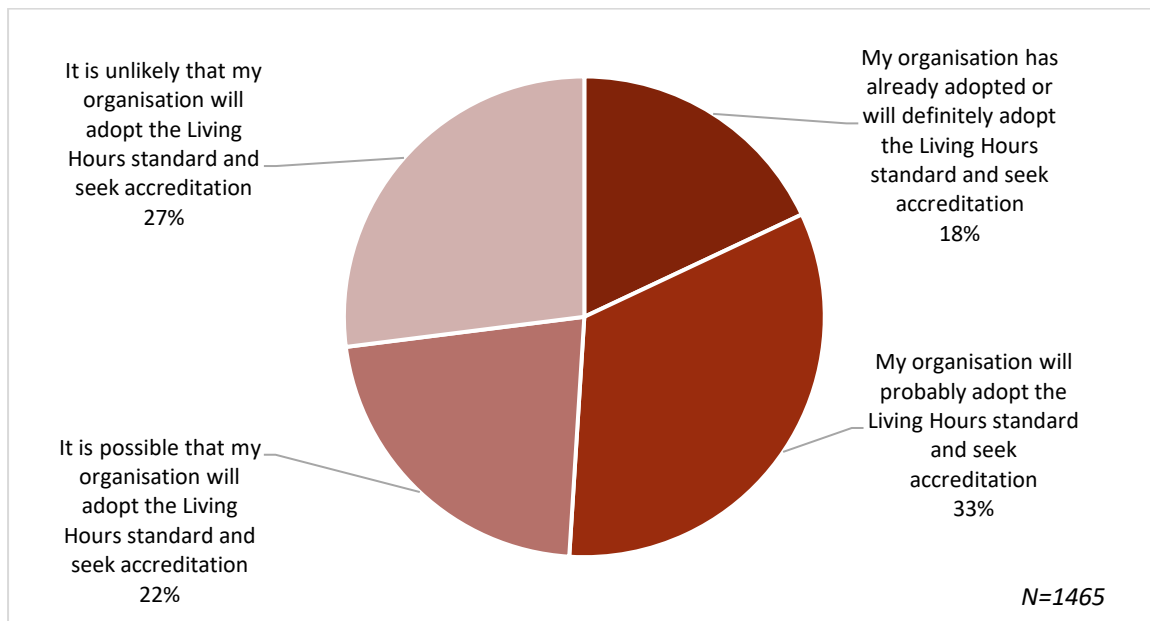
A significant inference from Figure 12 however, is that most Living Wage Employers report that they already comply with, or could implement, Living Hours with minimal change. The findings suggest that there may be scope to further diffuse the standard across the Living Wage network.

Our final question on Living Hours asked directly if employers felt it was likely that they would formally sign up to the standard in the next three years. The responses are shown in Figure 13, which reveals a mixed pattern of response. Just over a quarter of employers reported that they would definitely sign up to Living Hours and just over a fifth said that it was probable that they would. The remainder were divided between those who said it was possible that they would sign up or who ruled it out altogether. For organizations in the latter category, the limitations to operational flexibility arising from the need to give advance notice of shifts was identified as the major problem:

“Our part time roles are mostly filled by students studying alongside our work so having to offer set hours without the flex would potentially cause pub and hospitality trades slight issues, after a year already where these businesses have suffered the most.” [Brewery]

Analysis of the results indicated strongly that those employers who had less knowledge of Living Hours and who felt that its provisions were impractical were more likely to report that they would not sign up to the standard.

Figure 13 - Likelihood of adopting Living Hours accreditation over the next three years



The appetite among employers for the remaining four potential additional standards is more variable, as is shown in Figure 14. At the time of the survey the Living Pension standard was still being developed, but at its core is the creation of a benchmark to ensure that low wage employees are able to build a sufficient pension to maintain an acceptable standard of living after retirement. The scheme has subsequently been launched with the benchmark for those earning the Living Wage set at 11.2 per cent a year if employees start saving at the beginning of their career, or at an average of 16.1 per cent for those who start later (Cominetti and Odamtten 2022). Over the last decade pension poverty has been increasing. The level of those in pension poverty has increased by 5 percentage points in the last two years, with 16 per cent of males and 20 per cent of females receiving pensions that do not meet their living needs: 2.1 million pensioners are currently in poverty (JRF 2022). The survey suggests that Living Wage Employers are overwhelmingly in favour of a Living Pension standard, with 96 per cent indicating support. Of those employers that are in favour of the scheme, over three quarters (78 per cent) reported that they would possibly or probably consider adopting the standard when it is fully introduced after the current pilot phase.

The Living Sick Pay standard is at a more embryonic stage but aims to ensure that workers have access to sick pay at a level which would allow them to maintain a decent standard living throughout their absence from work. The details of a Living Sick Pay standard are still being determined, but the pandemic laid bare the impact of insufficient sick-pay protection. The level of statutory sick pay in the UK is currently the second lowest in Europe (CIPD 2021) and is not linked to the employee's contractual salary. It offers a level of pay significantly below a living wage, equating to £2.84 per hour for a 35-hour working week, and does not require payment of any sick pay in the first three days of illness. Survey respondents were slightly less enthusiastic about the concept of Living Sick Pay but only six percent of respondents were firmly in opposition to the concept. One respondent outlined the potential benefits of a new standard:

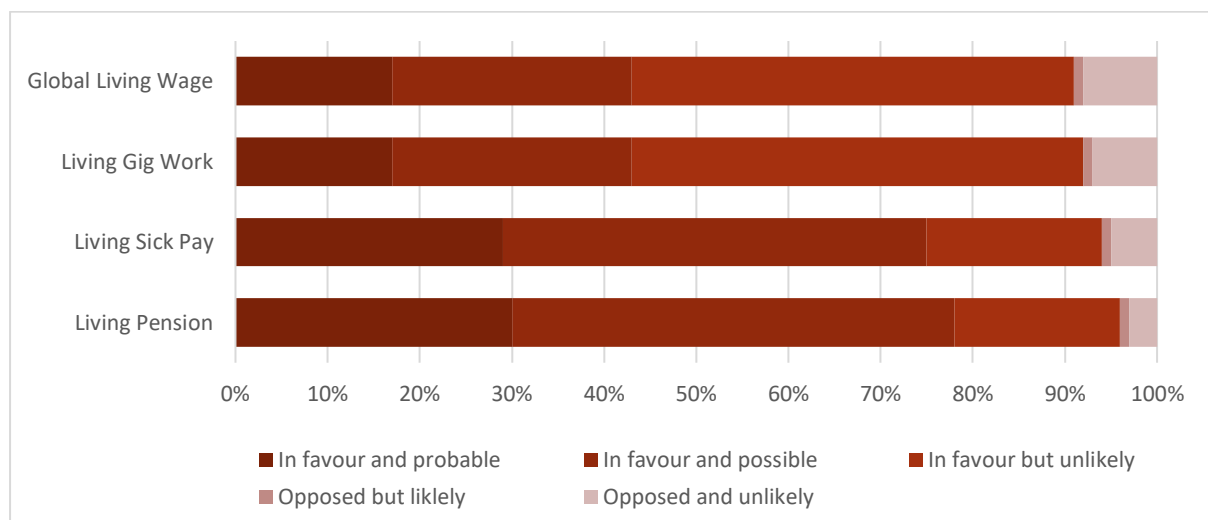
“We have this year increased our Company Sick Pay scheme to pay enhanced SSP to meet the Living Wage, when full wage Company Sick Pay runs out. The current SSP rates will put sick people further into worrying times when they lose most of their income when incapacitated. At least enhanced SSP to the Living Wage standard will help dealing with this.”

Overall, three quarters of employers indicated they would possibly or probably adopt a standard linked to Living Sick Pay.

Standards relating to Living Gig Work and a Global Living Wage are also under consideration by the Living Wage Foundation. Recent reports suggest that 4.4 million adults now work in the gig economy. The gig economy offers challenges to workers in accessing many employment protections, such as annual or sick leave or minimum wage levels. Details of a Living Gig Work standard are limited, but respondents were again overwhelmingly in favour (92 per cent), but with only 43 per cent of respondents saying they would consider adopting it. In contrast 49 per cent of respondents were in favour but would be unlikely to accredit.

These numbers are very similar to the responses regarding a Global Living Wage, which aims to extend the principle of a Living Wage to employees working outside the UK in organisations’ international supply chains. The favourable response but limited willingness to accredit could be partly a function of the fact that these standards are not be applicable to every employer. The right to sick leave and a workplace pension are enshrined in UK employment law, whereas not every employer will use gig workers or have employees working in global supply chains. Despite the limited relevance of some of the proposed new standards, the survey data suggests that Living Wage employers are keen to engage further with good labour standards where these relate to the organisation.

Figure 14 – Attitude towards potential additional standards and likelihood of adoption



Number of cases: All respondents, N=1287-1417

There was some variation in the pattern of responses in relation to further good employment standards according to certain organisational demographics. There were statistically significant

differences in response according to the organisation size in relation to the Living Hours and Living Gig Work standards, with smaller organisations more likely to consider adoption. In the case of Living Hours this may be due to smaller employers relying less heavily on flexible working patterns. There were also differences in relation to economic sector for all the potential new standards, with the exception of the Global Living Wage. For Living Hours, employers in the private sector were more likely to say they would possibly or probably sign-up for the scheme compared to their counterparts in the not-for-profit or public sector. As already stated, one possible explanation is that the issue of variable hours and insecure shift patterns is more salient in the private sector. For the Living Pension, Sick Pay and Gig Work standards, the appetite for adoption was highest in the not-for-profit sector. Finally, the length of accreditation was not found to be a significant explanatory factor in determining how likely Living Wage employers are to consider adopting one of the proposed new standards.

8. Living Wage Accreditation and COVID

The COVID pandemic has been an unprecedented global event, affecting all parts of the economy and placing large stresses on both employers and the staff they employ. The survey fieldwork took place a year into the pandemic and asked accredited employers to share their experiences. Despite predictions that accreditation would slow during 2021 as firms concentrated on protecting their core business, the Living Wage campaign continued to recruit strongly during the pandemic. From March 2020 to February 2021, the campaign lost over 500 organisations who withdrew from the scheme. However, this was more than offset by the 1547 new employers who were recruited over the same period. In fact, the campaign broke recruitment records during the pandemic and it is striking that much of this growth happened in areas directly impacted by the pandemic, such as those employing low-paid key workers and including social care.

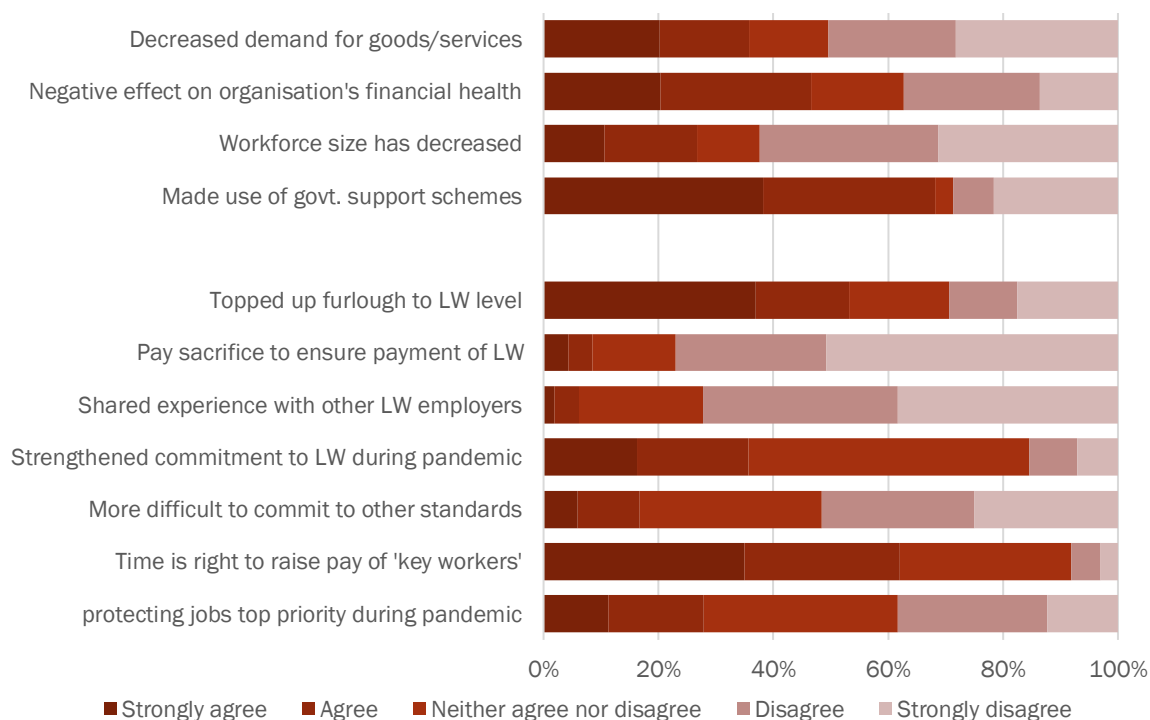
The survey asked respondents to comment on the ways their organisation had been affected by the pandemic and about how they had responded. The data presented in Figure 15 suggest that Living Wage Employers were not immune from the negative impacts of COVID that were widely reported at the time. Over a third (37 per cent) of respondents agreed that there had been a decrease in demand for the goods or services that their organisation make or provide, with exactly half disagreeing with this point. Although many respondents to the survey have not noted a decrease in demand, nearly half (48 per cent) reported a negative impact on their financial health or performance; only 36 per cent disagreed that COVID had hit them financially. These economic challenges translated to staff with 27 per cent of respondents reporting they had reduced the size of the workforce as a result of the pandemic. In addition, nearly 70 per cent of accredited employers had made use of government job support such as the COVID Job Retention Scheme. In summary, a sizable minority of accredited Living Wage employers reported business pressure resulting from the pandemic.

However, the survey results also show that most accredited employers had taken steps to protect the workforce from the impact of these financial pressures. A majority of accredited employers (54 per cent) reported that they supplemented government furlough payments in order to continue paying the Living Wage to their employees, sometimes despite the financial pressures on the organisation. One online retailer reported “we topped up furlough to 100% throughout, and continue to do so, despite the company being in a precarious position financially.” In only eight per cent of cases did employers require higher paid employees to take less pay to ensure the continuance of the Living Wage.

Whilst the aggregate figures suggest that many employers were able to absorb the impact of the pandemic, there were notable variations in responses. Unsurprisingly, the effect on employers was more profound in those industries and sectors more exposed to the economic fallout of the pandemic and consequent restrictions. Thus, small private sector organisations were most likely to have experienced negative effects, whilst medium sized employers (employing between 50 and 249 staff) were the most likely to have made use of government support. In those industries particularly

exposed to the pandemic over half of respondents reported experiencing a negative financial impact and 80 per cent made use of government support schemes.³

Figure 15 - Impact of Pandemic on Living Wage Employers



Number of cases: All respondents, N=1457-1497

The survey also asked how employers’ commitment to the Living Wage had been impacted by the pandemic. Half of respondents expressed no clear view, but more than twice as many agreed that their commitment had been strengthened (35 per cent) than disagreed (15 per cent). Similarly, the appetite amongst Living Wage Employers to consider adopting future standards does not seem to have been diminished. The survey found that only 15 per cent of respondents felt that the pandemic had ‘made it more difficult to commit to additional employment standards, like Living Hours.’ Even in COVID-affected industries the proportion of accredited employers holding this view (31 per cent) was smaller than that of organisations holding the contrary opinion (40 per cent).

Taken together, these results imply that the Living Wage standard has remained broadly robust in the face of the economic pressures consequent on the pandemic. There is certainly no evidence that the pandemic has led to a large-scale impulse to escape from the Living Wage and the form of voluntary regulation it embodies.

³ We define COVID-affected industries as non-food retail, air travel and tourism, hospitality, motion pictures and music recording, conferences and events, arts and entertainment, and personal services.

9. Summary and Conclusion

In this report we have used our 2021 survey of accredited organizations, supplemented by other research information, to cast light on how employers have been affected by and how they have responded to the Living Wage. The response of employers is pivotal to the success of the latter, a voluntary labour standard that can only prove effective if it wins the support of employing organizations. We have explored: employer motives for adopting the Living Wage standard; the methods used to implement it within organizations; the effects of the Living Wage, both positive and negative, on employers and employees; the strength of employer commitment to continued accreditation; the appetite of employers for new voluntary standards, such as Living Hours; and the impact of the COVID pandemic. Throughout, we have also tried to identify patterns in the evidence and identify which types of employers are most likely to have responded positively to the campaign or be affected by it.

The main findings of our inquiry into employer reactions to the Living Wage are as follows:

- *Motivation.* Employers have signed up to the Living Wage standard for a variety of reasons and the accreditation decision has often been a complex one. The primary type of motivation identified by the survey, however, is expressive: employers have adopted the Living Wage because they support the campaign and share its objectives. Other motives have also been important, and many employers have signed up because they want to secure HR or wider business benefits. Expressive motives have been dominant, however, with employers often reporting that they chose to become accredited to 'do the right thing'.
- *Implementation.* Most employers have relied on face-to-face communication to implement the Living Wage and secure the support of managers and employees. More ambitious methods of implementation, relying upon consultation, employee representatives, or working groups, have been confined to a minority. This same pattern can also be seen in employer communication of accreditation to outside stakeholders. Most have informed prospective employees or used social media to communicate their Living Wage status but only a minority have become active participants in the Living Wage campaign. For some, acting as a Living Wage champion and providing tangible support to efforts to recruit other employers are highly significant activities. But most accredited employers have a more limited engagement with the campaign. A final and very important finding about the implementation of the Living Wage is that there is very little evidence of claw-back, of employers cutting other employment conditions in order to fund the Living Wage. Indeed, the reverse seems often to be the case, with employers going beyond the requirements of their license agreement with the Living Wage Foundation to extend the Living Wage to apprentices and casual workers. In many cases, employers have also subsidized payment of the Living Wage to contract staff and have encouraged employers of the latter to adopt other labour standards.
- *Employer impact.* Virtually all accredited employers report that the Living Wage has had a beneficial impact on their organization. The most frequently reported benefit is enhancement of the organization's reputation, either as an employer or in more general

terms. Many employers report that accreditation has differentiated their organization from others in the same field or locality. Other reported benefits include improvements to HR and success in attracting customers, clients, and investment. In many cases, employers report multiple benefits, ranging across several aspects of their field of operations. Most employers also report some negative consequences, the most important of which is an increase in direct labour costs. Although the survey provides support for the 'business case' for the Living Wage, it is important to enter a qualification. Many employers reported that the scale of effects, both positive and negative were modest. In our assessment, the Living Wage has typically exerted a benign influence on organizations but has not been transformative, shocking those organizations that adopt it onto a new path of development.

- *Employee impact.* Most accredited employers also report that the Living Wage has benefited their employees, reinforcing the evidence in our employer database which indicates that many thousands of workers have enjoyed a substantial pay increase since the introduction of the accreditation scheme. Employers responding to the survey reported that women workers were the most frequent beneficiaries (at least amongst direct employees), that part-time and contract employees have often gained, and that the main occupations which have benefited have been those in business services and administration. While there is evidence of substantial benefit to employees, the research indicated that there is variation in the 'bite' of the Living Wage. At one extreme a minority of employers report that no employees have gained directly from accreditation, while at the other some report that a majority of the workforce has done so. Significantly, employers reporting high coverage tend to operate in low-wage industries, such as cleaning, hospitality, and social care, and to report a stronger positive impact on their organizations. The business benefits of the Living Wage are more pronounced where the bite of the standard is strongest.
- *Continued support.* Despite the fact, that the survey was administered during the COVID pandemic, most employers who responded declared that they were committed to retaining their accreditation. Many employers have now been members of the scheme for several years, and we could find very little evidence of support weakening. The reasons that employers gave for their continued commitment tended to mirror motivations for joining. It was common for respondents to stress the congruence between the scheme and organizational values, the role of internal champions in maintaining support, and a belief that the organization was helping to tackle in-work poverty through participating. There was also evidence that external validation matters and that Living Wage campaigners, external stakeholders and, indeed, research findings could help bolster employer commitment to the scheme.
- *Additional standards.* In recent years the Living Wage Foundation has pursued a strategy of diversification and has launched additional voluntary standards. Since 2019 the Foundation has offered a Living Hours standard, recently launched the Living Pension and is considering developing others. The survey questioned employers about their support for these additional standards and sought to gauge the likelihood of their seeking accreditation. Support varied across standards, but it is clear that many existing Living Wage Employers are prepared to sign up to Living Hours and would consider registering for other schemes. A

minority of employers reported that additional accreditations were not feasible because they might inhibit organizational flexibility, but in the main theme was strong employer backing for diversification.

- *COVID*. The final section of the survey dealt with the impact of the pandemic. The findings indicated, firstly, that while the impact of COVID was variable across the sample a substantial proportion of accredited employers had experienced significant negative effects. In some cases, these had led employers to reduce the size of the workforce or hold back pay increases for the higher-paid, earning more than the Living Wage. The overwhelming message from the survey, however, was that the experience of going through the pandemic had either not impacted employer commitment to the Living Wage or had strengthened it. Only 15 per cent of employers reported that the adverse impact of COVID had led them to question their continuing involvement in the scheme. The pandemic was an immensely disruptive event, delivering a severe shock to the UK economy. The survey findings demonstrate the - perhaps surprising - resilience of the Living Wage in the face of this shock.

To conclude our report, we want to offer some reflections on the broader significance of the Living Wage and the employer reaction to it that we have presented above. These reflections are threefold.

First, the Living Wage forms part of a broader corpus of private voluntary or civil regulation which is shaping the employment relationship and affecting many other parts of our economy. Other examples include: the Investors in People standard; Stonewall's Diversity Champions programme; Business in the Community's (BitC) attempts to promote gender and race equality and secure employment opportunities for ex-offenders; the disability standards promoted by the Business Disability Forum; equality standards promoted by the Employers' Network on Equality and Inclusion, and standards to promote work-life balance advanced by Carers' UK. Beyond these specific initiatives, fair employment and other charters have been launched which seek to combine several different standards for responsible business. Often the Living Wage is a component element of these charters, but they contain other elements, which may embrace a commitment to fair tax or fair dealing with suppliers alongside employment measures. Examples include the Scottish Business Pledge, launched by the Scottish Government, the fair or good employment charters developed by metro mayors in English regional authorities, and initiatives such as the Good Business Charter, developed by Julian Richer with backing from the CBI, FSB and TUC. In the not, too distant past, the rules that governed the employment relationship took the form of statutes and statutory codes, case law emanating from the courts, and collective agreements negotiated by trade unions and employers. Today, civil regulation stands alongside these traditional forms, adding a new layer to the system of labour market governance. The Living Wage is a prime example of this change.

Second, civil regulation is created by civil society organizations. The Living Wage Foundation is an example of the latter as are many of the organizations mentioned above, such as Stonewall, BitC and Carers' UK. Civil society organizations are sometimes described as 'new employment actors', new entrants on the employment scene which speak on behalf of working people, and which seek to influence the behaviour of employers. In the past, the institutions that shaped the labour market were trade unions, employers' associations, and government agencies such as ACAS. All these institutions continue to play an important role within the labour market and, indeed, trade unions, employers' organizations and public authorities have often been strong advocates of the Living

Wage. The institutional make-up of the labour market has become more complex, however, and new employment actors now operate alongside the old. The impact of the Living Wage campaign, and the breadth and scale of its influence, points to the importance of these new actors and the positive contribution they can make on the employment scene.

Third, civil society organizations, like the Living Wage Foundation, and civil regulation, like the Living Wage standard, are targeted at employers. Their purpose is to win the support of and influence the behaviour of employers, often by persuading them to sign up to systems of accreditation. The Living Wage is a striking example of the success of an enterprise of this kind. As we have shown, thousands of employers, employing millions of workers have signed up to the standard and tens of thousands of low-wage workers have benefited as a consequence. Other schemes, developed by other civil society organizations, have also secured high levels of employer support. Employers are often believed to be instinctively hostile to external regulation and anxious to maintain operational autonomy. The willingness of employers to sign up to voluntary, civil regulation suggests that this common viewpoint is inaccurate. The Living Wage campaign indicates that many employers are receptive to attempts to raise labour standards. Well-designed, carefully promoted voluntary regulation can secure employer support, even when the effect is to raise costs or involves accepting external regulation. In the wake of the COVID pandemic there was widespread talk of a need to 'build back better' and refashion the UK economy on a more equitable, inclusive basis. Strong support for the Living Wage suggests that there is an employer constituency for a programme of this kind.

Appendix: Research Data

The idea of re-surveying Living Wage Employers was first mooted in discussions between ourselves and the Living Wage Foundation in late 2019. The questionnaire was then developed by the Cardiff research team in close collaboration with the Foundation during the following year. To maximise response rate a dual strategy was employed with respondents being sent both a printed copy of the questionnaire in addition to emails containing a link to the online version of the survey. The questionnaire was distributed to 6993 Living Wage Employers in April 2021. Follow-up mail shots and emails were sent in May and June and by the end of the fieldwork 1532 responses were received, which represents a response rate of 22 per cent. It is noteworthy that 74 per cent of the responses were submitted online, with only a quarter choosing to mail a printed return. These proportions are the mirror image of our 2016 survey and probably reflect the change to online forms of remote working brought about by the COVID pandemic.

Table A1 – Sample Characteristics

	Sample		Population	
	Number	Percent	Number	Percent
Region				
London	359	23	2,587	29
East Midlands	59	4	260	3
West Midlands	64	4	337	4
East of England	82	5	412	5
North East	39	3	172	2
North West	133	9	721	8
South East	127	8	770	9
South West	88	6	499	6
Yorks and Humber	64	4	376	4
Northern Ireland	6	1	37	1
Scotland	416	27	2,329	26
Wales	87	6	320	4
Sector				
Private Sector	884	58	5,530	63
Not-for-profit Sector	596	39	2,926	33
Public Sector	44	3	364	4
Organization Size (number of employees)				
Micro (<10)	511	34	3,074	35
Small (10-49)	635	42	3,412	39
Medium (50-249)	272	18	1,433	16
Large (250-499)	37	2	297	3
V Large (500+)	67	4	595	7

Table A1 indicates the composition of the sample by geographic region, industrial sector and organizational size and compares it to the population of accredited employers that were surveyed. The data show that the sample is broadly representative of the wider population. The slight caveats

to this are that employers in London are under-represented in the sample, whilst those in Wales are marginally over-represented. In terms of economic sector, private sector employers are under-represented whilst those from the third or not-for-profit sector are over-represented. Finally, in terms of organization size, there is a slight bias towards smaller organisations in the sample. Overall, however the sample is robust and should lend confidence to the external validity of the analysis that is presented in the report.

The development and administration of the survey has been a collaborative effort between the research team in Cardiff and the Living Wage Foundation. In particular, Jess Goble, Laura Gardiner and Joe Richardson at the Foundation have played a central role in undertaking this research and we are extremely appreciative of and value their contribution.

The strength of the survey, we believe, lies in its national coverage and relatively high response rate to a survey of this kind. The survey builds on our earlier research to help deepen our understanding of employer experiences of the Living Wage. The limits of the survey arise from its broad-brush character: it focuses on the general outline of Living Wage experience and relies upon a single-respondent within accredited organizations. It does, however, constitute a valuable part of the evidence base surrounding the Living Wage standard and its labour market effects.

Other Research

In addition to the main survey this report is informed by other research that has provided context and background to the survey of Living Wage Employers. This additional research has comprised two main elements: a database of accredited employers and a programme of interviews with stakeholders, such as accredited employers, trade union officers and campaigners, that has sought to deepen our understanding of the campaign and the diffusion of the Living Wage.

Living Wage Employer dataset.

The dataset contains information on more than 14,000 employing organizations. The vast majority are accredited Living Wage Employers though also included are Recognised Living Wage Service Providers and a number of organizations whose accreditation has lapsed either as a result of a change of policy or because the organization has ceased to exist or has merged with another. The dataset has been compiled since March 2015, drawing upon information provided by the Living Wage Foundation, Companies House data, information contained on employers' own websites, and other publicly available data on employer characteristics.

The characteristics of employers included in the dataset are shown in Table A2. This shows, inter alia, that while Living Wage Employers are found across the UK, they are concentrated in London and in Scotland. It also shows that Living Wage accreditation is concentrated amongst private sector employers, though with a disproportionately high representation of not-for-profit organizations. The ranks of accredited employers include many charities, social enterprises, community-interest-companies, and other not-for-profits, such as universities, colleges of education and trade unions.

Table A2 - Employer Dataset

	Number	Per cent
All	14,417	100
Accreditation status		
Accredited Living Wage Employer	12,064	83.7
Approved Living Wage Service Provider	184	1.3
Accreditation lapsed	2,169	15.1
Nation and region		
England	10,241	71.0
Scotland	3,547	24.6
Wales	564	3.9
Northern Ireland	65	0.5
London	3,817	26.5
South East	1,325	9.2
North West	1,288	8.9
South West	1,047	7.3
Yorkshire and Humberside	690	4.8
East of England	756	5.2
West Midlands	568	3.9
East Midlands	451	3.1
North East	299	2.1
Sector		
Private	9,731	67.5
Not-for-profit	4,250	29.5
Public	436	3.0
Main industries		
Healthcare and social work	2003	13.9
Professional services	1911	13.3
Administrative and support services	1584	11.0
Information and communication	1263	8.8
Retail and wholesale trade	1094	7.6
Education	1064	7.4
Manufacturing	1031	7.2
Other services	855	5.9
Construction	829	5.8
Accommodation and food services	663	4.6
Size		
0-9	5046	35.0
10-49	5593	38.8
50-249	2433	16.9
250-499	497	3.5
500+	835	5.8
Year of accreditation		
2011	20	0.1
2012	112	0.8
2013	351	2.4
2014	653	4.5
2015	1084	7.5
2016	1066	7.4

	Number	Per cent
2017	1226	8.5
2018	1249	8.7
2019	1583	11.0
2020	1476	10.2
2021	2631	18.3
2022	2955	20.5

The table presents evidence on the industry distribution of Living Wage Employers, listing the ten main industry divisions in which the latter are concentrated and which together account for 86 per cent of all accredited Living Wage Employers. Whilst it is clear that no single industry predominates, there are large concentrations of accredited employers in healthcare and social work, professional, scientific and technical services, and administrative services - where Living Wage Service Providers are concentrated.

It is striking that nearly three quarters of Living Wage Employers are small organizations, directly employing fewer than 50 people. Accreditation is concentrated in small businesses and small not-for-profit organizations. However, there is a substantial body of large organizations, which have signed up either to the Living Wage or to the Service Provider standard and Living Wage employment is concentrated in these large, accredited organizations. The latter include many international businesses, publicly quoted organizations that form the core of the corporate sector within the British economy. It also includes many large public service organizations, with local authorities being particularly strongly represented, especially those in London, Scotland and a number of large metropolitan authorities in England and Wales. Living Wage accreditation, it is clear, has spread across all size categories of business as well as across all industry divisions and all nations and regions.

The final thing to be noted in Table A2 is the rapid growth of accreditation since the creation of the Living Wage Foundation in 2011. It is testament to the robustness of the standard that half of the total Living Wage network became accredited after 2020, in a period when employers were grappling with the combined challenges of the pandemic, Brexit and the cost-of-living crisis.

Interview data

The third component of the research was an extensive interview programme with those directly involved with the Living Wage. Interviews began in 2014 and over seven years more than 100 semi-structured interviews were conducted, most of which were recorded and transcribed for systematic analysis. Three groups of participants were included in this interview programme. The first group were trade union officers and representatives. The union interviews focused on union policy on the Living Wage, relationships with Citizens UK and the Living Wage Foundation, and the extent and nature of union campaigning on the Living Wage. The second group to be interviewed were employers and representatives of employers' organizations. These interviews have provided an important check on the data gathered from the survey of employers on employer motives for introducing the Living Wage and have also permitted more detailed examination of how the standard has been implemented, and what consequences have arisen. The final group to be interviewed were Living Wage campaigners, including employees of the Living Wage Foundation and officers of partner organizations, such as the

Poverty Alliance and ShareAction. A total of 27 interviews were conducted with Living Wage campaigners. These interviews had a particular focus on campaign strategy and methods, but their content was broad and covered all of the topics dealt with in this report.

References

- Barford, A., Gilbert, R., Beales, A., Zorilla, M., and Nelson, J. (2022). *The Case for Living Wages: How Paying Living Wages Improves Business Performance and Tackles Poverty*. Cambridge: Business Fights Poverty and University of Cambridge Institute for Sustainability Leadership.
- Bartley, T. (2018). *Rules Without Rights: Land, Labor, and Private Authority in the Global Economy*. Oxford: Oxford University Press.
- Carson, C. (2022). 'Employer experiences of the living wage in higher education, hospitality, and the construction sectors', in T. Dobbins and P. Prowse (eds), *The Living Wage: Advancing a Global Movement*. London: Routledge, 52-65.
- CIPD (2021). *What Should an Effective Sick Pay System Look Like?* Chartered Institute of Personnel and Development. https://www.cipd.co.uk/Images/sick-pay-reform_tcm18-104511.pdf
- Cominetti, N. and Odamtten, F. (2022). *Living Pensions: An assessment of whether workers' pension saving meets a 'living pension' benchmark*. Living Wage Foundation/Resolution Foundation. <https://www.livingwage.org.uk/sites/default/files/2022-11/Living%20Pensions%20Report.pdf>.
- Davies, G. and D'Arcy, C. (2016). *Weighing up the Wage Floor: Employer Responses to the National Living Wage*. London: Chartered Institute of Personnel and Development.
- Forth, J. and Rincon-Aznar, A. (2008). *Equal Opportunities, Employee Attitudes and Workplace Performance: Evidence from WERS 1998*. Employment Relations Research Series No. 38, London: Department of Business, Enterprise, and Regulatory Reform.
- Heery, E., Nash, D., and Hann, D. (2017). *The Living Wage Employer Experience*. Cardiff: Cardiff University.
- Heery, E., Hann, D., and Nash, D. (2022). 'Outsourcing and the Real Living Wage: evidence from the United Kingdom' in T. Dobbins and P. Prowse (eds), *The Living Wage: Advancing a Global Movement*. London: Routledge, 39-51.
- Hoque, K. (2003). 'All in all it's just a plaque on the wall: the incidence and impact of the Investors in People Standard', *Journal of Management Studies*, 40/2: 543-571.
- Hoque, K., Bacon, N., and Parr, D. (2014). 'Employer disability practice in Britain: assessing the impact of the Positive About Disabled People 'Two Ticks' symbol', *Work, Employment and Society*, 28/3: 430-451.
- Jackson, G., Doellgast, V., and Baccaro, L. (2018). 'Corporate social responsibility and labour standards: bridging business management and employment relations perspectives', *British Journal of Industrial Relations*, 56/1: 3-13.
- JRF (2022). *UK Poverty 2022: The essential guide to understanding poverty in the UK*. Joseph Rowntree Foundation. <https://www.jrf.org.uk/file/58886/download?token=8bgbK-4t&filetype=full-report>

- Living Wage Foundation (2017). *The Sustainable Development Goals and the Living Wage*. London: Living Wage Foundation.
- Kochan, T.A. and Osterman, P. (1994). *The Mutual Gains Enterprise: Forging a Winning Partnership among Labor, Management, and Government*. Boston MA.: Harvard Business School Press.
- LeBaron, G., Edwards, R., Hunt, T., Sempéré, C., and Kyritsis, P. (2022). 'The ineffectiveness of CSR: understanding garment company commitments to living wages in global supply chains', *New Political Economy*, 27/1: 99-115.
- Lopes, A. and Hall, T. (2015). 'Organizing migrant workers: the living wage campaign at the University of London', *Industrial Relations Journal*, 46/3: 208-221.
- Prowse, P. and Dobbins, T. (2022). 'The real living wage and 'the good employer' in UK football clubs', in T. Dobbins and P. Prowse (eds), *The Living Wage: Advancing a Global Movement*. London: Routledge, 25-38.
- Prowse, P. and Fells, R. (2016). 'The Living Wage in the UK – an analysis of the GMB campaign in local government', *Labour and Industry*, 26/1: 58-73.
- Riley, R., Metcalf, H., and Forth, J. (2013). 'The business case for equal opportunities', *Industrial Relations Journal*, 44/3: 216-239.
- Richardson, J (2021). *The Insecurity Complex: Low Paid Workers and the Growth of Insecure Work*. Living Wage Foundation
https://www.livingwage.org.uk/sites/default/files/The%20Insecurity%20Complex%20-%20Low%20Paid%20Workers%20and%20the%20Growth%20of%20Insecure%20work_1.pdf
- Richardson, J. and Reddyhoff, L. (2022). *A Living Wage Matters: The Role of the Living Wage in Closing Ethnic Pay Gaps*, Living Wage Foundation. <https://www.livingwage.org.uk/living-wage-mattersthe-role-living-wage-closing-ethnicity-pay-gaps>.
- Shackleton, L. (2012). 'Living Wage likely to destroy jobs and increase poverty', *Institute of Economic Affairs Blog*, <http://www.iea.org.uk/blog/living-wage-likely-to-destroy-jobs-and-increase-poverty>
- Shenker, J. (2019). *Now We Have Your Attention: The New Politics of the People*. London: The Bodley Head.
- Vogel, D. (2010). 'Taming globalization? Civil regulation and corporate capitalism', in D. Coen, W. Grant, and G. Wilson (eds), *The Oxford Handbook of Business and Government*, Oxford: Oxford University Press, 472-494.
- Werner, A. (2021). 'Why do managers of small and medium-sized businesses seek voluntary Living Wage accreditation? An exploration of choice rationales', *European Journal of Work and Organizational Psychology*, 30/6: 778-789.
- Werner, A. (2022). 'Making the living wage work in SMEs: evidence from accredited employers in the UK hospitality sector', in T. Dobbins and P. Prowse (eds), *The Living Wage: Advancing a Global Movement*. London: Routledge, 79-90.
- Wills, J. (2009). 'Subcontracted employment and its challenge to labor', *Labor Studies Journal*, 34/4: 441-460.

Wills, J. and Linneker, B. (2012). *The Costs and Benefits of the London Living Wage*. London: Trust for London.

For enquiries please contact: Dr David Nash, Cardiff Business School, NashD@cardiff.ac.uk