MAYOR OF LONDON

Stephen Knight AM
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Dear Stephen

Fair Pay: Making the London Living Wage the norm – February 2014

Thank you for your letter of 14 February.

I would first like to thank the Economy Committee for its work to investigate the extent and drivers of low pay in London, its impact on the city's economic success and what actions we can take to further address the issue. Please extend my thanks also to all those who provided testimony to the Committee during the course of the investigation.

I have read the Committee's report with interest. I commend its thoroughness, and the valuable contribution it makes to the debate and policy responses to this issue of critical importance to London's ongoing economic competitiveness.

I will respond to each of the report's recommendations pertaining to the Office of the Mayor in turn:

Recommendation 1 – The Mayor should set out his support for those London boroughs seeking to pilot partial devolution of minimum wage enforcement powers. If these pilots prove to increase effectiveness of minimum wage enforcement in London, the Mayor should then call on government to partially devolve minimum wage enforcement to London boroughs (with HMRC retaining a central function).

I am not planning to advocate the devolution of minimum wage enforcement powers to London boroughs. I am aware of work in boroughs such as Newham to campaign for this, but any formal devolution of such powers is a matter for HMRC and the London boroughs. I support measures to ensure that businesses comply with their statutory duties to pay their employees at least the minimum wage, but my key focus is to promote the benefits to businesses in London of committing to paying the London Living Wage rate.

Recommendation 2 – The Mayor should ensure the Metropolitan Police Service adheres to the commitment to become fully Living Wage compliant by January 2016.

Kit Malthouse AM, in his capacity as Chairman of London & Partners should ensure London & Partners becomes an accredited Living Wage employer by November 2014

London & Partners are currently working with the Living Wage Foundation to finalise their accreditation. I expect this process to be complete by November 2014.

MOPAC is accredited with the Living Wage Foundation and this agreement covers the Metropolitan Police Service. MPS are currently undergoing phased implementation of the Living Wage. This means all staff directly employed by MPS receive the Living Wage and they are rolling it out across contracts as they come up for renewal. Over 600 contracted staff already receive the Living Wage through MPS contracts. 87% of contracts will be renewed in the next 2 years and MPS expects all contracts to be fully compliant with the Living Wage by January 2016. I will do all I can to enable the MPS to achieve this objective.

Recommendation 3 - The Mayor should write a joint letter with the Assembly to all unaccredited London boroughs, Whitehall departments and other public sector bodies. The letter should set out the case for becoming Living Wage employers and ask for a response setting out organisations' assessment of the feasibility of adopting the Living Wage for both directly-employed and contracted staff. Responses to these letters should be tracked and proactively followed up.

The Mayor should propose an item covering London borough adoption of the Living Wage for the agenda of a meeting of the Congress of Leaders (the joint meeting between the Mayor and borough leaders). This discussion would aim to examine the opportunities for further expansion of the Living Wage.

I am currently working closely with the Living Wage Foundation to determine actions for the coming year, including writing to leaders across the private, public and third sectors. The Foundation will play a key role in identifying target organisations and I expect London boroughs will be included in this. It is clear that more London boroughs could commit to paying the London Living Wage, though we have made great strides in securing the accreditation of 10 London boroughs already, with several others in progress or confirmed as paying the Living Wage to their direct employees. I also appreciate that many boroughs have complex sub-contractor arrangements which can lengthen the accreditation process. I have raised the Living Wage in my meetings with London Councils and will raise this issue again with leaders following this year's local elections.

Recommendation 5 (there wasn't a number 4 in your note) - The Mayor should target 30 catering and hospitality employers in 2014 alongside 30 high street retailers. The Mayor should report in both November 2014 and November 2015 on instances where this contact has contributed to Living Wage accreditation.

The Mayor and the Living Wage Foundation should jointly develop a cohort of 20 employer champions across low-pay sectors. These champions would advocate the Living Wage to their respective sectors.

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I agree that catering and hospitality sectors are a key priority in increasing the reach and impact of the London Living Wage. The work plan I am devising in partnership with the Living Wage Foundation will focus business engagement on the retail and hospitality sectors, primarily through letter-writing for business leaders, which the Foundation has assured me has proven a successful method to open doors with businesses. The progress of this work in increasing the number of accredited Living Wage employers will be closely monitored.

The successful expansion of Living Wage accreditation in the last 18 months has owed much to the leading example of businesses in sectors such as finance, law and the charity sector. With the Living Wage Foundation, I am reviewing possible opportunities for businesses to champion the Living Wage in their sectors.

Recommendation 6 - The Mayor should continue to make the case for a Living Wage procurement standard, particularly to senior politicians and officers in London boroughs and Whitehall departments. The Mayor should particularly emphasise the positive impact that Living Wage procurement would have on social care workers across the capital.

I accept the report's suggestion that ensuring that the Living Wage is paid throughout supply chains and that the campaign is ingrained in procurement policies has great potential to normalise the Living Wage in London. As you acknowledge, the GLA Group is leading by example in this area in its contracting processes. The social care sector is one of many where the continued expansion of the Living Wage can make a real difference to employees. I will continue to make the case and procurement standards will remain an issue for discussion when encouraging businesses to become Living Wage employers.

Recommendation 7 - The Mayor should use his dialogue with institutional investors to advocate adoption of Living Wage standards, particularly when investors have a high proportion of London-based beneficiaries and/or London-particular assets.

The Mayor should highlight the benefits of responsible investment in London as he promotes the London economy to potential investors.

The Mayor should be ready to support the Responsible Investment for London (RI4L) network, particularly where the network is promoting the Living Wage to investors.

I agree that investment for profit and Living Wage standards can be compatible goals and will raise this at appropriate forums with institutional investors. Shareholders are of course an important voice in directing the interests and priorities of their businesses and I welcome the work of ShareAction to encourage shareholder advocacy on the Living Wage and also to establish a Responsible Investment for London (RI4L) network. The prioritisation of the Living Wage by the RI4L network and other organisations at the national level such as the National Employment Saving Trust is testament to the growing recognition of the Living Wage campaign and its increased importance to London's economy.

Recommendation 8 - The Mayor should then set out his position on the role of TfL and LLDC in promoting the Living Wage to tenants in the Fairer London 2014 report (due to be published in November 2014) and then promote similar approaches to other commercial landlords.

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I will consider the inclusion of this in the Fairer London 2014 report. The principal role of the report is to outline the methodology for calculating the rate, the current list of Living Wage employers and work underway to expand this number. Commercial landlords can have a pivotal role to play to promote the Living Wage to their tenants. We have seen the benefits of clustering in many sectors of London's economy and I continue to support efforts to establish Living Wage Zones in business districts in London.

Recommendation 9 and 10 - The Mayor and London Enterprise Panel should record and publish information on the proportion of individuals progressing into London Living Wage jobs as an outcome for relevant European Social Fund (ESF) and Growing Places Fund funding, as well as apprenticeships.

The Mayor and London Enterprise Panel should share details of their plans to increase the number of part-time jobs in London paying at least the London Living Wage. This work could include targeted work in inner London.

The London Enterprise Panel's Jobs and Growth Plan was published in May 2013 and included career progression as one of its key priorities for future public investment. The subsequently published European Structural and Investment Funds Strategy sets out the LEP's support for European Social Fund (ESF) investment in helping those with low level or no qualifications, the low paid and those earning less than the London Living Wage, those in part time work to progress into full time and/ or better paid work and off benefits.

Work is underway by the London Enterprise Panel to develop the 2014-2020 ESF programme including setting suitable and measurable output and outcomes. The LEP will consider the measure for progression of individuals in low paid jobs into better paid work as part of this process. The Skills Funding Agency is responsible for the commissioning and delivery of Apprenticeships and does not capture information on the pay of apprentices.

Yours ever,

Boris Johnson
Mayor of London