Subject: London Weighting Advisory Panel Report – London Weighting

Report Number: 5

Date: 18 September 2002

Report to: London Assembly

Report of: Executive Director of Secretariat

1. Summary

1.1 This report details the main conclusions and recommendations of the London Weighting report and outlines suggested follow-up work. A copy of the Executive summary is appended to this report.

2. Background

2.1 The report on London Weighting was published in July 2002. It was researched and written by an independent panel of experts, commissioned by the Assembly to carry out a review of London Weighting. The need for review, the first since 1974, was highlighted in the Assembly’s report on affordable housing for key public sector workers, published in February 2001.

2.2 On 10 July 2002, the Assembly agreed to refer the report to the Economic and Social Development Committee for further consideration and monitoring of any follow up work undertaken.

3. London Weighting Report

3.2 The Assembly gave the Panel freedom to consider all matters it thought relevant to the London Weighing issue and identified actions that it might usefully undertake. The Panel undertook three main areas of research. It commissioned a review of the history and development of London Weighting, examined current employer practices and explored methods of identifying an appropriate premium. Research on identifying the London Premium was completed by the University of Warwick Institute for Employment Research (IER).

3.3 The Panel’s core recommendation is that London Premium in the public sector should be set by comparison with pay in the private sector, using the techniques set out in the IER report. The Panel recommended that the all occupations’ figure presented in the analysis, should be the norm for calculating London Weighting, but acknowledged that there are differences between occupations, which will give scope for negotiations. The Panel also recommended that the studies commissioned, on London Premium and the cost of living in London, should be repeated and published on an annual basis.

3.4 An enquiry into the methodology and approach used by IER to identify the Premium was recently received. It suggests the use of alternative controls which could result in a reduction in the premium figures recorded by the IER, of approximately one third. The use of these alternative controls may be taken into consideration in any future updating undertaken of the London Premium.
**Recommendation**
That the use of alternative controls be taken into consideration in any future updating undertaken of the London Premium.

### 4. Follow up work to the London Weighting Report

4.1 The report marks an important step forward in the debate on London Weighting, and it is important at this crucial stage, to maintain continuity and consistency in any proposed follow up work.

4.2 Meg Hillier, Labour group Assembly member and Chair of the Affordable Housing Investigative Committee provided support, advice and assistance to the Panel throughout the enquiry, and she is willing to continue in this capacity for any future work undertaken.

4.3 On 4 September, a report of the Executive Director of Secretariat presented to the Business Management and Appointments Committee (BMAC) proposed that Meg Hillier take the lead in facilitating follow up work to the London Weighting report. The proposal was accepted. The outcome of any follow up work may be reported back to the Economic and Social Development Committee at regular intervals.

**Recommendation**
That the Committee notes the proposal that Meg Hillier take the lead in facilitating follow up work to the London Weighting report and BMAC’s agreement to that proposal.

4.4 The report to BMAC notes the resolution made at Assembly plenary on 10 July 2002, that the Assembly work with local and other public authorities in London and the ALG to lobby government for any additional funding that will be required to implement the Panel’s recommendations. In accordance with this resolution, it is proposed that further discussions of the report’s conclusions, and in particular how best to lobby Government for additional funding, are undertaken with employers and trade unions.

**Recommendation**
That the Committee notes the proposal to undertake further discussions with employers and trade unions, as an initial step in follow up work to the London Weighting report.

### 5. Financial Implications

5.1 The recommendations of the London Weighting report may have direct financial implications for the GLA in terms of future salaries and any changes will have to be considered as part of the budget process for 2003/04 or later years.

5.2 The work required to facilitate discussions with employers and trade unions, and any further follow up work will be accommodated from within existing budgets.
6. **Strategy Implications**
6.1 This report has relevance to the Economic and Development Strategy and to the Assembly’s consideration of the cross-cutting theme of the promotion of opportunity.

7. **Legal Implications**
7.1 There are no relevant legal implications that require reporting.

8. **Recommendations**
8.1 That the Committee:

(a) Note the suggestion that the use of alternative controls be taken into consideration in any future updating undertaken of the London Premium.

(b) That the Committee notes the proposal that Meg Hillier take the lead in facilitating follow up work to the London Weighting report and Business Management and Appointment Committee’s agreement to that proposal.

(c) That the Committee notes the proposal to undertake further discussions with employers and trade unions, as an initial step in follow up work to the London Weighting report.

Background documents:

Report of the Executive Director to the Business Management and Appointments Committee, 4 September 2002
Minutes of Assembly plenary, 10 July 2002
The London Weighting Report

**Contact Officer:** Carmen Jack
020 7983 6542
Chair’s Foreword

‘When a man is tired of London,’ said Dr. Johnson, ‘he is tired of life’.

London is a world-class city and it needs world-class services. Many of the workers who provide these services are thinking of leaving London because they cannot afford it - but most are not tired of London, or of life, and would stay if they could.

We have tried to find a fair method of paying London’s public sector workers the extra they need to work in the capital. All would agree that, if we are to have a public sector in this country, we should pay our employees fairly. The disagreement comes in deciding what is fair.

We propose that London Weighting in the public sector should be calculated by comparison with the private sector. Whether you work in a bank or as a nurse, you occupy the same seat on the tube and have the same need for a roof over your head so it is fair that, in either sector, your London Weighting should bear a similar proportion to your pay.

We believe that implementation of our proposals would help to keep London’s vital public services running efficiently.

My thanks are due first to our Panel, Francesca Okosi – Vice Chair, John Chastney, Professor Robert Elliott, Chris Humphreys and Denise Milani, who all brought skill and thought to our discussions and gave freely of their time. Geoffrey Roberts, our adviser, gave us the benefit of his long experience and was of great help to me. I would also like to thank the consultants who performed their tasks efficiently and well: the Employers’ Organisation for local government, Incomes Data Services, University of Warwick Institute for Employment Research and National Economic Research Associates.

My thanks are also due to the London Assembly staff, particularly Danny Myers and Lisa-Jane Paul, and above all to our scrutiny manager, Carmen Jack, whose grace and diligence lightened our burden.
The London Weighting Advisory Panel

The London Weighting Advisory Panel was established by the London Assembly on 12 September 2001 with the following membership:

Bill Knight – Chair
Francesca Okosi – Vice Chair
John Chastney
Professor Robert Elliott
Chris Humphreys
Denise Milani

The Assembly also approved the appointment of Geoffrey Roberts, as External Adviser to the Panel.

Meg Hillier, Labour Assembly member and Chair of the Affordable Housing Investigative Committee was noted as the Assembly link to provide support, advice and assistance as required.

The Panel’s terms of reference are set out in Appendix 2.

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Danny Myers, Committee Administrator, Tel: 0207 983 4950
Summary

We are an independent panel, appointed by the London Assembly to review London Weighting.

London Weighting is an allowance paid to those who work in London in the public sector. Traditionally its purpose has been to compensate London workers for the additional costs of working in the capital. In the private sector, London employees are, as a rule, paid more than their counterparts elsewhere in the country but this extra pay may or may not be called London Weighting. We use the expression ‘London Premium’ to describe this extra pay for Londoners in the private and public sectors, however it may be identified.

Our review comes at a time of increasing concern that the high cost of working in London, and in particular the high cost of housing, makes it difficult to staff essential services, because people cannot afford to live within a reasonable distance of their work.

London Weighting was last reviewed by the Pay Board in 1974. That Board recommended a flat rate allowance, distinguishing between Inner and Outer London, but otherwise payable on a uniform basis across the public sector, calculated on an after-tax basis. London Weighting was calculated by working out the increased costs of living and working in the capital. We call this ‘direct cost compensation’.

Our report is about London Weighting, but the evidence we received showed that there is also much to be done on affordable housing, travel costs and the problems of the lower paid. We hope that others will take these issues forward urgently.

Our main findings and recommendations are:

- There are increasing difficulties in the recruitment and retention of public sector workers in London.
- Pay levels recognising the additional expense of working in the capital would help to solve those problems.
- Pay setting in the public sector has become more decentralised and London Weighting is no longer paid on a consistent basis. Some uniformed members of the Metropolitan Police Service, for example, receive double the London Weighting for teachers, and in some branches of the Civil Service the allowance has been frozen for some years or absorbed into basic pay.
- Direct cost compensation has not stood the test of time. It is complex and arbitrary in calculation, and does not take account of all the advantages and disadvantages of living and working in London. Moreover it attempts to compensate for the additional costs of those who live in London, while London Weighting is paid to those who work in London.
- Improvements in the availability of data and in information technology enable us to approach the problem in a new way. In the private sector, negotiation and
pay-setting at local level produces the premium which is needed to keep employees of the right quality in their jobs. This tells us what London Premium ought to be. So we looked at pay levels in the private and the public sectors and we asked the University of Warwick Institute for Employment Research to calculate the London Premiums paid to those who work in London. Here is a summary:

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<th>Public Sector</th>
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Source: National Statistics/University of Warwick Institute for Employment Research

- We recommend that London Weighting in the public sector should be set by private sector comparison, and the appropriate percentage of the total pay-bill in each occupation be made available for London Weighting. In the case of some occupations this would mean a significant increase.

- We would expect employers to argue that the City of London should be excluded from the calculations. As one of the world’s leading capital markets it is a workplace like very few others. Salaries there are driven by world competition and there is very little public sector employment.

- Employers and employees in each occupation will have their preferred method of dividing the amount available for London Weighting. The traditional method is by flat rate payment, which benefits the lower paid, where it has the greatest impact. This has advantages for social justice and for the employer faced with high turnover in the lowest paid jobs. We heard evidence however that senior staff, vital to the running of London’s public services, are leaving London and recommend that increased payments of London Weighting at other levels should be made, to help equalise earnings inside and outside London. So overall, we would look at flat rate payments, percentage payments, and a combination of the two.

- We recommend that employers and employees should agree their own definitions of Inner and Outer London for London Weighting purposes. The Metropolitan Police Service, for example, makes no distinction between the two zones.

- We recommend that London Premium, calculated on the private sector comparison basis, should be paid to all those working in London in the public sector. We do not believe that ‘key workers’ should be singled out, because we think that all workers are ‘key’ if there is a need for their services.
• When using private sector comparison there is scope for negotiation of different rates depending on occupation. Details are given in our report.

• Our recommendations are also relevant to employment in the recently privatised industries, where pay is administered nationally rather than set by local negotiation.

• Private sector comparison involves comparison of wages before tax, so our recommendations are not tax-free.

• We recommend that the private sector comparison studies should be repeated annually and published.

• Our report should be considered in context. It is not only pay which can attract and retain staff in London. Our report gives information about other benefits which employers offer. Because of the high cost of travel, free travel is particularly attractive.

• We do not pretend that our recommendations will solve the problems of the first-time homebuyer. The London Assembly report on Affordable Housing made it clear that other measures, increasing the supply of housing in London, are required for that.

• Neither do we pretend that our recommendations will solve the problems of the low paid – London Weighting is only a component of pay, and the poorest do not receive it. Nevertheless, increased levels of London Weighting will assist London’s resident population, who often do the lowest paid jobs.

We emphasise that our report is about relative differences in pay inside and outside London. It is not about comparing total pay package levels in the private and public sectors. If we were to do that, other factors such as job security and job satisfaction would have to be taken into account.

We fully appreciate that our proposals represent significant increases in London allowances in some occupations and they can be opposed on the grounds of cost. But, like the Pay Board in 1974, we are trying to ensure comparability of real earnings for working in London and elsewhere. Money spent on implementing our proposals will do no more than that. London will, in the end, get the workforce of the quality it pays for.

We believe that calculating the London Premium for the public sector by private sector comparison is understandable and fair, and we think that, if we are to have a public sector in this country, we should pay our employees fairly.

We have no power to enforce our recommendations. Our ambition is to produce a report which will assist those who negotiate pay in London. Our report contains a great deal of information which should do that.

We heard evidence that fair pay will play an important part in keeping London’s workers in their jobs, where we need them to be. We hope that our report will help.
Key Issues

i. This section of our report summarises the key issues surrounding London Weighting. For convenience, what we say elsewhere in our report is summarised here.

ii. There are three essential questions about London Weighting — ‘why?’ ‘how much?’ and ‘who gets it?’. Traditionally, the answer to the first question has informed the answer to the other two.

Reasons for London Weighting

iii. The two reasons usually given for London Weighting – cost compensation and worker retention – are not alternatives but inextricably linked. People will take up jobs, and stay in them, when they believe they are being adequately rewarded.

iv. Public sector workers look to their employers to pay London Weighting to ensure that their reward is comparable to those in the same occupation elsewhere. We believe that, properly calculated, London Weighting will contribute to the solution of recruitment and retention problems in London. But to be effective London Weighting must be calculated on a fair and transparent basis and applied consistently to all public sector workers; not just to those groups who can count on media interest, public sympathy or temporary strategic importance.

v. It has been clear for many years and it is obvious to us from all the evidence we have received that it is necessary to pay a London allowance to attract and retain workers in London. So for us the key question is not ‘why?’ but ‘how much?’.

Problems with direct cost compensation

vi. As we explain in Chapter 4, the calculation of a direct cost compensation allowance involves establishing how much goods and services cost in London, compared with the rest of the United Kingdom. If you then find out what people who work in London and elsewhere spend their money on it is thought to be possible to arrive at a sum of money which, if paid to the Londoner, equalises the differential.

vii. The first problem with direct cost compensation as a method of working out ‘how much’… is that it attempts to compensate for the additional costs of those who live in London, while London Weighting is paid to those who work here. Of course, people need to live within a reasonable distance of their work, and this applies particularly to the lower paid, so many of those who work in London also live in London. Nevertheless, whether or not you get London Weighting is decided by where you work, not where you live.

viii. Also, we should not forget that London has many advantages. Discussion of London Weighting, with its talk of high prices and ‘wear and tear’ dwells
on the disadvantages of our city. But London is a wonderful place, and many people are happy to live and work here for all the advantages that the capital brings. Direct cost compensation does not take this into account; neither does it take into account the fact that the availability of amenities may alter the pattern of expenditure. Londoners may spend more on entertainment and education because these things are readily available in the capital, and very attractive. As the economists would say, it is extremely difficult to separate avoidable costs from unavoidable costs.

ix. In short, it is not possible to sum up all the advantages and disadvantages of the capital in money terms by direct cost compensation. Any attempt to do so will be complex and arbitrary in calculation and will be unlikely to be technically robust or reliable.

Our approach

x. We do not approach the problem from the point of view of an employer wishing to set appropriate pay levels for its staff – we are not employers and it is the employers themselves who need to set pay levels in order to recruit and retain the staff they require. Our aim is to help that process by suggesting principles for London Weighting which can be seen to be fair and command support.

xi. Having accepted the need to pay London Weighting but acknowledged the problems with the Pay Board’s approach, which has not stood the test of time, we are left looking for something to put in its place. We have been asked why we need a new approach – why not leave the situation as it is, with London allowances resolved by individual decision and negotiation?

xii. In truth, that is what we are doing. We have no power to impose our ideas; our work will have value if we are able to help the existing processes. A rational basis for assessing a London Premium should help to resolve anomalies and reduce discontent. It will not solve the problems of the low paid, as it is only a component of pay, neither will it cure all recruitment or retention problems, or solve the challenges facing the first-time house buyer, but it might help to answer the question of how the extra pay is calculated, in so doing provide employers with a reasoned method of calculating London Weighting and go some way to convince employees in London and elsewhere that it has been fairly assessed.

Our core proposal

xiii. Our core proposal is that London Weighting in the public sector should be set by comparison with London Premium in the private sector – not as the same amount, but as a comparable proportion of pay. We call this ‘private sector comparison’. Advances in the availability of data and in information technology enable us to do this using sophisticated modern techniques.

xiv. Our principal concern is with the public sector, as the private sector is free to set pay according to market forces. Private sector employers will set pay to achieve the maximum levels of profit that they can, consistent with attracting and retaining the workforce necessary to produce the products or
services which they sell. In other words they will pay the amounts needed to keep employees of the right quality in their jobs. Being free to act as they wish, they can respond quickly to changes in circumstances.

xv. Market forces are not allowed free play in the public sector, where employers are not constrained to make a profit, nor are they able to move as quickly or as flexibly. Political considerations, such as the desirable level of taxation, play their part and questions of whether or not an employer can ‘afford’ to pay at any particular level are resolved by political will and the perceived need for the service being provided in the locality rather than the necessity of making a profit.

xvi. We accept that private and public sector employees will be paid at different rates, and indeed that pay rates will differ within each sector, often significantly, but if, as we believe, the private sector sets the London Premium by market forces the question which we ask is ‘Why should the proportionate London Premium be any different in the public sector?’.

xvii. We should make it clear that we are not adopting this approach in order to make the public sector competitive with the private sector for the same workforce. Many other factors come into play in that context including job satisfaction, job security and total pay benefits. We are suggesting this approach because the London Premium meets a common human need. All would agree that we should pay workers in the public sector fairly – the disagreement comes in deciding what is fair. We believe that it is fair to pay London Premium in the public sector in the same proportion paid in the private sector.

xviii. Private sector comparison, based as it is on the actual pay necessary to recruit the workforce, takes into account all the factors which affect pay, including the advantages of living in London.

xix. In the end, of course, setting the London Premium in this way is a form of cost compensation, but not a direct one. The fundamental reason driving the London Premium in both the private and the public sector is the additional cost of living and working in London. Whether you work in a bank or as a nurse, you occupy the same seat on the tube and have the same need for a roof over your head. But the great advantage of getting away from the attempt to derive a direct relationship between cost and pay is that the sums are done for us by the market rather than by some methodology which, however complex, cannot reliably return the correct answer.

How much?

xx. We commissioned the Institute for Employment Research at the University of Warwick to investigate the London Premium in the private and public sectors and to compare the two. Their report is summarised in Chapter 5 and set out in full in Appendix 7.

xxi. As might be expected, the results show a complex position. There are two available data sets appropriate for our study, the New Earnings Survey and
the Labour Force Survey. The common theme in the Institute’s findings is that differentials in the private sector are greater than those in the public sector except, according to the New Earnings Survey, in Outer London. Here is a summary table, drawn from the New Earnings Survey:

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Source: National Statistics/University of Warwick Institute for Employment Research

Public sector figures from the Labour Force Survey are similar, but there are differences in the private sector differentials derived from that data set, which are greater than the corresponding public sector differentials in all areas.

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<td><strong>Inner London</strong></td>
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Average standardised spatial wage differentials from Labour Force Survey for 1998/00 rounded to the nearest percentage.

Source: National Statistics/University of Warwick Institute for Employment Research

We would expect employers to argue that the City of London should be excluded from the calculations. As one of the world’s leading capital markets it is a workplace like very few others. Salaries there are driven by world competition and there is very little public sector employment. It is not possible to exclude the City of London from the Labour Force Survey data, because sufficient geographical detail is not available, but the New Earnings Survey figures are shown including and excluding the City.

Each occupation can apply the results of the research to their individual circumstances. The figures we have given above are the ‘all occupations’ figures which we think should be the norm but, as our report shows, there are differences between occupations, and this will give scope for negotiation. There is also some difference between those of varying grades of educational attainment but, given the entry and promotion requirements of most occupations where qualifications are needed, we expect that any
differences based on occupation will include differentiation based on educational attainment.

xxv. The report by the Institute for Employment Research in Appendix 7, contains a commentary on the differences between the Labour Force Survey and the New Earnings Survey. Part-time workers and the low paid are under-represented in the New Earnings Survey, which otherwise provides larger samples.

xxvi. We recommend that the appropriate percentage of the total pay-bill for each occupation should be made available for London Weighting. There is clearly scope for discussion as to what this might be, but within limited boundaries.

Who gets it?

xxvii. Our Panel does not believe in distinguishing some workers in the public sector from others on the grounds that they are ‘key’. Every worker is ‘key’ if you need the service that he or she provides. Supply and demand for workers fluctuates from time to time and from place to place, and just because there is a shortage of a type of worker at a particular time does not make that worker ‘key’ - rather it reveals the importance of that worker, which existed when there was no shortage.

xxviii. We take the view that London Premium, calculated on the private sector comparison basis, should be paid to all those who work in London in the public sector because fairness demands it. If we are to have a public sector, then we should pay those who work in it fairly. There will be differences of opinion over what is fair, but for the reasons which we set out above, we have come to the conclusion that it is fair to pay London Premium in this way.

Dividing it up

xxix. There will be differences of opinion as to how the available amount should be divided, and we believe that this should be negotiated between employers and employees in each occupation. We acknowledge that there will be difficulties in the definition of ‘occupation’ for these purposes, but we doubt that they are insurmountable.

xxx. The traditional method is by flat rate payment, which benefits the lower paid, on whom it has the greatest impact. This has advantages for social justice and for the employer faced with high turnover in the lowest paid jobs. It will also benefit London’s resident population, who often do the lowest paid jobs.

xxxi. We heard evidence however that senior staff, vital to the running of London’s public services, are leaving London and we recommend that increased payments of London Weighting at senior levels should be made, to help equalise earnings inside and outside London. So overall, we would
look at flat rate payments, percentage payments, and a combination of the two. No employee should be worse off than he or she is at present.

xxxii. We heard evidence to the effect that the differentiation between Inner and Outer London is becoming increasingly blurred, but the figures show that, in pay terms at least, the distinction remains clear. This apparent clarity masks a huge variety of personal circumstances. We recommend that employers and employees should agree their own definitions of Inner London and Outer London for these purposes according to their individual circumstances. The Metropolitan Police Service, for example makes no distinction between the two zones.

xxxiii. All this should be read subject to the caveat that London Premium is not necessarily the same as London Weighting, and in any particular case it is necessary to understand whether the employee is receiving amounts which fall under the heading of London Premium even though they may not be labelled as London Weighting. Obvious examples are recruitment and retention allowances or extra pay resulting from broad-banded pay scales.

xxxiv. We do not wish to be prescriptive, but it may be helpful to summarise how the calculation could be made for each occupation.

(a) Select the percentage rate applicable for the area. Using the ‘all occupations’ rate will give 36-37% for Inner London (33% if the City is excluded) and 11–15% for Outer London.

(b) Apply the percentage rate to the total pay-bill for the employees in that area (excluding existing London Premium). Our figures follow the statistical definitions of Inner and Outer London, and others may be chosen.

(c) Divide the result among the employees according to the agreed method – flat rate, percentage payment or a combination of the two – but no employee should get less London Premium than he or she receives at present.

Other issues

xxxv. We do not pretend that our recommendations will solve the problems of the first-time homebuyer. The London Assembly report on Affordable Housing made it clear that other measures, increasing the supply of housing in London, are required for that.

xxxvi. Our report is largely confined to questions of money and we do not compare benefits in the public and private sectors. We appreciate that employers have a wide variety of measures available to make working in London more attractive. Our survey shows that some employers give benefits in kind to compensate for the additional costs of living in the capital, and we are confident that they are appreciated. We are mindful, however, of the point that benefits such as this tend to alter behaviour and we think it is best left to individual employers and employees to decide whether benefits are appropriate in any particular case. The costs of travel
for London employees are particularly onerous and free travel is likely to be a popular benefit.

xxxvii. We do not pretend that our recommendations will solve the problems of the low paid – London Weighting is only a component of pay, and the poorest do not receive it.

xxxviii. We heard evidence that the lowest paid workers in London today are in the private sector, working in such jobs as cleaning and catering. Our recommendations will not reach them, but we welcome the Government review of the treatment of employees in privatised industries announced in March this year and support the use of ‘fair employment clauses’ through which organisations using contracted out labour seek to improve the conditions of those workers.

xxxix. The East London Communities Association told us in evidence that work commissioned by them shows that a gross wage of £6.30 per hour is required for a single earner in a two parent household to reach the London poverty threshold without recourse to means tested benefit. They are campaigning for this as a London living wage. This is outside our terms of reference, and we have not considered the issues in detail, but we are happy to draw attention to this debate, and to ask organisations in all sectors who use contracted-out labour whether they are prepared to accept that people should work in their premises, providing services for them, earning less than a living wage.

xl. Our report is about London Weighting, but the evidence we received showed that there is also much to be done on affordable housing, travel costs and the problems of the lower paid. We hope that others will take these issues forward urgently.

Cost

xli. A number of public sector employers told us that, while they would welcome a rational method of assessing London Weighting, any increases could not be funded from existing budgets without detriment to services. They will be looking to central government for additional funds, and we recommend a joint approach by employers and employees.

xlii. We are not in a position to calculate the costs of implementing our recommendations although it is clear that for some occupations it could be expensive. Our proposals may be attacked on the grounds of cost and the apparent disparity between London and elsewhere. However, if we are right in our conclusions, then the savings which result from paying London Weighting at current levels are achieved by requiring London workers to work for lower real pay than their counterparts elsewhere.

xliii. We could have suggested phased implementation or some other methods of reducing costs, but we think that it is not for us to put that forward. We have decided that we should say what we believe to be right in principle.
If London’s workers are to be at a disadvantage compared with elsewhere then, in the end, the quality of the workforce will be lower. So money spent on fair pay is money well spent.

In 1974 the Pay Board said that the basic justification for London Weighting was to ensure comparability of real earnings for working in London and elsewhere. We believe that our recommendations will, if accepted, have that effect. Money spent on implementing our proposals will do no more than that.