



# *Living Wage: A Guide For Employers*

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*"Before, I had to work two jobs to put food on the table and pay the rent. I had no time for my family or my community. When the Living Wage was introduced I was able to prioritise the one job and that means I've been able to be there for my family and set up a youth group in my community. What I've been given, I'm now able to give back."*

*Amin Hussein,  
Cleaner and Youth worker*

# What is the Living Wage?

Only the real Living Wage is independently-calculated each year based on what employees and their families need to live.

It is an hourly rate that provides a benchmark for employers that voluntarily choose to ensure their staff earn a wage that meets their cost of living.

Paying a wage that is enough to live on is good for business, good for the individual and good for society.

The Living Wage Employer Mark and Service Provider Recognition Scheme provide an ethical badge for responsible pay.

***In London  
the current rate is  
£9.75 per hour.***

***Outside London the  
current rate is £8.45  
per hour.***

***“We’ve found that paying the  
Living Wage is a smart  
business move as increasing  
wages has reduced staff  
turnover and absenteeism,  
whilst productivity and  
professionalism have  
subsequently increased”***

***Guy Stallard,  
Head of Facilities, KPMG***

# The history

## – why the Living Wage?

**The modern Living Wage campaign was launched in 2001 by London Citizens.**

Members of London Citizens found that even though they were working two minimum wage jobs, they were struggling to make ends meet, and working long hours meant there was little time for family and community life. Their solution was to call for employers to pay a wage that is enough to live on.

The campaign for a Living Wage that meets the cost of living made early gains in hospitals including Bart's & the Royal London. London Citizens made the case that low pay can lead to poor health and hospital bosses agreed. Then they took the Living Wage to Canary Wharf. They stood outside accountancy firm KPMG talking about the Living Wage and were invited in for a cup of tea. That cup of tea led to KPMG becoming one of the first private sector employers to pay the Living Wage, first to cleaners and then to all contracted staff.



*“Paying the London Living Wage should be a badge of honour for employers – and it makes good business sense too. As well as making a real difference to their employees’ quality of life, businesses experience significant benefits through increased productivity and reduced staff turnover.”*

*Sadiq Khan,  
Mayor of London*

# The history

## – why the Living Wage?

(continued)

In 2005 the Mayor of London was persuaded that the London Living Wage was a good thing and created the Living Wage Unit in the GLA Economics Unit to set the London rate.

As an increasing number of employers decided to pay the Living Wage in London, it became clear that there was also an appetite for a UK wide Living Wage. By 2011 London Citizens was known as Citizens UK. They worked with Living Wage campaigns around the UK, particularly the Scottish Living Wage Campaign, to settle on an agreed method for calculating the Living Wage in the UK.

In 2016, a Living Wage Commission was established to oversee a single approach to calculating the London and UK rates, with representation from the Mayor of London, business, trade unions and civil society.

In the same year, the government launched a higher minimum wage for over 25-year-olds called the "national living wage". This was an important step towards closing the cost of living gap. But the government minimum is not based on what people need to live.

That's why we still need more employers to go further and pay the real Living Wage that meets the cost of living!



# What is the Living Wage Foundation?

*In 2011 campaigners and employers came together to launch the Living Wage Foundation. We are an initiative of Citizens UK.*

*The Living Wage Foundation works with employers to help them implement the real Living Wage that meets the cost of living. We recognise and celebrate Living Wage employers by awarding the Living Wage Employer Mark.*



## **Accreditation:**

We offer accreditation to employers that pay the real Living Wage in London and the UK, or those committed to an agreed timetable of implementation, by awarding the Living Wage Employer Mark. We offer a Service Provider Recognition Scheme for third party contractors who ensure their own staff are earning the real Living Wage rates and always offer a Living Wage option when submitting tenders.



## **Intelligence:**

We coordinate the announcement of the real Living Wage rates each November, based on the best available evidence about living standards in London and the UK. We also provide advice and support to employers and service providers implementing the independently calculated Living Wage rates. This includes best practice guides, case studies from leading employers, model procurement frameworks and access to specialist legal and HR advice.

# What is the Living Wage Foundation?

(Continued)

## **Influence:**

We provide a forum for leading employers and service providers to publicly join the independent movement of organisations, businesses and people campaigning for a wage based on what people need to make ends meet. We work with Principal Partners who bring financial and strategic support to the work. We coordinate Living Wage Week each November, a UK-wide celebration of the Living Wage movement.

## **We receive financial and strategic support from our Principal Partners:**





# Why should businesses pay the Living Wage?

***By paying the real Living Wage employers are voluntarily taking a stand to ensure their employees can earn a wage which is enough to live on. That basic fairness is at the heart of what our campaign is trying to achieve and why great business and organisations choose to go further than the government minimum.***

***Many employers also report wider business benefits as a result of investments in staff pay.***

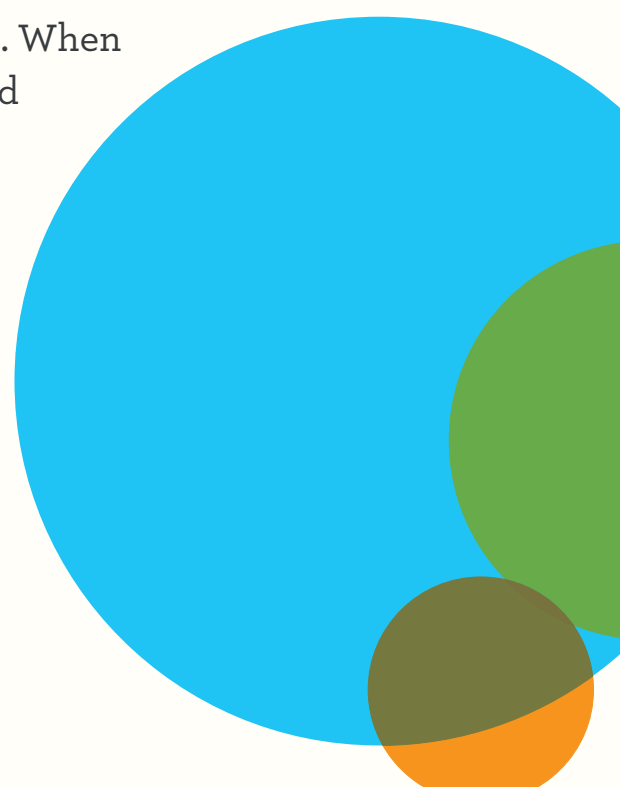
80% of employers believe that the Living Wage has enhanced the quality of the work of their staff.

Improved loyalty and customer service. Fewer complaints.

Absenteeism down by 25%.

Improved retention rates and reduced HR costs. PwC found turnover of contractors fell from 4% to 1%. When turnover of contractor staff halved, KPMG saved £75,000 on one contract alone.

70% of employers feel that the Living Wage has increased consumer awareness of their organisation's commitment to be an ethical employer.





# How is the Living Wage calculated?

***The real Living Wage rate in London and the UK are calculated by the Resolution Foundation and overseen by the independent Living Wage Commission.***

The Living Wage calculation takes into account the Joseph Rowntree Foundation Minimum Income Standard (MIS) research in which members of the public identify what is needed for a minimum standard of living. This is then combined with an analysis of the actual cost of living, including essentials like rent, council tax, childcare and transport for different family types to produce the hourly Living Wage figure.

You can view links to full papers on the calculations on our website.

## ***Can bonuses be included in the Living Wage rate?***

Staff must receive a minimum of the Living Wage rate per hour. Guaranteed bonuses such as time away from home allowance or city living bonuses can be included. Non-guaranteed bonuses such as sales or production related bonuses cannot be included.

## ***What is Living Wage as an annual salary?***

The calculation is an hourly figure because many low paid staff are not salaried, and because many often work several jobs in different places. People on annual salaries may get other benefits that staff on an hourly rate don't get. You can work out the annual equivalent salary by multiplying the relevant Living Wage by the number of hours worked per week, by 52 weeks of the year.

# Who does the Living Wage apply to?

***The independently calculated Living Wage applies to all staff over the age of 18 that work regularly on your premises. This includes directly employed staff, contracted staff and subcontracted staff.***

***Regularly is defined as two or more hours in any given day for eight or more consecutive weeks of the year.***

## ***What about volunteers, apprentices and interns?***

Living Wage accreditation does not require employers to pay the Living Wage to volunteers, apprentices or interns.

Good volunteering programmes can both enrich an organisation making the opportunity available and the individual donating their time as charitable giving. We recommend that all of our employers adhere to government *best practice* guidance when creating volunteer placements.

Apprentice wages are often lower than those of regular staff in recognition of the costs of training. However, it is good practice to ensure pay rises over the course of the apprenticeship, and many accredited employers have chosen to extend the full Living Wage to apprentices.

Many paid internships provide valuable work experience for young people starting out in their careers. However, there is increasing concern about the use of unpaid interns to carry out the regular work of employees. In these cases unpaid interns may actually be workers and therefore entitled to be paid. Employers using interns should follow the government's *best practice* guidance relating to the minimum wage and work experience.

# Who does the Living Wage apply to? *(Continued)*

## ***How far down the supply chain should it go?***

We encourage Living Wage Employers to send out a communication to everyone they do business with letting them know they have committed to ensure all staff earn a real Living Wage they can live on, and encouraging them to consider doing the same. Accreditation does not require your supply chain to pay the Living Wage, unless they are regularly delivering service on your premises.

## ***What about staff outside of the UK?***

The real Living Wage is calculated according to the cost of living in the UK. We are a UK organisation and wages for staff outside of the UK are not covered by the agreement. We recommend companies consider the international Living Wage guidance provided by the [\*Ethical Trading Initiative\*](#).

## ***When is the announcement and when do I have to implement?***

The UK & London Living Wage figures are announced simultaneously in November of each year during Living Wage Week. Living Wage Employers have six months from the date of the announcement to implement the rise.

# Who does the Living Wage apply to? *(Continued)*

## ***What if I work in a shared building and some workers are employed by the building management company?***


For the purpose of accreditation the same test applies. Any staff that work on your premises for two or more hours a day for eight or more consecutive weeks of the year must be paid the real Living Wage that meets the cost of living.

You may have cleaners that work on your premises, that are shared with other tenants. The first step is to find out from your building management company whether the cleaners are paid the real Living Wage.

The ideal outcome would be to persuade your building management to pay any cleaners, security and reception staff the real Living Wage. You might want to organise a meeting of tenants in the building and raise the issue of the Living Wage with this group. If you can get support from a group of tenants and then approach the building manager together you will have a more powerful case for persuasion.

If it is not possible to persuade your tenants and building manager to join the movement for a real Living Wage then you can request to pay the staff the Living Wage rate for the time they are providing a service on your premises. As you are a paying client the building manager should be willing to provide you with a service agreement on the terms you require.

# What is the accreditation process?



***The accreditation is confirmed by a signed licence between the Living Wage Foundation and the Employer. By signing the licence the employer agrees to ensure all relevant staff earn the real Living Wage that meets the cost of living. The Living Wage Foundation licences the employer to use the Living Wage Employer Mark.***

The licence is a legally binding document.

To be accredited you must confirm that you pay all of your directly employed staff the real Living Wage that meets the cost of living, and have a plan in place for your contracted staff. If an employer is mid contract they may not be able to break the contract and implement the Living Wage. For those employers who require a plan for contracted staff we offer Phased Implementation.

If you have contracted staff that are not on the real Living Wage please see the next section on Phased Implementation.




## ***How long does it take?***


It depends on the size of your organisation. Some employers can be accredited straight away whilst others may need to take a while to assess their existing situation and examine the costs and benefits. If an employer has a large number of contracts they will need to identify who those contracts are with and when they are due for renewal so they can be moved up to the real Living Wage based on what people need to live.

# Phased Implementation


***For larger organisations with multiple contracts we offer a Phased Implementation option.***



To take up the Phased Implementation option employers will need to work with the Living Wage Foundation to ensure the real Living Wage rates are applied to all directly employed staff and that there is a timetable in place for all contracted staff to move to the Living Wage. This can be done on a rolling basis as contracts come up for renewal and for longer contracts where there are opportunities around break clauses.



Any contracts that are not on the independently calculated Living Wage will be included as Milestones in your accreditation licence. The Foundation will check in with you quarterly to ensure Milestones have been achieved. While there is no specific cut-off point for how far into the future a Milestone can be, we expect the bulk of your contracts to move onto the Living Wage within two to three years.



Local Authorities and NHS Trusts may have may have significantly longer term contracts and should contact us for further guidance.

# *For more information please contact:*

020 7043 9882

*Living Wage  
Foundation  
Citizens UK  
112 Cavell Street  
London, E1 2JA*

*[www.livingwage.org.uk/contact](http://www.livingwage.org.uk/contact)*

*@LivingWageUK*