

The introduction of a living wage for London is needed to prevent hard working families from slipping into poverty and to address the growing inequalities that are damaging our society

With the new leader of the Labour party making it a core tenet of his policy package, and with support across the political and business spectrum, the momentum behind the living wage campaign is growing. [Paul Rainford](#) argues that, in these times of austerity, it is an economic and moral imperative to make work pay in order to prevent hard working families from slipping into poverty and to address the growing inequalities that are damaging our society.

The future direction of Ed Miliband's leadership of the Labour party has been premised on the fundamental goal of rejuvenating Labour's status as the party of the people and reasserting its commitment to social justice. A core feature of this process has been the embrace of the campaign to make London a living wage city. The younger Miliband has committed his support to lower rates of corporation tax for companies who are willing to become living wage employers.

The living wage campaign is not new, but it now has fresh impetus and a notable contemporary resonance. It started in 2001 when an alliance of community groups under the umbrella of London Citizens [resolved to work towards an improvement in pay and conditions for low paid workers across the capital](#). Since then, the campaign has 'won over £40 million of living wages, lifting 6,500 families out of poverty' and has convinced over 100 of the capital's major employers to commit themselves to fair pay for all their workers.

The living wage is described by the Family Budget Unit as the minimum needed to achieve 'an adequate level of warmth and shelter, a healthy palatable diet, social integration and avoidance of chronic stress for earners and their dependents'. It is [calculated and readjusted annually by the Greater London Authority](#) and currently stands as an hourly rate of £7.85, which is distinct from the national minimum wage of £5.80 an hour.

Given the higher costs associated with living in the capital, the poverty threshold stands above the level of the minimum wage at £6.80 an hour (taking into account additional tax credits and benefit payments). One in seven full time workers and almost half of all part time workers in London fall in this poverty gap. The living wage campaign enters the new era of the Coalition government well placed to address this problem.

The 'Big Society' initiative has the potential to redefine the balance of power between private, public and civil spheres, and promises to generate a greater level of citizen engagement by opening up decision-making processes to community groups and increasing transparency across service provision. This could create channels for constructive engagement between those who currently enforce low pay and those who live with its consequences.

Minimum wage jobs often lead to people seeking multiple forms of employment to make ends meet. This in turn creates enormous time pressures for those wanting to spend time with their families or volunteer for positions of responsibility within their communities. In the long-term, therefore, low paid work will not facilitate the active citizen support base that the Big Society will need to function unless its rhetoric of empowerment is backed up by real progressive change.

Opponents of the living wage argue that there is simply not enough money to go around and that the idea seems frivolous, inflationary and indeed impossible in such an economic climate. During the election campaign, one of Ed Miliband's fellow contenders for the Labour leadership, Ed Balls, questioned the logic of the living wage in an interview with the Financial Times, commenting that it would create '[a substantial extra cost either to the exchequer or to business](#)'.

Such protestations follow the same trend as those levelled against the national minimum wage prior to its implementation under the New Labour government in 1999. In his position as Employment Secretary in John Major's Conservative government, Michael Howard argued that the introduction of the minimum wage would cost two million jobs.

However, [research carried out by the Centre for Economic Performance at the LSE in 2008](#) concluded that 'the minimum wage successfully raised wages for the poorest workers without leading to job losses' and

there were 'no obvious knock on effects on the wages of better paid workers'. Indeed, 'the political controversy surrounding the minimum wage in the 1990s has now been transformed into a consensus'.

There is empirical evidence to suggest that a similar consensus could emerge with regards to the living wage. Queen Mary, University of London was one of the first major institutions to adopt the higher wage level for their low paid staff. They reversed an earlier decision to subcontract out their cleaning services and chronicled the results of the experiment in [a report published in January 2009](#).

The report noted that the introduction of the living wage 'stimulated improvements in job quality, productivity and service delivery', as staff were more motivated and ultimately more committed to their employer. The University reduced its staff turnover and, subsequently, its recruitment costs and developed a strong reputation in the local community as an ethical employer.

[The Institute for Fiscal Studies has conducted further research](#) into the economic impact of the living wage and found that 'an increase in wages for everyone in the private sector to the level of the "living wage" would lead to an increase in gross earnings of between £11.4 billion and £12.0 billion, of which about £4.5 to £4.9 billion would accrue to the Government through higher income tax and employee national insurance payments and lower spending on benefits and tax credits'. The figures are similar for the public sector but the additional cost of higher wage bills and National Insurance contributions would counter some of these benefits to the national purse.

Business arguments aside, the fundamental aim of the living wage is to address working poverty and give those low paid workers who make the functioning of this abundantly prosperous city possible, the dignity and hope that comes along with being able to work their way out of hardship and to be suitably valued for their efforts. This is a question of recognising the raw human reality of low pay that strains family lives, hinders the potential for individual advancement, polarises communities and treats working men and women merely as instruments of profit.

Polly Toynbee of the Guardian has calculated that it would take a minimum wage worker on a 40 hour week 226 years to earn what a FTSE 100 CEO does in just one. Neither could function without the other and yet they live in two fundamentally different worlds. If Britain is indeed broken then perhaps this is the fault line.

In these times of austerity and fiscal consolidation it is more important than ever to make work pay in order to keep people out of poverty and prevent the need to take on multiple jobs, with all the time and family pressures that this creates. Creating incentives to work by making work pay has been the rhetorical centre piece of [Ian Duncan Smith's proposals for welfare reform](#). Raising basic wages should be at the very heart of this process.

All key stakeholders have reason to support the implementation of the living wage across London. In addition to Queen Mary, University of London, other notable living wage employers currently include the Olympic Delivery Authority, Barclays, Linklaters, KPMG, PwC, the London School of Economics, several borough councils and the Greater London Authority itself. (To see the testimonies of some of these employers relating to their experience of the living wage [click here](#).)

Barclays Bank – We Pay The London Living Wage

Video credit: averywittyusername

Recent media coverage of Ed Miliband's embrace of the living wage campaign has suggested that this is indicative of a drift into an "electoral cul-de-sac" on the left wing of politics. But this campaign is not about tribal party loyalties or electoral politics; it is about social justice in its broadest sense and it encompasses the empowerment of those members of the Big Society that the Coalition government seems so keen to promote.

London thrives on its reputation as a world leader in so many fields and, with the increased scrutiny that will accompany the Olympic games in 2012, there is a perfect opportunity to establish this country's capital as a shining example of what is possible when all inhabitants are genuinely in it together. London Mayor Boris Johnson has spoken of his desire to make London a living wage city and, in May of this year, David Cameron said of the living wage that it was 'an idea whose time has come'. If the new Prime Minister was sincere in these words then perhaps the renegotiation of the contracts of all low paid workers across Whitehall would be a good place to start.

On September 28 [it was reported](#) that University College London and Islington Council had become the latest employers to commit themselves to the living wage.

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