Subject: Low Pay and the London Living Wage

Report to: Economy Committee

Report of: Executive Director of Secretariat

Date: 12 June 2013

This report will be considered in public

1. Summary

1.1 This paper proposes that the Committee discusses low pay in London and the London Living Wage with expert guests and stakeholders.

2. Recommendations

2.1 That the Committee notes the report and the discussion with invited guests.

2.2 That the Committee delegates authority to the Chair, in consultation with party Group Lead Members, to agree the scope and terms of reference of an investigation into low pay and the living wage.

3. Background

3.1 Low pay is a key challenge in advanced economies. The GLA estimates that approaching 700,000 workers in London earn less than the London Living Wage. Groups particularly affected by low pay include young people, part-time workers and black, Asian and minority ethnic people. There is evidence that low pay is highest in the retail, cleaning, hospitality and catering sectors. Furthermore, research indicates that lone parents, women, people with low qualification levels and people living in the social rented sector are more likely to be subject to persistent low pay.

3.2 The impact of low pay extends beyond individuals to their wider household income and spending power; an estimated 1.1m Londoners, over half of adults and children in poverty in London, live in a household where someone is in work. Low income households in London are under continuing pressure due to rises in energy, rents and transport costs. More generally there is an on-going debate on the extent to which minimum and living wage standards contribute to, or detract from economic success.

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3.3 A number of interventions can assist households’ progression out of low income. These include welfare and tax system that benefits the low paid, tackling the high cost of childcare, supporting skills development and career progression, developing higher quality part-time jobs and targeted action by employers. This meeting will focus on the role of the living wage as a means of reducing low income in the capital.

3.4 There are more than 120 formally accredited London Living Wage employers, spanning the private, public and third sectors. In his 2012 manifesto, the Mayor committed to increasing the number of private sector employers paying the living wage to 250 by the end of the Mayoral term.5

3.5 There are a number of potential barriers to more widespread formal adoption of the living wage. These include the high number of low-paid workers in some sectors and the impact of adoption on an employer’s wage bill, the need to include sub-contractors, aversion to formal commitment, and in some cases, an assertion that alternative remuneration, such as gratuities, bonuses, staff discounts and other benefits, make up for the shortfall in basic wages.

4. Issues for Consideration

4.1 At the Committee’s meeting on 14 May 2013, it was agreed that the Committee should explore low pay in London and the London Living Wage at its next meeting. This meeting will enable the Committee to scope the issues before launching a formal investigation into this topic.

4.2 The following guests have been invited to the Committee’s meeting:
   • Neil Jameson, Executive Director of Citizens UK;
   • Neil Carberry, Director for Employment and Skills, Confederation of British Industry;
   • Dr Engelbert Stockhammer, Professor of Economics, Kingston University;
   • Fiona Wilson, Head of Research and Economics, Usdaw;
   • Mike Kelly, Head of Corporate Social Responsibility at KPMG and Chair of the Living Wage Foundation’s Advisory Council;
   • Matthew Pennycook, Senior Researcher, Resolution Foundation; and
   • Professor Jane Wills, Queen Mary University.

5. Legal Implications

5.1 The Committee has the power to do what is recommended in this report.

6. Financial Implications

6.1 There are no direct financial implications arising from this report.

5 Boris Johnson (April 2012) Growing the London economy, 18
List of appendices to this report:

None.

Local Government (Access to Information) Act 1985
List of Background Papers:
None

Contact Officer: Simon Shaw, Assistant Scrutiny Manager
Telephone: 020 7983 6542
E-mail: Simon.Shaw@london.gov.uk