

**A Fairer London:
The 2014 Living Wage in London**



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Foreword

The UK economy has now surpassed the output level reached before the deep recession that began in 2008, and London is leading the way in jobs growth – accounting for over a quarter of the increase in the number of jobs in the UK during the past year to reach a record high of 5.6 million jobs in the second quarter of 2014.

At City Hall we are working flat out to improve the lives of Londoners. This includes the London Enterprise Panel Jobs and Growth Plan, with a range of targets by which we measure our success. In addition, we are on track to build a record number of affordable homes (100,000 over my two terms) and we have created 161,000 apprenticeships. In order to improve the skills of young people and equip them for careers, we have also set up the London Schools Excellence Fund. I want to ensure that all Londoners are able to share in the capital's success.

It is only right that those who ensure that our city runs smoothly for 24 hours a day, 365 days a year, share in the proceeds of London's upturn. This includes shop workers and care workers and those who ensure that our workplaces and schools are clean every day. One important way to do this is to pay every London employee at least the London Living Wage in order to give them and their families a minimum acceptable quality of life, plus something for a rainy day.

The Living Wage can be a "win-win" for both employers and employees. For employers it can help recruitment, retention and productivity – in short, it makes good commercial sense. For employees we know that it can make a difference for low income families, helping hardworking Londoners to make ends meet and providing a boost to their personal quality of life.

I am therefore delighted to publish the Living Wage Unit's tenth annual report and to announce that the 2014 London Living Wage is £9.15 per hour.

In my '2020 Vision' for London I pledged to make the London Living Wage the norm across the capital. This report shows that there are over 400 employers that are now fully accredited – more than double last year. And, I am pleased to report that both the House of Commons and the House of Lords have also joined this list. Accredited Living Wage employers alone have now provided over 20,000 London workers with the benefits of the living wage since 2011.

But there is still more work to be done. I especially call on the boroughs to start paying the London Living Wage. It is little more than five years to 2020 and there is still some way to go before the London Living Wage becomes the norm in this city. 12.9 per cent of full-time workers and 48.8 per cent of part-time workers earn less than the Living Wage – a total approaching 800,000.

This tenth report once more explains how we calculate the London Living Wage. As before, we use a combination of two calculations to work out the 'poverty threshold wage' of £7.95 per hour. Then we add a margin of 15 per cent to this to protect against unforeseen events. The new Living Wage is 41 per cent above the National Minimum Wage – the highest ever difference.

I firmly believe that London has embarked on a long period of strong growth, helped by the policies that we have implemented. I am resolved to ensure that the rewards of this are fairly shared by all hard working Londoners – and the London Living Wage is a key lever to make this happen.

A handwritten signature in black ink, appearing to read 'Boris Johnson', with a long horizontal flourish extending to the right.

Boris Johnson
Mayor of London

Executive summary

This is the tenth London Living Wage report from the GLA. It unveils the update of the Living Wage in London, calculated (as previously) by combining an assessment of the cost of achieving an adequate standard of living with a threshold (60 per cent) of the median London income of representative London households.

Since 2006 the GLA Group has been implementing the London Living Wage (LLW). The Group continues to include the LLW as a requirement for contracts that are let or renewed. This year, the number of accredited London Living Wage employers has doubled, to a total of over 400 and the Mayor continues to lobby national Government to adopt the London Living Wage across Whitehall.

As previously we calculate the Living Wage by a combination of two approaches. The first, developed by the Family Budget Unit (FBU),¹ estimates the costs of a 'Low Cost but Acceptable' (LCA) budget for a selection of households and calculates the wage required to meet these costs. This is termed the "Basic Living Costs" approach. The second – the "Income Distribution" approach – calculates the wage required for 11 household types in London (appropriately weighted) to attain an income equivalent to 60 per cent of the median income for London, with that median 'equivalised', that is, adjusted appropriately to reflect the household type.

This year, the Basic Living Costs approach yields an hourly wage of £7.65 per hour and the Income Distribution approach one of £8.25.

The average of these two wages (called the "poverty threshold wage") is £7.95 per hour.

In order to protect against unforeseen events a margin of 15 per cent is added to the poverty threshold wage. This gives a figure of £9.15 per hour (when rounded to the nearest five pence) as the London Living Wage.

If means-tested benefits² were not taken into account (that is, tax credits, housing benefits and council tax benefits) the Living Wage would be approximately £11.65 per hour. However we believe that in-work benefits and tax credits must be taken into account, as the tax and benefit system is, by design, redistributive.

Data from the Annual Survey of Hours and Earnings suggests that 87.1 per cent of full-time employees in London earn more than the Living Wage of £9.15 per hour. 4.9 per cent earn less than the Living Wage but more than the poverty threshold wage of £7.95. The remaining 8.0 per cent earn a wage below the poverty threshold wage.

51.2 per cent of part-time employees in London earn more than the Living Wage. 11.2 per cent are paid less than the Living Wage but more than the poverty threshold wage. The remaining 37.6 per cent earn a wage below the poverty threshold wage.

Adding full-time and part-time workers together (and weighting appropriately), 79.5 per cent earn more than the Living Wage and 14.2 per cent earn below the poverty threshold wage.

1. Introduction

The 2014 edition of the annual Living Wage report for London presents the update of the Living Wage in London, calculated by combining an assessment of the cost of achieving an adequate standard of living with the wage needed to attain a threshold (60 per cent) of the median London income.

We also review progress in implementation of the Living Wage.

1.1 Structure of the paper

Chapter 2 outlines the Basic Living Costs approach and presents the resulting calculation. Chapter 3 does the same for the Income Distribution approach. Chapter 4 compares the two results and calculates the London Living Wage. In Chapter 5 we review progress in the adoption of the Living Wage. This is followed by Chapter 6, the concluding chapter, with technical appendices at the end of the report.

2. Basic Living Costs approach

This section explains the Basic Living Costs approach that was developed by the Family Budget Unit (FBU). The FBU calculated the expenditure required to achieve a Low Cost but Acceptable (LCA) standard of living, for a range of 'typical' families.³ Depending on the working patterns of a family, the wage rate needed to finance this expenditure is then calculated.

This wage level is not the same as the Minimum Wage.⁴ It is defined by the FBU as a wage that achieves an adequate level of warmth and shelter, a healthy palatable diet, social integration and avoidance of chronic stress for earners and their dependents.⁵

In this section we assess changes in the various items that contribute to Basic Living Costs over the past year.

2.1 Household types and working patterns

Estimates of basic living costs (also called the LCA budget) were made for four family types:

- a two adult household with two children aged ten and four
- a one adult household with two children aged ten and four
- a couple without children
- a single person without children.

Within each family type we look at all possible combinations of full-time and part-time work; working patterns are important for the calculation of tax credits and benefits. All in all we analyse 14 household types for the calculation, although we only use data for 11 household types to calculate the wage.⁶

In this report as in previous reports we provide calculations of the Living Wage, both including and excluding means-tested benefits and tax credits.

2.2 Costs

Basic living costs are divided into the following sub-categories:

- Housing
- Council tax
- Transport
- Childcare
- All other costs (a 'regular shopping basket').

For the first four sub-categories, cost estimates are based on direct data for London. For the fifth item, we used a comparison of regional price differences produced by the Office for National Statistics (ONS).⁷

Tables 2.1a and 2.1b show our calculation of basic living costs. Details of the calculations can be found in Appendix A.

Table 2.1: Basic Living Costs (LCA budget) for typical families living in London (£ per week)

2.1a: Households with children

	Couple with children					Lone parent	
	2ft	1ft 1pt	2pt	1ft	1pt	ft	pt
Shopping basket costs	220.80	220.80	220.80	220.80	220.80	167.40	167.40
Housing	117.60	117.60	117.60	117.60	117.60	117.60	117.60
Council Tax	24.90	24.90	24.90	24.90	24.90	18.70	18.70
Total Transport Costs	65.30	65.30	65.30	32.60	32.60	32.60	32.60
Childcare Costs	295.10	143.40	143.40	0.00	0.00	295.10	143.40
Total Costs	723.70	572.00	572.00	396.00	396.00	631.40	479.70

2.1b: Households without children

	Couple with no children					Single no children	
	2ft	1ft 1pt	2pt	1ft	1pt	ft	pt
Shopping basket costs	132.50	132.50	132.50	132.50	132.50	103.60	103.60
Housing	202.00	202.00	202.00	202.00	202.00	127.40	127.40
Council Tax	24.90	24.90	24.90	24.90	24.90	18.70	18.70
Total Transport Costs	65.30	65.30	65.30	32.60	32.60	32.60	32.60
Childcare Costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Costs	424.70	424.70	424.70	392.00	392.00	282.30	282.30

Notes: ft= full-time and pt= part-time

Rounded to the nearest 10 pence

* Total Costs may not sum due to rounding.

Source: GLA Economics based on various data sources: see Appendix A

Tables 2.2a and 2.2b show that Basic Living Costs rose over the period for all the different household types. Households with children experienced a cost increase of between 1.9 and 3.6 per cent, compared to increases of between 2.2 and 8.2 per cent for households without children.

The average of annual inflation from April 2014 to June 2014 was used to update the shopping basket costs. These three months are used as they provide the most up to date data prior to the writing of this report. The costs of individual components within the shopping basket rose by between 0.6 and 3.4 per cent. Some of the highest increases in costs were: +3.4 per cent for NHS charges and +2.7 per cent for insurance/pension premiums and around +2 per cent for personal care, household services and leisure services. This year, prices did not fall for any shopping basket items (see Appendix A, Table A4).

Housing costs for households with children – on our assumption that they have access to social housing – have risen by 3.9 per cent since last year's report. Households without children are assumed to be in the private rented sector. For single people, the data suggest that housing costs increased by a very significant 17.7 per cent, while for couples the increase was 3.1 per cent. However, council tax for all groups has fallen by 0.5 per cent.

Transport costs also increased, rising by 3.4 per cent since the last Living Wage uplift, and childcare costs are also up by 5.4 per cent.

Table 2.2: Annual percentage change in LCA costs between 2013 and 2014 Living Wage reports

2.2a: Households with children

	Couple with children					Lone parent	
	2ft	1ft 1pt	2pt	1ft	1pt	ft	pt
Shopping basket costs	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Housing	3.9	3.9	3.9	3.9	3.9	3.9	3.9
Council Tax	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5
Transport	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Childcare	5.4	5.4	5.4			5.4	5.4
Total LCA Costs	3.4	2.9	2.9	1.9	1.9	3.6	3.1

2.2b: Households without children

	Couple with no children					Single no children	
	2ft	1ft 1pt	2pt	1ft	1pt	ft	pt
Shopping basket costs	1.1	1.1	1.1	1.1	1.1	1.2	1.2
Housing	3.1	3.1	3.1	3.1	3.1	17.7	17.7
Council Tax	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5
Transport	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Childcare							
Total LCA Costs	2.3	2.3	2.3	2.2	2.2	8.2	8.2

Notes: ft= full-time and pt= part-time

Source: GLA Economics based on various data sources: see Appendix A

2.3 Earnings and household incomes

The benefits that households can access and the applicable tax credits depend on the level of earnings and household circumstances. For our analysis we consider the impacts of Working Tax Credit, Child Tax Credit, Child Benefit, Housing Benefit and Council Tax Support (previously Council Tax Benefit). Some benefits depend on childcare costs and housing rental costs.⁸

Box 1 – Changes in the tax and benefits system

The tax and benefits system is inherently complex and there are a number of changes relevant to the calculation of the London Living Wage this year.

Income tax and national insurance contributions – This year saw another increase in the personal allowance, from £9,440 in 2013/14 to £10,000 in 2014/15, allowing working households to retain more of their income before they start paying income tax. This means that the Living Wage needed to bring households to the required level of income is lower than otherwise. The primary threshold for National Insurance contributions was also raised from £149 in 2013/14 to £153 in 2014/15. Again this will tend to mitigate rises in the Living Wage.

Tax credits – The working tax credit was raised by 1 per cent, to £1,940 per year in 2014/15, from £1,920 in 2013/14. The family element of child tax credit was left unchanged at £545 per year in 2014/15 but the child element was raised to £2,750 from £2,720. A rise in tax credits reduces the necessary increase in the Living Wage.

Child Benefit – The rate of child benefit was raised to £20.50 per week in 2014/15 from £20.30 in 2013/14 for the first child, and up 15 pence for the second child to £13.55 per week.

Table 2.3 illustrates the disposable income and basic living costs of 11 different household types, assuming different working patterns, with earnings at the level of the NMW (£6.50).⁹ In all calculations that follow, a full-time worker is assumed to work 38.5 hours a week and a part-time worker 17 hours.¹⁰ Appendix C illustrates the difference between income and basic living costs (the LCA budget standard) at £6.50, £7, £8, £9 and £10 per hour.

Table 2.3: Incomes and costs of different households, including and excluding means-tested benefits (£ weekly figures), at the National Minimum Wage (NMW)**2.3a: Households with children**

	Couple with children				Lone parent	
	2ft	1ft 1pt	2pt	1ft	ft	pt
Joint earnings at £6.50 per hour	500.50	360.80	221.00	250.30	250.30	110.50
Total disposable income (earnings net of tax and plus benefits)	747.20	581.80	522.70	475.40	622.80	463.40
Basic living costs	723.70	572.00	572.00	396.00	631.40	479.70
Income minus costs	23.50	9.90	-49.30	79.50	-8.60	-16.30
Excluding means-tested benefits						
Child benefit	34.00	34.00	34.00	34.00	34.00	34.00
Total disposable income (earnings net of tax and plus benefits)	488.00	371.50	255.10	261.00	261.00	144.60
Income minus costs	-235.50	-200.30	-316.80	-134.80	-370.20	-335.00

2.3b: Households without children

	Couple with no children				Single no children
	2ft	1ft 1pt	2pt	1ft	ft
Joint earnings at £6.50 per hour	500.50	360.80	221.00	250.30	250.30
Total disposable income (earnings net of tax and plus benefits)	454.00	405.60	371.90	381.30	249.30
Basic living costs	424.70	424.70	424.70	392.00	282.30
Income minus costs	29.30	-19.00	-52.70	-10.70	-33.00
Excluding means-tested benefits					
Child benefit	0.00	0.00	0.00	0.00	0.00
Total disposable income (earnings net of tax and plus benefits)	454.00	337.50	221.00	227.00	227.00
Income minus costs	29.30	-87.20	-203.70	-165.00	-55.30

Notes: ft= full-time and pt= full-time

All figures rounded to nearest 10 pence

Source: GLA Economics

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For some household types, the NMW together with the assumed working patterns are sufficient to cover weekly basic living costs assuming all relevant tax credits and benefits are claimed. However, as Table 2.4 also shows, for other household groups the NMW is not sufficient to cover basic living costs.

Using basic living costs as a target income level, it is possible (through iteration of the tax and benefit model established for this exercise) to calculate the wage required for each household to cover its basic living costs. Table 2.4 shows the hourly wage required for each household type to meet its basic living costs.

Table 2.4: Hourly wages required to meet basic living costs for different households
2.4a: Households with children

	Couple with two children				Lone parent	
Earners	2ft	1ft 1pt	2pt	1ft	ft	pt
Number of people	245,400	244,700	15,200	289,900	41,800	48,700
Wage level including all the relevant benefits	6.50*	6.50*	8.95	6.50*	7.30	10.55
Wage level excluding means-tested benefits	11.00	11.25	15.84**	11.65	15.84**	15.84**

2.4b: Households without children

	Couple with no children				Single no children	Weighted Average* **
Earners	2ft	1ft 1pt	2pt	1ft	ft	
Number of people	373,600	86,000	14,600	191,700	742,300	2,294,000
Wage level including all the relevant benefits	6.50*	7.80	12.05	9.25	8.65	7.65
Wage level excluding means-tested benefits	6.50*	8.50	13.45	12.80	8.60	9.90

Notes: ft=full-time and pt=part-time

* NMW sufficient to meet basic living costs (LCA budget standard). The NMW (£6.50) has been used as a lower limit for the wage when calculating the weighted average wage as it is generally illegal to pay wages below the NMW.

**An upper limit of £15.84 has also been applied. This is the median hourly pay (excluding overtime) for all employee jobs in London, taken from the ONS 2013 Annual Survey of Hours and Earnings (provisional results).

***This weighted average covers both households with, and without children and has been rounded to the nearest 5 pence. The number of people in different household groups was updated this year using the Annual Population Survey 2012, rounded to nearest 100.

From Table 2.4, the weighted average wage across the different household types required to meet basic living costs is £7.65 assuming all benefits are included, compared to £9.90 if means-tested benefits are ignored.

Assuming all relevant benefits and tax credits are claimed, 50 per cent of the working households considered in this analysis would achieve their basic living costs, or LCA standard of living, at the £6.50 National Minimum Wage (NMW).



3. The Income Distribution approach

The Income Distribution approach calculates the wage required to place a household on the 60th percentile of median income.

The Department for Work and Pensions (DWP) provides indicators on the average income of households.¹¹ This measure uses household disposable incomes, adjusted for household size and composition, as a proxy for material living standards or, more precisely, for the level of consumption of goods and services that people could attain given the disposable income of the household in which they live.¹²

DWP provides two measures of disposable income: before and after housing costs. This report only considers the disposable income after housing costs. Disposable income after housing costs consists of earnings, all social security benefits (including housing and council tax benefits), pensions, maintenance payments, educational grants, and cash value of payments in kind such as free school meals for all members of the household, less income tax (including national insurance, pension contributions) and maintenance or support payments made to people outside the household. Rent, mortgage interest payments, water charges and structural insurance premiums, are deducted from income on this measure.¹³

Based on this measure, the household median income in 2012/13 was £374 per week for a couple with no children. This translates into £527.34 for a couple with children. DWP provide details of the process by which to calculate equivalent incomes for other household types.¹⁴

Using the equivalisation process, incomes for the various household types considered earlier have been calculated. Table 3.1 illustrates the median income and different percentages of median income for the different household types.

Given these income levels and using the same tax and benefit model as in the previous section, wages that achieve the different households' disposable income can be approximated.

Table 3.1: Disposable income thresholds for different types of households (£ per week, 2012/13)

	Couple with children	Lone parents with children	Couple with no children	Single person with no children
Median	527.30	359.00	374.00	205.70
70% of median	369.10	251.30	261.80	144.00
65% of median	342.80	233.40	243.10	133.70
60% of median	316.40	215.40	224.40	123.40

All figures rounded to nearest 10 pence

Source: GLA Economics based on DWP data for 2012/13

Table 3.2 shows the approximate hourly wage required to achieve the level of disposable income that would place each household at 60, 65 and 70 per cent of median income (both including and excluding benefits). The Government's poverty threshold is 60 per cent of median income. Hence, we focus on the wage required to meet this income level.

Table 3.2: Approximate hourly wages required to reach a certain percentage of median income for different households**3.2a: Households with children**

	Couple with two children				Lone parent	
Earners	2ft	1ft 1pt	2pt	1ft	ft	pt
Including all relevant benefits						
60% of median income	6.85	7.50	10.85	6.50*	8.80	13.40
65% of median income	8.10	8.80	13.40	10.60	10.55	15.84**
70% of median income	9.40	10.20	15.84**	15.70	12.30	15.84**
Excluding means-tested benefits						
60% of median income	11.60	12.05	15.84**	14.10	15.84**	15.84**
65% of median income	12.00	12.60	15.84**	14.85	15.84**	15.84**
70% of median income	12.50	13.30	15.84**	15.84**	15.84**	15.84**

3.2b: Households without children

	Couple with no children				Single no children	Weighted Average***
Earners	2ft	1ft 1pt	2pt	1ft	ft	
Including all relevant benefits						
60% of median income	6.50*	9.15	14.65	15.10	8.15	8.25
65% of median income	6.85	9.60	15.80	15.80	8.55	9.45
70% of median income	7.20	10.10	15.84**	15.84**	8.95	10.60
Excluding means-tested benefits						
60% of median income	6.50*	9.15	14.65	15.10	8.15	10.40
65% of median income	6.75	9.50	15.25	15.25	8.45	10.80
70% of median income	7.10	9.95	15.84**	15.84**	8.85	11.30

3.2c: Numbers of people in London that would attain 60% of median income at various wage levels

	Couple with two children				Lone parent	
Earners	2ft	1ft 1pt	2pt	1ft	ft	pt
Total number of people of this family type	245,400	244,700	15,200	289,900	41,800	48,700
Number which would attain 60% of median income at a wage of:						
£6.50	0	0	0	289,900	0	0
£8.25	245,400	244,700	0	289,900	0	0

	Couple with no children				Single no children	Total number of people in all households considered
Earners	2ft	1ft 1pt	2pt	1ft	ft	
Total number of people of this family type	373,600	86,000	14,600	191,700	742,300	2,294,000
Number which would attain 60% of median income at a wage of:						
£6.50	373,600	0	0	0	0	663,500
£8.25	373,600	0	0	0	742,300	1,895,900

Notes: ft=full-time and pt=part-time

*NMW sufficient to meet basic living costs (LCA budget standard). The NMW (£6.50) has been used as a lower limit for the wage when calculating the weighted average wage as it is generally illegal to pay wages below the NMW.

**An upper limit of £15.84 has also been applied. This is the median hourly pay (excluding overtime) for all employee jobs in London, taken from the ONS 2013 Annual Survey of Hours and Earnings (provisional results).

***This weighted average covers both households with, and without children and has been rounded to the nearest 5 pence.

The number of people in different household groups was updated this year using the Annual Population Survey 2012, rounded to nearest 100.

Source: GLA Economics and APS 2012

Data from Table 3.2 indicates that only 29 per cent of people in the working households considered here would attain 60 per cent of median income at the £6.50 NMW (even assuming all relevant benefits were claimed). The weighted average wage (assuming all relevant benefits are claimed) required to achieve 60 per cent of median income is £8.25. At this wage, 83 per cent of the households considered would achieve the 60 per cent median income threshold. Note that in contrast to the LCA approach (see Chapter 2), relatively high wages are required for families with children to attain the target income required to avoid poverty.



4. Comparison of the two approaches and the wage distribution

This section compares the results of the two approaches and then looks at the wage distribution to see what proportion of the working population in London would be affected by a Living Wage if adopted London-wide.

Under the Basic Living Costs approach, around 50 per cent of the households considered in this analysis would cover their basic living costs at the £6.50 NMW level. Under the Income Distribution approach 29 per cent of the households considered would attain 60 per cent of median income at the £6.50 NMW level. We assume that all relevant benefits and tax credits are claimed.

Table 4.1 displays the weighted average hourly wages derived from the two approaches considered, including and excluding means-tested benefits. The weighted average wage (including benefits) from the Basic Living Costs approach is £7.65 per hour compared to £8.25 from the Income Distribution approach. The poverty threshold wage of £7.95 is the mean of the figures given by the Basic Living Costs and Income Distribution approaches, rounded to the nearest 5 pence.

Table 4.1: Weighted average poverty threshold wage (£ per hour)

Approach	Including benefits	Excluding benefits
Basic living costs (1)	7.65	9.90
Income distribution (60%) (2)	8.25	10.40
Average of (1) and (2)	7.95	10.15

Source: GLA Economics

Notes: Figures rounded to nearest five pence.

This indicates that a wage of around £7.95 allows most households (claiming all relevant benefits and tax credits), on average, to move to or above the poverty threshold. With a 15 per cent margin added to the (unrounded) poverty threshold wage, this yields a Living Wage, to the nearest five pence, of £9.15 per hour. This will be implemented in the GLA Group as contracts allow.

The next section looks at the wage distribution in London to see what proportion of the working population would be affected at these wage levels (assuming the wage was adopted across London).

4.1 Wage distribution

We use the Annual Survey of Hours and Earnings (ASHE) from the ONS to estimate the earnings distribution of different hourly wage rates. It is based on a sample of employee jobs taken from HM Revenue and Customs PAYE records. Information on earnings and hours is obtained in confidence from employers. It does not include the self-employed. We continue to use the ASHE workplace-based data as recommended by the ONS since it provides the most accurate estimates and is the data which most closely represents workplaces and employers.

Data from the Annual Survey of Hours and Earnings suggests that 87.1 per cent of full-time employees in London earn more than the Living Wage of £9.15 per hour. 4.9 per cent earn less than the Living Wage but more than the poverty threshold wage¹⁵ of £7.95. The remaining 8.0 per cent earn a wage below the poverty threshold wage.

51.2 per cent of part-time employees in London earn more than the Living Wage. 11.2 per cent are paid less than the Living Wage but more than the poverty threshold wage. The remaining 37.6 per cent earn a wage below the poverty threshold wage.

Adding full-time and part-time workers together, 79.5 per cent earn more than the Living Wage and 14.2 per cent earn below the poverty threshold wage.



Table 4.2: Proportion of employee jobs¹ in London where employees earn less than the specified hourly pay threshold

	All		Full-time		Part-time	
All employees = 100%	100	CV ²	100	CV	100	CV
% earning less than:						
<£7.95 per hour ^a	14.2	1.5	8.0	2.4	37.6	1.7
<£8.80 per hour ^b	18.8	1.3	11.5	1.9	46.2	1.5
<£9.15 per hour ^c	20.5	1.2	12.9	1.8	48.8	1.4

	Men All		Men Full-time		Men Part-time	
All employees = 100%	100	CV	100	CV	100	CV
% earning less than:						
<£7.95 per hour ^a	11.7	2.3	7.2	3.2	43.3	2.8
<£8.80 per hour ^b	15.7	2.0	10.7	2.7	51.4	2.4
<£9.15 per hour ^c	17.3	1.9	12.2	2.5	53.7	2.3

	Women All		Women Full-time		Women Part-time	
All employees = 100%	100	CV	100	CV	100	CV
% earning less than:						
<£7.95 per hour ^a	17.1	2.0	9.0	3.4	35.0	2.2
<£8.80 per hour ^b	22.4	1.7	12.7	2.8	43.8	1.8
<£9.15 per hour ^c	24.1	1.6	14.0	2.7	46.7	1.7

Source: Annual Survey of Hours and Earnings (2013 - provisional), Office for National Statistics.

1 Employees on adult rates of pay whose pay for the survey pay-period was not affected by absence.

2 The quality of an estimate is measured by its coefficient of variation (CV), which is the ratio of the standard error of an estimate to the estimate.

CV ≤ 5% (precise)

CV > 5% and ≤ 10% (reasonably precise)

CV > 10% and ≤ 20% (acceptable)

CV > 20% (unreliable).

a: 2014 poverty threshold, £7.95

b: 2013 Living Wage

c: 2014 Living Wage

Note 1: The figures are for people aged 16 and over. They exclude the unemployed population, unpaid family workers and the self-employed but they include students. The proportions show the number of employee jobs in London workplaces where the employee earns less than the different thresholds divided by the number of employee jobs in London workplaces (reporting earnings).

Note 2: Hourly pay is defined as gross pay per hour excluding overtime, shift premium payments and payments in kind.

4.2 What has changed since our 2013 Report?

The 2014 Living Wage has increased by 4.0 per cent since the 2013 report, and has risen by 36.6 per cent since its introduction in 2005. Basic living costs (weighted across all the household types considered) have increased by 4.4 per cent and the 60 per cent median household income by 1.9 per cent.

Prices of all the items in the shopping basket used in the basic living costs approach have increased. The largest increase was in NHS costs (+3.4 per cent) and insurance/pension contributions (+2.7 per cent). Other items increased in price by between 0.6 and 2.4 per cent. Childcare costs have risen by 5.4 per cent. Transport costs also increased significantly by 3.4 per cent. For the second year in succession the cost of council tax fell this year (by 0.5 per cent), following the freeze two years ago. Housing costs have continued their upward movement and have risen particularly strongly in the private rented sector. Social housing costs increased by 3.9 per cent, private rents for single people without children were up by 17.7 per cent, and private rents for couples without children increased by 3.1 per cent.

For the 2014/15 financial year, the personal allowance has increased by 5.9 per cent on last year (to £10,000) and the primary threshold for national insurance contributions is up by 2.7 per cent on last year. These go some way to mitigating the increase required in the London Living Wage to meet the rise in living costs. The basic element of the working tax credit rose by 1 per cent but the childcare element was again frozen as was the family element of the child tax credit. The disabled and severely disabled elements of the working tax credit rose by 2.8 per cent and 2.9 per cent respectively. Child benefit was also raised by 1 per cent. The child, disabled and severely disabled child elements of the child tax credits have increased by 1.1, 2.8 and 2.9 per cent respectively. The first income thresholds and withdrawal rates for credits also remain unchanged.

4.3 Comparison with the National Minimum Wage, inflation and earnings growth

Table 4.3 shows how the London Living Wage (LLW) and the National Minimum Wage (NMW) have increased since 2005, along with inflation and average weekly earnings.

Table 4.3: LLW, NMW, CPI inflation and earnings growth since 2005

	LLW			NMW		Ratio (LLW/NMW)	Average Weekly Earnings growth % Change Year on Year	CPI
	LLW	Change Year on Year (£)	Change Year on Year (%)	NMW	Change Year on Year (%)			
2005	£6.70			£5.05		1.33	4.3	2.0
2006	£7.05	£0.35	5.2%	£5.35	5.9%	1.32	3.9	2.3
2007	£7.20	£0.15	2.1%	£5.52	3.2%	1.30	4.2	2.3
2008	£7.45	£0.25	3.5%	£5.73	3.8%	1.30	3.7	3.6
2009	£7.60	£0.15	2.0%	£5.80	1.2%	1.31	1.7	2.1
2010	£7.85	£0.25	3.3%	£5.93	2.2%	1.32	1.9	3.3
2011	£8.30	£0.45	5.7%	£6.08	2.5%	1.37	2.0	4.5
2012	£8.55	£0.25	3.0%	£6.19	1.8%	1.38	1.6	2.8
2013	£8.80	£0.25	2.9%	£6.31	1.9%	1.39	1.0	2.5
2014	£9.15	£0.35	4.0%	£6.50 ^a	3.0%	1.41	0.7 ^b	1.7 ^c

Source: Low Pay Commission, ONS and GLA Economics calculations

^a From October 2014

^b 2014 value taken as the average of weekly earnings from January 2014 to July 2014

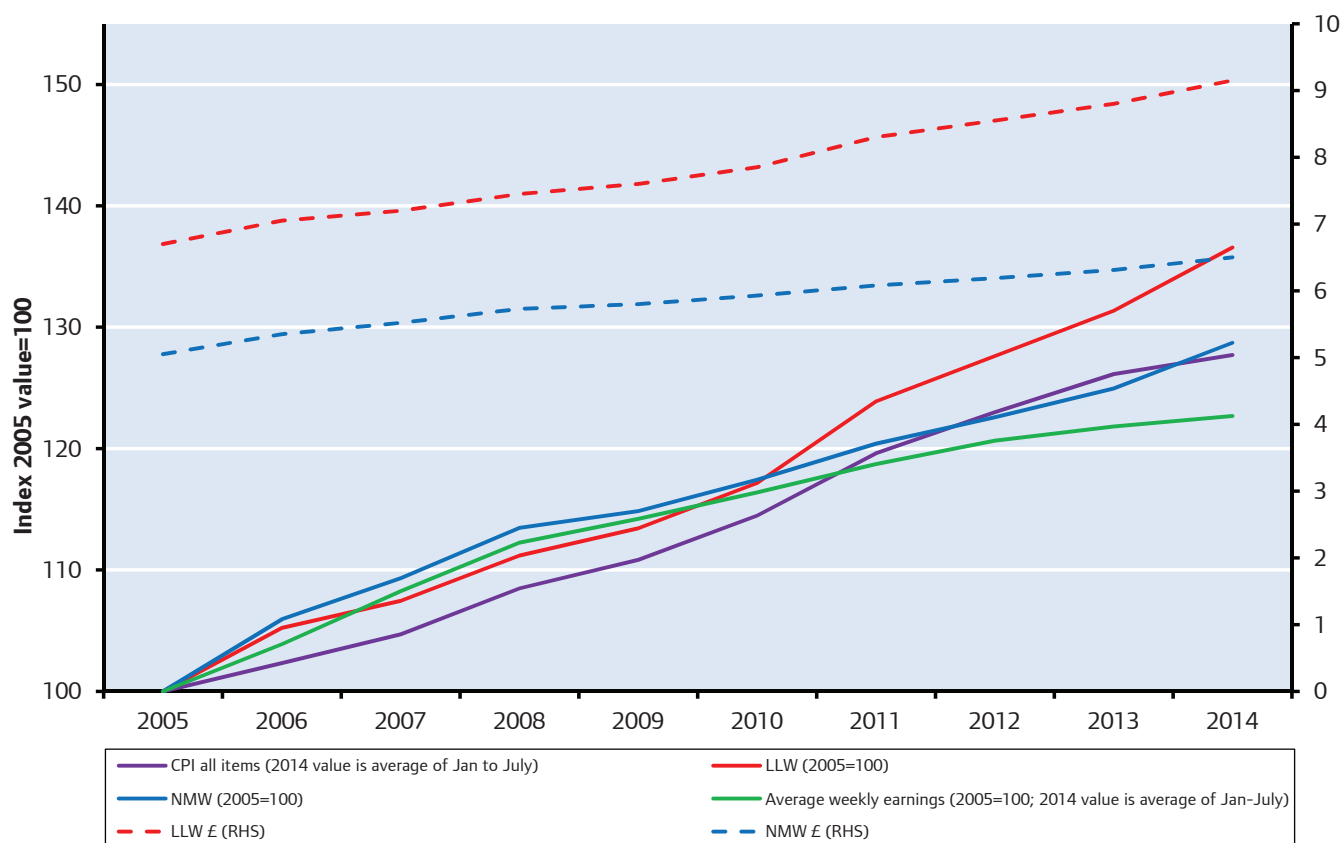
^c 2014 value taken as the average of CPI from January 2014 to July 2014

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In 2005 the London Living Wage was 33 per cent above the NMW of £5.05.¹⁶ Since then the differential has risen in absolute terms from £1.65 to £2.65. The 2014 LLW is 41 per cent above the NMW.

Figure 4.1 compares the growth in the London Living Wage to the NMW, average weekly earnings¹⁷ and the Consumer Prices Index. It demonstrates that the LLW has more than kept pace with the growth in both prices and earnings.

Figure 4.1: Growth in the LLW, NMW, Average Earnings and Consumer Price Indices



Source: Low Pay Commission, ONS and GLA calculations

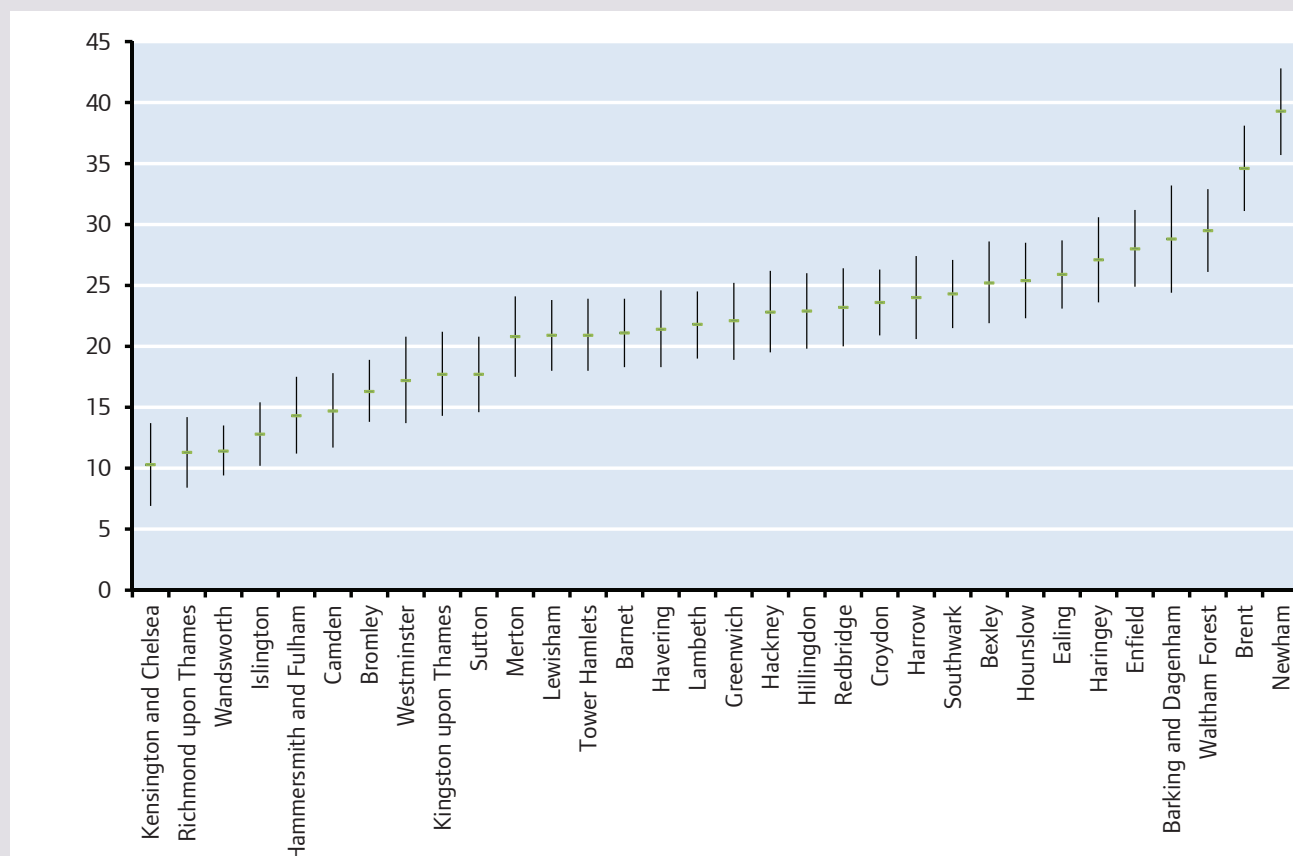
Average Weekly Earnings Index (K54L) is seasonally adjusted and excludes bonuses and arrears

Base year for both is 2005 (2005=100).

Box 2 - The Living Wage across London Boroughs

The proportion of employee jobs paying below the Living Wage held by residents varies across London boroughs. In 2013, only 10 boroughs were estimated to have fewer than 20 per cent of jobs held by residents paying below the LLW, with the proportion as low as 10.3 per cent in Kensington & Chelsea. At the other end of the scale, nearly 40 per cent of jobs held by residents in Newham paid below the LLW.

Figure 4.2: Proportion of all employee jobs of people resident in the London Local Authority where employees earn less than the LLW 2013, including 95% confidence intervals



Source: Annual Survey of Hours and Earnings (2013 - provisional), Office for National Statistics.

Notes:

- The London Living Wage (LLW) 2013 was £8.80 per hour.
- The figures are for people aged 16 and over. They exclude the unemployed population, unpaid family workers and the self-employed but they include students who are working. The proportions show the number of employee jobs of people resident in the Local Authority where the employee earns less than the LLW divided by the number of employee jobs of people resident in the Local Authority (reporting earnings).
- Hourly pay is defined as gross pay per hour excluding overtime, shift premium payments and payments in kind.
- Employees are those on adult rates of pay, whose pay for the survey pay-period was not affected by absence.

5. Implementation of the London Living Wage

There has been a significant expansion of the coverage of the London Living Wage during the past 12 months, with increasing numbers of employers in the capital recognising the benefits of Living Wage accreditation.

The Greater London Authority works in partnership with the Living Wage Foundation to promote the Living Wage in the capital and offer support to employers considering accreditation. This year, both organisations have agreed a series of joint, complimentary but separate actions to increase the reach of the initiative.

The Mayor acknowledges the benefits of paying a living wage, both for employees and employers, manifested in improved staff productivity and morale, increased staff retention rates and reduced absenteeism.

Research by Queen Mary University of London shows that over half the number of people earning the Living Wage (54 per cent) felt more positive about their workplace after it was introduced.¹⁸ A similar number (52 per cent) felt more loyal towards their employer. Research from the Living Wage Foundation itself has demonstrated that 80 per cent of Living Wage employers perceive increased work quality, 66 per cent note positive impacts on recruitment and staff retention, while 70 per cent acknowledge the positive effect on consumer awareness as a result of accreditation.¹⁹ Living Wage employers also report a 25 per cent reduction in absenteeism following the introduction of living wage conditions into contracted-out services.²⁰

Further research is being undertaken to understand the business benefits to Living Wage accreditation and support the argument in favour to businesses.

Whilst an increasing number of employers now pay the London Living Wage, there is still work to be done. In his 2020 Vision for London, the Mayor committed to ensuring that as many London businesses as possible should pay the London Living Wage and called for the London Living Wage to be the norm by 2020. This chapter explores the activity carried out to date as well as the Mayor's future commitment to the London Living Wage.

5.1 The Mayor's manifesto pledges and the London Living Wage

In 2012, the Mayor set out his manifesto commitments in relation to the London Living Wage. The commitments included:

Work constructively with the public and private sector to increase to 250 the number of companies offering the London Living Wage.

This target has been exceeded in the past year. Over 400 major London employers are fully accredited with the Living Wage Foundation, committing to pay the London Living Wage to direct and contracted staff. This is a significant increase from the 208 employers accredited at this point last year.

The Mayor has written to over 100 Chief Executives in the past year, primarily in the retail, cultural and football sectors, with letters also written to employers who committed to the Living Wage prior to the introduction of accreditation and non-responders from previous letter waves. These letters are proactively followed up by Greater London Authority officers and the Living Wage Foundation to offer support to recipients to pursue accreditation.

Furthermore the Mayor regularly highlights his London Living Wage objectives in speaking engagements and meetings with individual business leaders, or their forums (such as the International Business Advisory Council).

Beyond the number of accredited employers, a further group of employers are at various stages of the accreditation process, in dialogue with the Living Wage Foundation. Some of these firms had already been paying staff the Living Wage but are now formalising their commitment, whilst others are starting their journey towards paying the Living Wage for the first time.

Lobby Government to adopt the London Living Wage across Whitehall.

The Mayor continues to lobby government to pay the Living Wage across Whitehall. The GLA Group itself provides an example of how large public sector organisations can overcome their complex contractual arrangements to achieve accreditation. In the past year both Houses of Parliament and the National Audit Office have become accredited. The Foundation is engaged in ongoing discussions with the Department of Work and Pensions and other Departments.

In addition to his manifesto commitments, the Mayor made further assurances to support the promotion of the London Living Wage at the London Citizens Mayoral Accountability Assembly (25 April 2012).

These included:

Announcing the London Living Wage figure annually in person and ensuring full compliance and Living Wage Employer accreditation across the GLA group.

The GLA Group of organisations - including the Greater London Authority, Transport for London, the Mayor's Office for Policing and Crime, the London Legacy Development Corporation - are now accredited London Living Wage employers. Furthermore, the Metropolitan Police Service is undergoing phased implementation of the Living Wage, with the Wage being rolled out to contracts as they come up for renewal - all contracts will be fully compliant by January 2016.

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Work with London Citizens to sign up 100 new large (>250 employees) London employers, including at least five in the retail sector, five in hospitality and 16 Local Authorities, to become Living Wage Employers through the course of the Mayoral term.

Progress against this measure is strong, as evidenced by the expansion in the number of accredited employers in the past year (see Appendix D).

Since the start of the Mayoral term in 2012, over 400 London employers have become accredited Living Wage employers. Approximately a third of these are employers with over 250 staff nationally. A number of large FTSE100 employers have been contacted directly by the Mayor on the issue of the Living Wage.

Outreach to the retail and hospitality sectors is in its early stages. A significant number of major employers was identified in partnership with the Living Wage Foundation to receive letters from the Mayor. The Foundation itself is in the process of reviewing accreditation criteria to ensure it is appropriate and practical for businesses in the retail, hospitality and service provider sectors.

Work continues to establish Living Wage Zones in locations such as Canary Wharf and 2 Fenchurch Street. The aim would be for all business tenants to commit to paying the Living Wage.

Ensure that the Living Wage Olympic Legacy continues by negotiating Living Wage commitments with all developers on the Olympic Park.

To support the delivery of the Mayor's manifesto commitment, the London Legacy Development Corporation (LLDC) requires all of its contractors on the Park to pay its directly employed workforce a minimum of the London Living Wage. The LLDC will continue to ensure all contractors are committed to the LLW through all future procurement and contracts for the construction, management and operation of the Park.

Work with London Citizens to make Living Wage Week the greatest possible success by contributing Transport for London hoardings for promotion.

2013 signalled the first year of a joint promotion programme for the London Living Wage taking place in the run up to Living Wage Week in November. The GLA allocated one of its TfL poster circuits (50 sites) to promote the Living Wage, primarily to achieve greater visibility for and recognition of the Living Wage Employer Mark amongst businesses and to increase awareness of the Living Wage in London amongst Londoners and businesses.

For 2014, the GLA have committed to promote the London Living Wage during Living Wage Week through web and social media outreach and making best use of GLA-owned websites.

A list of accredited Living Wage employers and those that are in the process of accreditation can be found in Appendix D.

Box 3 – In-work poverty in London and the Living Wage

This is the Living Wage Unit's 10th report. The issue of low pay has been a longstanding priority of both Mayors of London, who, since the establishment of the Living Wage Unit in 2005, have encouraged London-based employers to pay the LLW. To date, more than 400 have become fully accredited LLW employers, with this number having doubled in the last year alone.

Nonetheless, evidence suggests that more needs to be done to improve Londoners' living standards and reduce low pay; these are the reasons why the current Mayor of London in his 2020 Vision aimed to make the LLW the norm among employers by 2020. Indeed, in 2013, 16 per cent of employee jobs held by men and 22 per cent of those held by women still paid a wage below the LLW.

It is important to bear in mind that although low pay and poverty are related, they are not the same thing. Looking at hourly earnings does not convey information about total earnings without information about hours worked or bonuses; neither does it take into account tax credits or benefits received; nor does it reveal anything about household incomes (as opposed to the incomes of individuals). That having been said, in the UK the association between low pay and poverty has increased. The DWP reports²¹ that in 2012/13 there were over 13 million people in poverty in the UK. Of these, half were in a family where someone worked. The remainder were in workless working-age families or families where the adults were retired. Sixteen years ago, in-work poverty accounted for around one-third of all poverty in Britain. Since then the number of people in workless poverty has fallen by 2.4 million and the number in working poverty has risen by 1.6 million.

Comparing 1999/00 to 2001/02 with 2010/11 to 2012/13,²² the number of London's working age adults in poverty and in working families increased from 440,000 to 760,000, while the number of adults in workless families in poverty changed only marginally. Further, whereas at the start of the 2000s, 60 per cent of all London residents in poverty were in workless households, a decade later, the majority of those in poverty (53 per cent) lived in a family where at least one adult was in work. In fact, the latest figures show that 62 per cent of all London's children in poverty are in working families.

Finally, there are certain groups of employees who are more vulnerable to fall into low pay. Part time employees are much more likely to be low-paid than full time employees; the median hourly pay for part-time workers in London has been persistently below the 'low pay' level.²³ Moreover over 50 per cent of men working part-time earn below the LLW.

Temporary jobs are also much more likely to be low-paid than permanent ones; in 2012, 31.5 per cent of temporary jobs in London were 'low pay' versus only 19.1 per cent of permanent jobs.²⁴ A potential problem of low total pay for employees on temporary contracts is exacerbated by the fact that they work fewer hours. In 2012 employees in London on permanent contracts worked on average for 35.1 hours per week, 28 per cent more than those on temporary contracts (27.4 hours).²⁵

Further, there are four sectors in the London economy where the incidence of low pay has been especially high: the cleaning sector, the retail sector, the social care sector and the hospitality and catering sector.²⁶

6. Conclusions

The London Living Wage has increased by 4.0 per cent this year, to £9.15 per hour. In the nine years since 2005, it has increased by 36.6 per cent.

Since our last report, household median disposable income in London after housing costs has increased by 1.9 per cent. There has been inflation in the basket of goods of between 0.6 and 3.4 per cent. Housing costs have risen by 3.9 per cent for families with children, 3.1 per cent for couples without children and by 17.7 per cent for single people. Transport costs are up 3.4 per cent and childcare costs have risen by 5.4 per cent.

There have also been a number of changes to the tax and benefits system. For the 2014/15 financial year, the personal allowance has increased by 5.9 per cent on last year (to £10,000) and the primary threshold for national insurance contributions is up by 2.7 per cent on last year. The childcare element of the working tax credit was again frozen as was the family element of the child tax credit. The disabled and severely disabled elements of the working tax credit rose by 2.8 per cent and 2.9 per cent respectively. The child, disabled and severely disabled child elements of the child tax credits increased by 1.1, 2.8 and 2.9 per cent respectively. The first income thresholds and withdrawal rates for credits remain unchanged.

The details of the tax free childcare allowance were announced this year. However, the scheme will only be rolled out from Autumn 2015 and so has yet to be included within the Living Wage calculation.

Other changes this year include a revision of the household weights using data from the latest ONS Annual Population Survey 2012.

This year, the number of accredited London Living Wage employers has doubled, to a total of over 400. Accredited Living Wage Employers alone have now provided over 20,000 workers in London with the benefits of the living wage since 2011²⁷ and the Mayor continues to lobby Government to adopt the London Living Wage across Whitehall.

Appendix A: Details of cost calculations

This appendix provides more information about the calculation (see Section 2) of the five subcategories of Basic Living Costs.

A.1 Housing costs

Social housing rent

Housing costs in London were updated using the same methodology as in previous Living Wage reports. The assumptions about what type of accommodation different family types occupy are unchanged, with couples and lone parents with two children assumed to live in a three-bedroom social housing property. This is based once more on the FBU method, which attempts to estimate the rent that a model family needs to pay, in order to obtain access to affordable but adequate housing.

As in previous reports we used data from the Chartered Institute of Public Finance and Accountancy (CIPFA) which provides, for each London borough, the average council rent on a three-bedroom property and the number of such dwellings in the council stock. The current report has been updated using the most recent data from CIPFA on net rents for three bedroom properties in London. Table A.1 shows the median, weighted mean²⁸ and unweighted mean of these rents, covering the majority of London boroughs for 2013, and for comparison the 2012 data has also been included.

Table A.1: Median, weighted and un-weighted mean weekly rents for three-bedroom council houses in London in 2012 and 2013

	2012	2013
Median	109.89	114.09
Weighted Mean	111.46	112.93
Unweighted Mean	112.88	114.83

Source: CIPFA

We are aware that Council housing does not represent the only source of affordable housing available to such families and therefore, as in the previous reports, other social housing is also taken into account. As last year, this data came from the Homes and Communities Agency (HCA). The weighted average weekly net rent for three-bedroom other social housing in London was £122.54 per week in 2013.

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To derive our estimate of the social rent for three-bedroom houses in London, we used the average (weighted by dwellings in each borough) of rent for council houses at £112.93 per week and rent for other social housing at £122.54 per week. This was weighted by 410,010 council houses in London and 390,770 units of other social housing in 2013 (using DCLG dwelling stock data).

The calculation was:

$$£112.93 \times (410,010/800,780) + £122.54 \times (390,770/800,780) = £117.62$$

This gives an average social housing rent for affordable three-bedroom dwellings in London of £117.62 per week, a rise of 3.9 per cent from £113.24 in the 2013 report. This figure is used for the housing costs of couples and lone parents with children.

Private rent

As in previous reports it was assumed that single people and couples without children are more likely to live in private accommodation, since they have less access to social housing than families with children. For private rental data we use Private Rental Market Statistics produced by the Valuation Office Agency.

We assume that single people will require a single room or studio to attain an acceptable living standard whilst a couple will require a single bedroom self-contained dwelling. The range of dwelling types includes maisonettes, one-bedroom houses and cottages in the range of accommodation available to a couple. Similarly, our estimate of rents for single people includes rooms, shared rooms, bed-sits and studios.

In each case the first quartile of the rent distribution has been used as an estimate of the typical cost of private rented accommodation. This yields a typical rental of £127 per week for a single person (a 17.7 per cent increase since last year) and £202 per week for a couple (an increase of 3.1 per cent from last year's report²⁹).

A.2 Council tax

According to the Department for Communities and Local Government (DCLG) the majority of London houses are band D or above.³⁰ This report assumes a band D council tax and calculates the average council tax band D using DCLG data. This yields a figure of £24.92 per week for 2014-15. People living on their own or lone parents are entitled to a 25 per cent single person's discount (to £18.69).

A.3 Childcare

We again base our calculation of childcare costs for our different household types on data published by the Family and Childcare Trust. As in previous reports we have assumed that all households with children, where both parents or the sole parent work, incur childcare costs. We assume that parents working full-time need 40.5 hours of childcare per week and that parents working part-time need 19.5 hours. In addition, we assume parents working full-time need 15 hours of out-of-school care and those working part-time need 7.5 hours.

The Family and Childcare Trust provides the following data:

Table A2: Childcare costs in London in 2014

Nursery 25 hours (under 2)	£140.12
Nursery 25 hours (over 2)	£136.93
Childminder 25 hours (under 2)	£136.40
Childminder 25 hours (over 2)	£138.77
Afterschool club (15 hours)	£49.04
Childminder after-school pick up	£93.83

Source: Family and Childcare Trust Annual Childcare Costs Survey, 2014

These data enable us to calculate two hourly rates for childcare i.e. one for a preschool-aged child and one for a school-aged child in full-time education:

Preschool child cost (25 hours)	Preschool child cost (per hour)	Schoolchild cost (15 hours)	Schoolchild cost (per hour)
£138.06	£5.52	£71.44	£4.76

Source: As above and GLA Economics calculations

Using the hourly rates above we calculate the cost of childcare for two children (one preschool and one at school) as follows:

Full-time childcare for two children: $(40.5 \times £5.52) + (15 \times £4.76) = £295.08$

Part-time childcare for two children: $(19.5 \times £5.52) + (7.5 \times £4.76) = £143.40$

Both full-time and part-time childcare costs have risen by 5.4 per cent compared with last year's report.

In its 2014 survey, the Family and Childcare Trust found that childcare costs in London are again the highest in Britain and that these costs have risen by well above the rate of inflation (up by 41 per cent for example over five years for a nursery for a child over two years old).

Changes to childcare support were announced in the 2013 Budget. These will provide more support from 2015-16. From autumn 2015, parents will receive basic rate tax relief on up to £10,000 spent on childcare for each child, worth £2,000 per child. In two parent families, the tax relief will only be available where both parents work.

A.4 Transport

We used the weekly equivalent cost of a monthly Zone 1-3 Oyster Travel Card (see Table A.3). This year the cost of travel has risen by 3.4 per cent.

Table A.3: Transport costs (£ weekly)

Type of households	£ per week
Couples with children	65.26
Lone parents	32.63
Couples without children	65.26
Single individuals without children	32.63

Source: Based on Transport for London fares 2014

A.5 Regional price differentials for the standard shopping basket

We use ONS regional price differentials from 2004. After 2004 we update the 2004 estimates applying the growth in national prices to the subcomponents of London's shopping basket.

Rising costs since last year's report

Over the past year all prices of goods and services in the Living Wage shopping basket have risen. Table A.4 provides details.

Table A.4: Annual percentage growth in prices of items in the CPI shopping basket

Item	Average annual % growth in prices (April-June 2014)
Price rises	
Food	0.7
Clothing	1.2
Personal care	2.4
Household goods	1.2
Household services	2.2
Leisure goods	0.6
Leisure services	2.0
Energy	1.1
NHS charges	3.4
Insurance/pension contributions	2.7
Pets	2.2
Charitable donations	1.7

Source: Office for National Statistics (ONS) and GLA Economics calculations

Note: To uprate the cost of each item of the shopping basket we used the average of annual price increases for April-June.

Appendix B: Benefits and tax credits

This section describes how we incorporate tax credits and benefits in our estimate of Basic Living Costs. The methodology is explained in more detail in Appendix C of the 2005 Living Wage report.

B.1 Earnings and benefits

For households with someone in work, all benefits included within the living wage calculation are means-tested. These cover:

- Working tax credit
- Child tax credit
- Housing benefit
- Council tax benefit
- Child benefit (although the earnings threshold for means-testing to have an impact (£50,000) is significantly above the earnings of all households considered in the living wage analysis).

The amount a household receives depends on various factors including household income, hours worked, type of household (couple or lone parent) and number and age of children.

To calculate main benefits for different family types, we follow the same methodology as outlined in Appendix B of the 2005 Living Wage report.

The working tax credit has several elements that are applied based on the circumstances of households, as outlined in Table B.1.

Table B.1: Working tax credit, 2014/15

Working tax credit elements	Maximum amount	
	£ per year	£ per week
1. Basic	1,940.00	37.31
2. Second adult/lone parent	1,990.00	38.27
3. 30 hour	800.00	15.38
4. Childcare (per cent of eligible cost covered) 70%		
Maximum eligible cost for one child		175
Maximum amount for two or more children		300
5. Disability	2,935.00	56.44
6. Severe disability	1,255.00	24.13

Source: HMRC

The working tax credit has a childcare element that is given to those households who are working and have children. The childcare element of the benefits system means that 70 per cent of eligible childcare costs incurred are covered up to a maximum of £175 per week for one child. This means that a family with one child can get a maximum of £122.50 per week from the childcare element. Similarly, families with two children can receive up to a maximum of £210 per week (70 per cent of £300).

Families with disabled members get extra help, in the form of additional disability or severe disability elements.

A representative couple, therefore, working more than 30 hours per week, with two children and incurring childcare costs will be generally entitled to:

- the basic element;
- the second adult element;
- 30 hour element;
- 70 per cent of childcare costs incurred (or up to 70 per cent of the maximum £300).

However, the amount received depends on household income. The next section considers the child tax credit and then details how to calculate the working tax credit, given information on household income.

B.2 Child tax credit

Child tax credit is mainly for families on low (or middle) incomes who are responsible for one or more children, under 16 years old (or a child under 19 studying full-time up to A-level). Changes announced in the Budget 2010, mean that only those working at least 16 hours a week on average with a household income below £40,000 are eligible for the child tax credit.

Note that the child tax credit can be granted in addition to the childcare element of the working tax credit. The main elements of the child tax credit are the family element and the child element (see Table B.2). A family responsible for a child or children is entitled to receive the family element, which has been frozen at £545 per year since 2010/11. In addition, a family can get £52.88 per week for each additional child (over one year old).

Table B.2: Child tax credits, 2013/14

Child tax credit elements	Maximum amount	Maximum amount
	£ per year	£ per week (approx)*
Family	545	10.48
Child	2,750	52.88
Disabled child	3,100	59.62
Severe disabled child	1,255	24.13

Source: HMRC

* Weekly figures are only approximate as tax credits are based on rounded daily amounts

As with working tax credit, the amount received in child tax credits depends on the household's income.

Common thresholds of household income for working tax credit and child tax credit

Families with a household income below £123.46 per week are entitled to the maximum amount as shown in Tables B.1 and B.2. Families with a household income above this first income threshold will receive less with their award being reduced at the rate of 41p for every £1 of gross income over this threshold (see Table B.3). This award is calculated using the following formula:

Tax credit = maximum amount of child tax and working tax credits – 41%*(gross household income – £123.46 per week)

Table B.3: Common features to derive child and working family credits, 2013/14

Common Features	Maximum amount	Maximum amount
	£ per year	£ per week (approx)*
First income threshold	6,420	123.46
First withdrawal rate (%)	41	
Second income threshold	abolished	
Second withdrawal rate (%)		
First threshold for those entitled to Child tax credit only	16,010	307.88

Source: HMRC

* Weekly figures are only approximate as tax credits are based on rounded daily amounts

Child benefit

As of April 2013 Child Benefit became means-tested for those households with an income above £50,000. The households used to calculate the London Living Wage are all significantly below this threshold. Child Benefit is paid for children up to the age of 16 or up to 19 for those in full-time education (up to and including A level standard). Table B.4 shows the amount couples or lone parents are entitled to receive depending on the number of children they have. There is a higher rate of benefit for the first child of £20.50 per week. For each subsequent child, couples receive £13.55 per week.

Table B.4: Child Benefit, 2014/15

Number of children	Couple
	£ per week
1	20.50
2	34.05
3	47.60
Each extra child above 3	13.55

Source: HMRC

Note: Since April 2007, lone parents have received the same amount of child benefits as couples.

B.3 Housing benefits

We include a family specific amount of housing benefit calculated by the following formula:

Housing benefits = eligible rent – 65% *(net income – applicable amount)

where:

Net income = (gross income – tax – earnings disregard) + child tax and working tax credits

and

Applicable amount = total personal allowances + total premiums

The applicable amount represents the minimum income viewed by the government as sufficient for a person under given circumstances. This is made up of two components: personal allowances and total premiums, depending on the particular circumstances of the household.

Housing benefit is calculated by reference to household income and any other benefits received. The amount of housing benefit also depends on eligible rent and council tax paid.

To derive the total applicable amount, information from Table B.5 is used and depends on the size of the family or type of household. For instance, a couple family with two children are entitled to receive £113.70 per week in personal allowances, and £132.66 per week for both children under 16. In addition, families receive the family premium (for couples) of £17.45 per week.

Table B.5: Housing Benefits, 2014/15

	Maximum Amount
Personal Allowance	£ per week
Single person (under 25)	57.35
Single person (25 or over)	72.40
Lone parent (18 or over)	72.40
Couple (one/both 18 or over)	113.70
Children:	
- Under 16	66.33
- 16-18	66.33
Premiums	
Family	17.45
Family (lone parent)	22.20

Source: HMRC

B.4 Council tax support

In April 2013 the Council Tax Benefit scheme operated by central government was abolished and replaced by a localised Council Tax Reduction scheme, whereby councils design their own scheme. In light of this policy change the income towards council tax costs, for different households, in London is estimated as follows:

The council tax reduction entitlement for each household type in each local authority is estimated,

A weighted average for London is then calculated using the number of housing benefit caseloads (as a proxy for recipients of council tax support) from Jan-Dec 2013 for each household type in each local authority.³¹ This data is derived from DWP's Stat-Xplore.

The general format of council tax support calculations across boroughs is:

Council tax support = council tax – taper rate*(net income – applicable amount),

where:

Net income and applicable amount are the same as that described above in the section on housing benefits.

and

The applicable amount includes an earnings disregard which is determined by each council; commonly this is £10 per week for a couple, £5 for a single person and £25 for a single parent.

Most councils have adopted a minimum contribution requirement for residents such that there is an upper limit to the amount of support that can be claimed. Some councils have also included a lower limit e.g. Haringey, where households whose council tax support entitlement is less than £1 receive no council tax support. As with Council Tax Benefit, there remains a 25 per cent single person's discount.

Appendix C: LCA required income and actual income at different hourly wages

This appendix sets out the difference between basic living costs and income approaches at different hourly wages. Table C.1 includes all relevant benefits and tax credits in the calculation for the first approach. Table C.2 excludes all means-tested benefits from the calculation.

Table C.1: Weekly earnings, taxes, benefits, disposable income and costs for different hourly wages including all applicable tax credits and means-tested benefits
C.1a: Households with children

	Two parents with two children					Single parent	
Hourly wages	2ft	1ft 1pt	1pt 1pt	1ft	1pt	ft	pt
£6.50							
Total disposable income	747.20	581.80	522.70	475.40	437.80	622.80	463.40
LCA Costs	723.60	571.90	571.90	395.80	395.80	631.30	479.60
Total disposable income minus LCA costs	23.70	10.00	-49.20	79.60	42.00	-8.40	-16.20
£7.00							
Total disposable income	757.60	592.10	532.70	476.40	440.80	628.00	466.30
LCA Costs	723.60	571.90	571.90	395.80	395.80	631.30	479.60
Total disposable income minus LCA costs	34.00	20.20	-39.20	80.50	45.00	-3.20	-13.30
£8.00							
Total disposable income	778.40	612.50	552.70	478.30	446.80	638.40	470.50
LCA Costs	723.60	571.90	571.90	395.80	395.80	631.30	479.60
Total disposable income minus LCA costs	54.80	40.60	-19.10	82.50	50.90	7.10	-9.10
£9.00							
Total disposable income	799.20	632.90	572.80	480.60	452.70	648.80	474.00
LCA Costs	723.60	571.90	571.90	395.80	395.80	631.30	479.60
Total disposable income minus LCA costs	75.60	61.00	0.90	84.70	56.90	17.50	-5.60
£10.00							
Total disposable income	820.00	651.30	588.80	483.40	458.00	659.20	476.80
LCA Costs	723.60	571.90	571.90	395.80	395.80	631.30	479.60
Total disposable income minus LCA costs	96.40	79.40	16.90	87.50	62.10	27.90	-2.80

C.1b: Households without children

Hourly wages	Couple no children					Single person	
	2ft	1ft 1pt	1pt 1pt	1ft	1pt	ft	pt
£6.50							
Total disposable income	454.00	405.60	371.90	381.30	348.20	249.30	222.30
LCA Costs	424.70	424.70	424.70	392.00	392.00	282.30	282.30
Total disposable income minus LCA costs	29.30	-19.00	-52.70	-10.70	-43.80	-33.00	-60.00
£7.00							
Total disposable income	480.20	413.20	375.10	382.80	351.20	253.70	223.50
LCA Costs	424.70	424.70	424.70	392.00	392.00	282.30	282.30
Total disposable income minus LCA costs	55.50	-11.50	-49.60	-9.20	-40.80	-28.60	-58.80
£8.00							
Total disposable income	532.50	428.30	383.10	386.30	357.20	266.30	225.80
LCA Costs	424.70	424.70	424.70	392.00	392.00	282.30	282.30
Total disposable income minus LCA costs	107.90	3.70	-41.50	-5.70	-34.90	-16.00	-56.50
£9.00							
Total disposable income	584.90	445.40	394.60	390.00	362.50	292.40	228.20
LCA Costs	424.70	424.70	424.70	392.00	392.00	282.30	282.30
Total disposable income minus LCA costs	160.20	20.80	-30.00	-2.00	-29.50	10.10	-54.10
£10.00							
Total disposable income	637.20	486.60	405.10	399.00	364.60	318.60	231.00
LCA Costs	424.70	424.70	424.70	392.00	392.00	282.30	282.30
Total disposable income minus LCA costs	212.60	61.90	-19.60	7.00	-27.40	36.30	-51.30

Source: GLA Economics

All figures rounded to nearest 10 pence

Table C.2: Weekly earnings, benefits, disposable income and costs for different hourly wages, including only child benefits**C.2a: Households with children**

	Two parents with two children					Single parent	
Hourly wages	2ft	1ft 1pt	1pt 1pt	1ft	1pt	ft	pt
£6.50							
Total disposable income	488.00	371.50	255.10	261.00	144.60	261.00	144.60
LCA Costs	723.60	571.90	571.90	395.80	395.80	631.30	479.60
Total disposable income minus LCA costs	-235.50	-200.30	-316.80	-134.80	-251.30	-370.20	-335.00
£7.00							
Total disposable income	514.20	393.10	272.10	274.10	153.10	274.10	153.10
LCA Costs	723.60	571.90	571.90	395.80	395.80	631.30	479.60
Total disposable income minus LCA costs	-209.30	-178.70	-299.80	-121.70	-242.80	-357.10	-326.50
£8.00							
Total disposable income	566.60	436.30	306.10	300.30	170.10	300.30	170.10
LCA Costs	723.60	571.90	571.90	395.80	395.80	631.30	479.60
Total disposable income minus LCA costs	-157.00	-135.60	-265.80	-95.50	-225.80	-331.00	-309.50
£9.00							
Total disposable income	618.90	479.50	340.10	326.50	187.10	326.50	187.10
LCA Costs	723.60	571.90	571.90	395.80	395.80	631.30	479.60
Total disposable income minus LCA costs	-104.60	-92.40	-231.80	-69.40	-208.80	-304.80	-292.50
£10.00							
Total disposable income	671.30	520.60	370.00	352.70	202.00	352.70	202.00
LCA Costs	723.60	571.90	571.90	395.80	395.80	631.30	479.60
Total disposable income minus LCA costs	-52.30	-51.20	-201.90	-43.20	-193.80	-278.60	-277.60

C.2b: Households without children

	Couple no children					Single person	
Hourly wages	2ft	1ft 1pt	1pt 1pt	1ft	1pt	ft	pt
£6.50							
Total disposable income	454.00	337.50	221.00	227.00	110.50	227.00	110.50
LCA Costs	424.70	424.70	424.70	392.00	392.00	282.30	282.30
Total disposable income minus LCA costs	29.30	-87.20	-203.70	-165.00	-281.50	-55.30	-171.80
£7.00							
Total disposable income	480.20	359.10	238.00	240.10	119.00	240.10	119.00
LCA Costs	424.70	424.70	424.70	392.00	392.00	282.30	282.30
Total disposable income minus LCA costs	55.50	-65.60	-186.70	-151.90	-273.00	-42.20	-163.30
£8.00							
Total disposable income	532.50	402.30	272.00	266.30	136.00	266.30	136.00
LCA Costs	424.70	424.70	424.70	392.00	392.00	282.30	282.30
Total disposable income minus LCA costs	107.90	-22.40	-152.70	-125.80	-256.00	-16.00	-146.30
£9.00							
Total disposable income	584.90	445.40	306.00	292.40	153.00	292.40	153.00
LCA Costs	424.70	424.70	424.70	392.00	392.00	282.30	282.30
Total disposable income minus LCA costs	160.20	20.80	-118.70	-99.60	-239.00	10.10	-129.30
£10.00							
Total disposable income	637.20	486.60	335.90	318.60	168.00	318.60	168.00
LCA Costs	424.70	424.70	424.70	392.00	392.00	282.30	282.30
Total disposable income minus LCA costs	212.60	61.90	-88.70	-73.40	-224.10	36.30	-114.30

Source: GLA Economics

All figures rounded to nearest 10 pence

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Table C.3 presents the wage level that different types of families require to achieve 60 per cent of median income, 65 per cent of median income and 70 per cent of median income. These calculations include all benefits and tax credits.

Table C.3: Weekly incomes (£) for different types of families including benefits in the measure of disposable income

		Required hourly wage rate			
Household type	Weekly income	2ft	1ft 1pt	2pt	1ft
60% of median (Relative poverty measure)					
With two children aged 2-4 and 8-10					
1) Couple parents	316.40	6.85	7.50	10.85	6.50
2) Lone parent	215.40	N/A	N/A	N/A	8.80
With no children					
1) Couple	224.40	6.50	9.15	14.60	15.05
2) Single person	123.40	N/A	N/A	N/A	8.10
65% of median					
With two children aged 2-4 and 8-10					
1) Couple parents	342.75	8.10	8.80	13.40	10.60
2) Lone parent	233.40	N/A	N/A	N/A	10.55
With no children					
1) Couple	243.10	6.80	9.60	15.40	15.80
2) Single person	133.70	N/A	N/A	N/A	8.50
70% of median					
With two children aged 2-4 and 8-10					
1) Couple parents	369.15	9.35	10.20	>15.84	15.70
2) Lone parent	251.35	N/A	N/A	N/A	12.25
With no children					
1) Couple	261.80	7.15	10.05	>15.84	>15.84
2) Single person	144.00	N/A	N/A	N/A	8.90

Source: GLA Economics

All figures rounded to nearest 5 pence

Similarly, Table C.4 shows the wage levels in the income distribution approach as above, but including only child benefits.

Table C.4: Weekly incomes (£) for different types of families including only child benefits in the measure of disposable income

Household type	Weekly income	Required hourly wage rate			
		2ft	1ft 1pt	2pt	1ft
60% of median (Relative poverty measure)					
With two children aged 2-4 and 8-10					
1) Couple parents	316.40	11.60	12.05	>15.84	14.10
2) Lone parent	215.40	N/A	N/A	N/A	>15.84
With no children					
1) Couple	224.40	6.45	9.15	14.60	15.05
2) Single person	123.40	N/A	N/A	N/A	8.10
65% of median					
With two children aged 2-4 and 8-10					
1) Couple parents	342.75	11.95	12.60	>15.84	14.80
2) Lone parent	233.40	N/A	N/A	N/A	>15.84
With no children					
1) Couple	6.70	9.50	15.20	15.60	>15.84
2) Single person	133.70	N/A	N/A	N/A	8.40
70% of median					
With two children aged 2-4 and 8-10					
1) Couple parents	369.15	12.45	13.25	>15.84	>15.84
2) Lone parent	251.35	N/A	N/A	N/A	>15.84
With no children					
1) Couple	261.80	7.05	9.95	>15.84	>15.84
2) Single person	144.00	N/A	N/A	N/A	8.80

Source: GLA Economics

All figures rounded to nearest 5 pence

Appendix D: Accredited Living Wage employers November 2014

Organisation Name	Sector
11KBW	Private Sector
3i Group	Private Sector
Aberdeen Asset Management PLC	Private Sector
ABTA	Private Sector
Accenture	Private Sector
ACEVO	Third Sector
Action Aid	Third Sector
AD Porta Limited	Private Sector
Advantage Accreditation Limited	Private Sector
Aequitas Consulting	Third Sector
Age UK Camden	Third Sector
Age UK Enfield	Third Sector
Age UK Kensington and Chelsea	Third Sector
Alford House	Third Sector
Allen & Overy LLP	Private Sector
allpay	Private Sector
Altitec Ltd	Private Sector
Ambler Primary School and Children's Centre	Public Sector
Amnesty International (UK)	Third Sector
Amnesty International International Secretariat	Third Sector
Anglo American Services UK Ltd	Private Sector
Anthony Nolan	Third Sector
Aquaterra	Third Sector
Aquila Oasis Housing	Private Sector
Armour Intelligence Ltd	Private Sector
Ascham Homes	Public Sector
Aspire Community Works	Third Sector
Association of Teachers and Lecturers	Third Sector
Attic Removals	Private Sector
Aviva Plc	Private Sector
Bangla Housing Association	Private Sector
Barclays Bank PLC	Private Sector
Barking & Dagenham Council for Voluntary Service	Third Sector
Barnet, Enfield and Haringey Mental Health NHS Trust	Public Sector
Barrow Cadbury Trust	Third Sector
Barts and the Royal London	Public Sector

Bastows Ltd	Private Sector
Bates Wells Braithwaite	Private Sector
BCS (Electrical and Building) Ltd	Private Sector
Bethnal Green Academy	Public Sector
Bilmes Solicitors	Private Sector
Bindmans LLP	Private Sector
Blackfriars Advice Centre	Third Sector
Blackstone Chambers Ltd	Private Sector
Blue Cross	Third Sector
Bootstrap Company Ltd	Third Sector
Bristows LLP	Private Sector
British Bankers' Association (BBA)	Private Sector
British Medical Association	Third Sector
Bromley-by-Bow Centre	Third Sector
Buddy Enterprises Ltd.	Private Sector
Burke Hunter Adams LLP	Private Sector
Burma Campaign UK	Third Sector
Business in the Community	Third Sector
CAFOD	Third Sector
Cambridge House & Talbot	Third Sector
Camfil Ltd	Private Sector
Canary Wharf Group	Private Sector
Cardinal Vaughan Memorial School	Public Sector
Cartias Social Action Network (CSAN)	Third Sector
Casual Films	Private Sector
Catholic Children's Society (Westminster)	Third Sector
Catholic Trust for England and Wales	Third Sector
Catlin Group	Private Sector
CCLA Investment Management	Third Sector
CDF - Community Development Foundation	Third Sector
Cedar Communications Limited	Private Sector
Central Finance Board of the Methodist Church	Third Sector
Central Hall Westminster	Third Sector
Centre for Strategy and Communication Ltd (The Centre)	Training
Charity People	Private Sector
Chartered Society of Physiotherapy	Third Sector
Chatsworth Road Market	Private Sector
Children England	Third Sector
CIFAS	Private Sector
Citizens UK	Third Sector
Claremont Communications	Private Sector
Clear Channel UK	Private Sector
Clifford Chance	Private Sector
Communication Workers Union	Third Sector
Community Action Southwark	Third Sector
Community Links Trust	Third Sector
Community Transport Waltham Forest	Third Sector
Community Union	Third Sector
Compass School Southwark	Public Sector
Contextual Theology Centre	Third Sector

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Contract Security Services Ltd	Private Sector
Council of Lutheran Churches	Third Sector
CPAG	Third Sector
Cripplegate Foundation	Third Sector
Crisis UK	Third Sector
Cromwell Clean Ltd	Private Sector
CTS Cleaning Solutions Ltd	Private Sector
Curzon Central	Private Sector
Dallington School	Public Sector
Dalston Bread and Wine Ltd.	Private Sector
Deloitte	Private Sector
Deptford Reach	Third Sector
Devereux Chambers Services Ltd	Private Sector
Disability Action in Islington	Third Sector
Disk To Print UK Ltd	Private Sector
Dot Dot Dot Property Ltd	Third Sector
Dragados S. A. UK Branch	Private Sector
Dyslexia Action	Third Sector
East London Business Alliance (ELBA)	Third Sector
East London Community Land Trust	Private Sector
East London Liquor Company Ltd	Private Sector
Egress Software Technologies Limited	Private Sector
ELATT	Third Sector
Ellis of Richmond	Private Sector
Enventure	Private Sector
Epigeum Ltd	Private Sector
Ernst & Young LLP	Private Sector
Fabian Society	Third Sector
Fairtrade Foundation	Third Sector
Farrer & Co LLP	Private Sector
Faucet Inn Limited	Private Sector
FDA Union	Third Sector
Fellowes Associates	Private Sector
Finchley Reform Synagogue	Third Sector
Firstco Ltd	Private Sector
Forbes Protect Ltd	Private Sector
FormFormForm Ltd	Private Sector
Forster Communications	Private Sector
Foster & Partners	Private Sector
Friends Life	Private Sector
Futerra Sustainability Communications	Private Sector
G. Baldwin & Co Ltd	Private Sector
G2G Ltd	Private Sector
General Medical Council	Third Sector
Generation Rent	Private Sector
Glasgow Caledonian University	Public Sector
Glencore (UK) Ltd	Private Sector
Global Payments	Private Sector
GMB	Third Sector
Goldman Sachs International	Private Sector

Grafton Primary School	Public Sector
Grant Thornton UK LLP	Private Sector
Great Ormond Street Hospital for Children NHS Foundation Trust	Public Sector
Greater London Authority (GLA)	Public Sector
Green Element Ltd	Private Sector
Green Roots	Third Sector
Greenwich Action for Voluntary Service (GAVS)	Third Sector
Guy Chester Centre	Third Sector
Hackney Brewery Ltd	Private Sector
Hamilton Brown	Private Sector
Hammersmith and Fulham Mind	Public Sector
Hansen Palomares	Private Sector
Hardwicke	Private Sector
Hargrave Park School	Public Sector
Helpful Technology Ltd	Private Sector
Herbert Smith LLP	Private Sector
Hermes Fund Managers	Private Sector
Hogarth Architects	Private Sector
Holman Fenwick Willan LLP	Private Sector
Holy Cross Centre Trust	Third Sector
Homes for Haringey	Public Sector
Hope Worldwide	Third Sector
House of Commons	Central Government
House of Lords	Central Government
HSBC Bank Plc	Private Sector
Humphries Kerstetter LLP	Private Sector
ICAEW	Private Sector
ICAS	Third Sector
iKhofi Ltd	Private Sector
ING Bank	Private Sector
Innisfree Housing Association	Private Sector
Innovision Events Ltd	Private Sector
Insight Public Affairs	Private Sector
Intentionality Community Interest Company	Private Sector
Investment Technology Ltd	Private Sector
IPPR	Third Sector
Islington & Shoreditch Housing Association	Private Sector
Islington CCG	Public Sector
Islington Law Centre	Third Sector
ITV plc	Private Sector
Ivy House Community Pub Limited	Private Sector
J.P. Morgan	Private Sector
Jackson & Jackson Accountants Limited	Private Sector
James Ince & Sons (Umbrellas) Ltd	Private Sector
Jesuit Refugee Centre	Third Sector
John Good Limited	Private Sector
Joiners Arms Shoreditch	Private Sector
Joseph Rowntree Foundation	Third Sector
Jubilee Hall Trust	Third Sector

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Kaffeine Ltd	Private Sector
Kartoffel Films	Private Sector
Kayleigh Plant Hire	Private Sector
Keep Britain Tidy	Third Sector
Kings College London Students' Union	Public Sector
Kingsley Napley LLP	Private Sector
Kingsmith Care Ltd	Private Sector
KPMG	Private Sector
Kudox Limited	Private Sector
Labour Party	Third Sector
LASA	Third Sector
Laycock Primary School	Public Sector
Leap Confronting Conflict	Third Sector
Legal & General	Private Sector
Lewis Silkin	Private Sector
Liberal Judaism	Third Sector
Linklaters Business Services	Private Sector
Live Holidays Ltd	Private Sector
Living Space Project	Third Sector
Lloyd's of London	Private Sector
Local Trust	Public Sector
Locality	Third Sector
London & Partners Ltd	Private Sector
London Borough of Brent	Public Sector
London Borough of Camden	Public Sector
London Borough of Ealing	Public Sector
London Borough of Enfield	Public Sector
London Borough of Hounslow	Public Sector
London Borough of Islington	Public Sector
London Borough of Lambeth	Public Sector
London Borough of Lewisham	Public Sector
London Borough of Southwark	Public Sector
London Borough of Tower Hamlets	Public Sector
London Business School	Public Sector
London Community Foundation	Third Sector
London Diocesan Fund (Diocese of London)	Third Sector
London Fire & Emergency Planning Authority	Public Sector
London First	Private Sector
London Funders	Third Sector
London Housing Trust	Private Sector
London Legacy Development Corporation	Private Sector
London Metropolitan Students' Union	Public Sector
London Metropolitan University	Public Sector
London Mutual Credit Union	Private Sector
London School of Hygiene & Tropical Medicine	Public Sector
London TravelWatch	Third Sector
londonprintstudio	Private Sector
LSE Student Union	Public Sector
Lush (London)	Private Sector
LVSC	Third Sector

Lyndon Goode Architects	Private Sector
Macmillan Cancer Support	Third Sector
Masorti Judaism	Third Sector
Match Solicitors	Private Sector
Matrix Chambers	Private Sector
Maudsley Learning	Public Sector
Mayer Brown International LLP	Private Sector
Mayor's Fund for London	Third Sector
MDS Battery Ltd	Private Sector
Membership Engagement Services	Private Sector
Merton Voluntary Service Council	Third Sector
Middlesex University Students' Union	Public Sector
Mind in Camden	Third Sector
Mishcon de Reya	Private Sector
MOPAC	Public Sector
MSH Health & Wellbeing Community Interest Company	Private Sector
Musicians' Union	Third Sector
MyLondonHome Ltd	Private Sector
Nanny Network	Private Sector
National Audit Office	Public Sector
National Housing Federation	Private Sector
National Literacy Trust	Third Sector
National Portrait Gallery	Third Sector
Nationwide Building Society	Private Sector
NCVO	Third Sector
NEST Corporation	Third Sector
New Economics Foundation	Third Sector
New London Synagogue	Third Sector
New Park Childcare	Private Sector
New Unity	Third Sector
NKD Learning LLP	Private Sector
Nomura	Private Sector
Norton Rose Fulbright LLP	Private Sector
NW Systems Group Limited	Private Sector
O'Donovan Waste Disposal Ltd	Private Sector
Off Centre	Third Sector
Ogilvy & Mather	Private Sector
Oliver Marketing	Private Sector
Olswang	Private Sector
Organise Consulting	Third Sector
Outer Temple Chambers	Private Sector
Oxfam GB	Third Sector
Oxford Scientific Films	Private Sector
Pakeman Primary School	Public Sector
Panacea Software Limited	Private Sector
Parish of Waterloo	Third Sector
Participle	Third Sector
Party Ingredients Catering Services Ltd	Private Sector
Pearson Plc	Private Sector
Penrose Care	Private Sector

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People's Health Trust	Third Sector
Phases Social Enterprise	Third Sector
Plethora Services Ltd	Private Sector
PLMR	Private Sector
Poached Creative	Private Sector
Pooles Park Primary School	Public Sector
Poplar Harca	Private Sector
Positive East	Third Sector
Positive Parenting and Children (Positive Partners Ltd)	Private Sector
Prior Weston School and Children's Centre	Public Sector
Profile Books Ltd	Private Sector
Progarda Security Services Ltd	Private Sector
PwC	Private Sector
QCC Interscan Ltd	Private Sector
Quaker Social Action	Third Sector
Queen Mary University of London	Public Sector
Rare Recruitment Limited	Private Sector
Rathbone Brothers Plc	Private Sector
RCJ Advice Bureau and Islington CAB	Third Sector
Real	Third Sector
Reconstruct	Private Sector
Red Loft LLP	Private Sector
Redemption Brewing	Private Sector
Religious Society of Friends (Quakers in Britain)	Third Sector
Resolution Foundation	Third Sector
Resolution Operations LLP	Private Sector
Resource for London	Third Sector
Rethink Mental Illness	Third Sector
Return Marketing Limited	Private Sector
RGL Forensics	Private Sector
Richard Cloudesley School	Public Sector
Royal Borough of Greenwich	Public Sector
Royal College of Midwives	Public Sector
Royal College of Veterinary Surgeons	Public Sector
RPA	Private Sector
Samuel Rhodes School	Public Sector
Sarasin	Private Sector
SAUL Pension Services	Private Sector
Save the Children	Third Sector
School for Social Entrepreneurs	Third Sector
Schools Offices Services	Private Sector
SCOR	Private Sector
SGW Global	Private Sector
ShareAction	Third Sector
Shared Assets Limited	Third Sector
Skills Enterprise	Third Sector
Skoob Books	Private Sector
Slaughter and May	Private Sector
SOAS Students' Union	Third Sector
Social Enterprise UK	Third Sector

Social Investment Business	Private Sector
Society and College of Radiographers	Third Sector
South London Church Fund & Southwark Diocesan Board of Finance	Third Sector
South London Liberal Synagogue	Third Sector
Southgate Progressive Synagogue	Third Sector
St Andrew by the Wardrobe	Third Sector
St Charles Sixth Form College	Public Sector
St James's Church Piccadilly	Third Sector
St John's Highbury Vale C of E Primary School	Public Sector
St Mary Magdalene Academy	Public Sector
St Mary's University	Public Sector
St Paul's Cathedral	Third Sector
St Stephen's Church, Canonbury	Public Sector
St Thomas of Canterbury	Third Sector
St Ursula's Convent School	Public Sector
Standard Chartered	Private Sector
Stepney City Farm	Third Sector
Strategy & Technology Ltd	Private Sector
SUARTS	Third Sector
Swan Housing Association Limited	Private Sector
Syd Bishop & Sons (Demolition) Ltd	Private Sector
Table Talk and Blue Strawberry	Private Sector
TBP LTD	Private Sector
Techclean Services Limited	Private Sector
The Anslow Partnership Group Limited	Private Sector
The Boston Consulting Group UK LLP	Private Sector
The Boxing Academy	Public Sector
The Building Futures Group	Third Sector
The Campaign Company	Private Sector
The City Academy, Hackney	Public Sector
The College of Podiatry	Public Sector
The Corner Surgery	Public Sector
The Equality Trust	Third Sector
The Financial Conduct Authority	Private Sector
The Five Points Brewing Company Ltd	Private Sector
The Goodwork Organisation	Third Sector
The Green Party	Third Sector
The Honourable Society Of The Inner Temple	Private Sector
The Hurley Group	Public Sector
The Law Society	Private Sector
The London School of Economics and Political Science	Public Sector
The Mediation Business	Private Sector
The New Cross Gate Trust	Third Sector
The Nuffield Foundation	Third Sector
The NUS Group	Third Sector
The Open University	Public Sector
The Pentecostal Credit Union Ltd	Third Sector
The Phone Co-op Limited	Private Sector
The Society of Chiropractors and Podiatrists	Third Sector

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The Truscott Arms	Private Sector
The Young Foundation	Third Sector
Theatre Delicatessen	Private Sector
Timewise Foundation	Third Sector
Tower Hamlets CVS	Third Sector
Tower Hamlets Homes	Private Sector
Toynbee Hall	Third Sector
Transport for London	Transport
Triodos Bank	Private Sector
Trust For London	Third Sector
TUC	Third Sector
Tullow Oil plc	Private Sector
Twist London Ltd	Private Sector
UCL Student Union	Public Sector
UK Community Foundations	Third Sector
UK India Business Council	Private Sector
UNICEF	Third Sector
Unison	Third Sector
Unity Trust Bank	Private Sector
University of East London	Public Sector
University of East London Students' Union	Public Sector
UnLtd*	Third Sector
Urban	Private Sector
Vauxhall One	Private Sector
Vibrance	Third Sector
vInspired	Third Sector
Voluntary Action Islington	Third Sector
Walcot Foundation	Third Sector
Walthamstow and Chingford Almshouse Charity	Third Sector
Wenlake Management Ltd	Private Sector
West End in Schools / Blue Box Entertainment Limited	Private Sector
West London Mission	Third Sector
Westminster Advisers	Private Sector
White & Case LLP	Private Sector
Widehorizons Outdoor Education Trust	Third Sector
Wild Card Brewery	Private Sector
Wilson Solicitors LLP	Private Sector
Winton Primary School	Public Sector
Wixted & Co	Private Sector
Woodford Liberal Synagogue	Third Sector
Working Families	Third Sector
Working With Men	Third Sector
Xanta Limited	Private Sector
Yerbury Primary School	Public Sector
Yogamatters	Private Sector

Abbreviations and endnotes

Abbreviations

APS	Annual Population Survey
ASHE	Annual Survey of Hours and Earnings
CIPFA	Chartered Institute of Public Finance and Accountancy
CPI	Consumer Price Index
DCLG	Department for Communities and Local Government
DWP	Department for Work and Pensions
FBU	Family Budget Unit
GLA	Greater London Authority
LCA	Low Cost but Acceptable
LFS	Labour Force Survey
LLW	London Living Wage
NES	New Earnings Survey
ONS	Office for National Statistics
RPI	Retail Price Index

Endnotes

- 1 The Living Wage is defined by the Family Budget Unit as, “a wage that achieves an adequate level of warmth and shelter, a healthy palatable diet, social integration and avoidance of chronic stress for earners and their dependents”.
- 2 Although child benefit is now a means-tested benefit the earnings threshold at which this kicks in is significantly above the earnings for all households in our analysis. As a result, we continue to treat child benefit as a universal benefit for the purposes of this document.
- 3 The LCA budget standard was produced following work in 1997/98 by the FBU, then based in the Department of Nutrition and Dietetics at King’s College London. The funding for the work was provided by the Zacchaeus 2000 Trust. The work was based on two model families – a two adult household with two children aged ten and four and a one adult household with two children aged ten and four. The first study was carried out in York with later studies being carried out in East London, Swansea and Brighton.
- 4 For a discussion of the minimum wage and its determinants see, for example, the Low Pay Commission (1998) ‘The National Minimum Wage: First Report of the Low Pay Commission’, p15. (<http://www.berr.gov.uk/files/file37987.pdf>)
- 5 Parker, H. (1998), Low Cost but Acceptable. A minimum income standard for the UK: Families with young children, London: Zacchaeus Trust. More details on this are provided in the first Living Wage report published in April 2005 by GLA Economics Living Wage Unit.

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- 6 For single persons without children, working part-time is not considered for the purposes of estimating the living wage. This is because people in this situation could work full-time to supplement their income. For the same reason couples with and without children where only one person works, and that person works part-time, are not considered.
- 7 Wingfield, D., Fenwick, D. and Smith, K. (2005), 'Relative Regional Consumer Price Levels in 2004', Economic Trends 615. London: Office for National Statistics (ONS). www.statistics.gov.uk/articles/economic_trends/ET615Wingfield.pdf
- 8 For an explanation of the methodology used to calculate entitlement to these benefits and tax credits, see the 2005 Living Wage report. Appendices B and C provide more information on the various tax credits and benefits and how they fit into these calculations.
- 9 Based on the Low Pay Commission's recommendations published in March 2014, the NMW (adult rate) for workers aged 21 years and older was increased to £6.50 from October 2014. The youth rate, for workers aged between 18 and 20 years, is £5.13, the under 18 rate is £3.79 and the apprentice rate is £2.73. The apprentice rate is for apprentices under 19 or those in their first year. Apprentices aged 19 or over and past their first year receive the rate that applies to their age.
- 10 This follows the assumptions used in the initial Family Budget Unit (FBU) work.
- 11 See <https://www.gov.uk/government/statistics/households-below-average-income-hbai-199495-to-201213>
- 12 See Chapter 2 of Households Below Average Income, available here https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/325416/households-below-average-income-1994-1995-2012-2013.pdf
- 13 It should be noted that this measure does not take into account childcare costs.
- 14 Details of this process (called 'equivalisation'), and the Income Distribution approach more generally are discussed in Appendix E of the 2005 Living Wage report.
- 15 To recap: The Living Wage equals 1.15 times the Poverty Threshold Wage. In turn the Poverty Threshold wage is an average of two calculations.
- 16 The NMW was introduced in April 1999, and was set at the "deliberately cautious level of £3.60 an hour" – see National Minimum Wage, Low Pay Commission Report 2007
- 17 ONS - whole economy, seasonally adjusted (excluding bonuses and arrears) (K54L)
- 18 Trust for London and Queen Mary University, October 2012, 'Costs and benefits of the London Living Wage', <http://www.geog.qmul.ac.uk/livingwage/pdf/Livingwagecostsandbenefits.pdf>
- 19 Living Wage Foundation, <http://www.livingwage.org.uk/what-are-benefits-accreditation>
- 20 Living Wage Foundation, <http://www.livingwage.org.uk/what-are-benefits-accreditation>
- 21 Households Below Average Income, 1994/5-2012/13, DWP
- 22 Households Below Average Income, 1994/5-2012/13, DWP

- 23 Low Pay in London (2014) <http://www.london.gov.uk/sites/default/files/wp59-low-pay-in-london.pdf>; the definition of 'low pay' used in this paper was "hourly pay excluding overtime below the 20th percentile point in the pay distribution for all London employees".
- 24 <http://www.ons.gov.uk/ons/about-ons/business-transparency/freedom-of-information/what-can-i-request/published-ad-hoc-data/labour/january-2014/employee-jobs-in-london-2005-12-by-permanence-of-contract-and-low-pay-status.xls>
- 25 <http://www.ons.gov.uk/ons/about-ons/business-transparency/freedom-of-information/what-can-i-request/data-available-on-request/labour-market/january-2014/index.html>
- 26 Low Pay in London (2014) op cit.
- 27 Estimates from the Living Wage Foundation
- 28 The weighted mean takes into account the different number of (three-bedroom) council houses in each borough, and weights the average by this number. The unweighted mean is a simple average of all boroughs for which data is available.
- 29 As with the 2013 report, categories of housing thought to be available to couples without children include one bedroom houses and cottages.
- 30 Based on Valuation Office Agency data.
- 31 Unfortunately, this data does not allow for a differentiation of households based on the working patterns of each adult member. As a result, within each household composition type, the corresponding number of housing benefit caseloads for that household composition type has been allocated equally across the different working patterns e.g. the number of working lone parent households receiving housing benefit in a given borough is split equally across lone parents working full-time and lone parents working part-time.

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