SUBMISSION FROM GREATER LONDON AUTHORITY

This is a combined written submission from the Greater London Authority and Transport for London. Greater London Authority also submitted a report on the London Living Wage ‘A Fairer London: The 2011 Living Wage in London.’

Introduction to the London Living Wage

1. The London Living Wage (LLW) is an hourly rate of pay, calculated according to the higher costs of living in London, to give the wage rate required to provide a worker enough to provide their family with the essentials of life. Since its introduction in 2005, the LLW has kept pace with average earnings and prices, in order to set a level at which a wage-earner will need to be paid in order not to fall into poverty. It has consistently been higher than the national minimum wage, reflecting London’s persistently higher cost of living compared to the rest of the country. The purposes of the London Living Wage are to reduce child poverty, and to ensure that work pays in London so that unemployed Londoners are better off in work than living on benefits.

2. The London Living Wage campaign is led by the Living Wage Foundation with active support from the Mayor of London delivered through his Economics and Business Policy Team (EBPT). The EBPT has worked to encourage private sector businesses to sign up to the campaign and pay the living wage. The GLA Group, one of London’s largest employers, continues to lead the way on the implementation of the LLW. There are now over 3,000 employees working for companies with contracts from the GLA Group who are benefiting from the London Living Wage. In May 2011 the Mayor announced the new annual LLW figure of £8.30 per hour. This was a rise of 45 pence on last year’s figure and is 22 per cent above the National Minimum Wage rate. This is outlined in the seventh annual London Living Wage report, ‘A Fairer London: The 2011 Living Wage in London’, a copy of which is attached.

3. The Mayor believes that the LLW makes not only moral sense, but business sense. Over 100 London employers are now signed up to paying the London Living Wage, including leading private companies, universities and charities. Research conducted by Queen Mary University found that since its introduction in 2005, the LLW has benefited almost 10,000 workers boosting the income of some of the lowest paid in London by an extra £60 million. There is however more to do, as around one in six London workers continue to receive less than the £8.30 LLW and the GLA is continuing to encourage more employers to sign up to the LLW. When the 2011 rate is applied, workers in the capital paid the living wage will receive a further £5.5 million in their pocket. It is recognised that employers who pay the living wage have different business planning cycles. All employers are expected to implement the new living wage figure at the beginning of the financial year or planning cycle following the announcement of the new rate.
4. The EBPT is in the process of developing their approach for future private sector business engagement on the Living Wage. Current proposals under discussion include working together with the Living Wage Foundation to organise a Living Wage Campaign Week during November 2012. It is envisaged that the new annual living wage figure for next year will be announced during this week.

**A Fairer London: The 2011 Living Wage Report**

5. I have attached a copy of our 2011 report into the living wage. The report provides a detailed overview of the living wage policy, its economic methodology and how it operates. Following our engagement over the past year with private sector employers, good progress has been made in terms of private sector companies committing to the London Living Wage with 12 major employers newly signed up. As knowledge of the benefits of implementing the London Living Wage spreads, there has been increasing interest from London boroughs and Higher Education institutions, with 14 higher education institutions in London either paying the London Living Wage or committed to implementing it when contracts are renewed. The report takes a systematic approach to identifying what is a Living Wage in London. It shows how a wage earner paid less than about £7.25 an hour will be living in poverty, even after benefits and tax credits are taken into account. This means that in London an hourly wage rate of 22 per cent above the National Minimum Wage (NMW) rate of £5.93 is necessary just to take the wage earner above the poverty level.

6. The report shows that there is still much work to do before all Londoners are paid a decent wage. Ten per cent of full-time workers and 41 per cent of part-time workers earn less than the Living Wage and just over one in ten employees receives less than the £7.25 poverty threshold wage. All these details and further information about the Living Wage can be found in the report. In particular I would like to draw your attention to Chapter 4 which explains how the Living Wage is calculated and Chapter 5 which reviews the progress that has been made in the take-up of the Living Wage.

**Transport for London – Submission on Procurement Issues**

7. Transport for London (TfL) has applied London Living Wage (LLW) to a number of contracts, ensuring that over 2,500 low paid contracted employees receive the benefits of the LLW. These have primarily been in the facilities management area which has a prevalence of low pay operatives such as cleaning and catering.

8. TfL has not adopted a blanket approach to implementing LLW in all contracts. At the outset of a procurement process the service is assessed to determine whether the LLW should be applied. Issues considered include the prevalence of low pay in the sector, whether staff will be working full time on TfL contracts, and based in London. This approach ensures that the LLW is only applied where it is relevant and proportional, which supports TfL in meeting the requirements of the EU Procurement Directives. TfL’s approach has been to then include the LLW as

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a contract performance condition requiring compliance, with the LLW requirement clearly set out in the invitation to tender documents and in the terms and conditions of relevant contracts.

9. In some of our service areas TfL has negotiated a cost/benefit sharing model for LLW, whilst in others TfL or the supplier bears the cost. As the LLW figure is currently reviewed annually by the Greater London Authority (GLA) a clear methodology needs to be agreed with suppliers for costs arising from any incremental increases over the life of the contract.

10. Monitoring is undertaken by contract managers who are responsible for ensuring that at the very minimum the LLW is paid to the applicable employees. The number of employees receiving the LLW is reported by TfL to the GLA group’s Responsible Procurement Steering Group each quarter. TfL uses a number of measures to confirm staff on relevant contracts are receiving at least the LLW. For example, we ask for written confirmation from the contractor’s Financial Director that they pay the LLW and verification of payment through evidence of employee rates of pay.

11. TfL has identified benefits in the areas of lower staff turnover, improved productivity, lower sickness absence and ability to adopt new working methods. These all contribute to a more efficient and better quality service. Suppliers view LLW as favourable due to the increased competition for positions on LLW contracts. An early cost/benefit study was undertaken by GLA looking at our contracts and others from the private sector, and it confirmed positive benefits in these areas. A copy of the report is available at http://legacy.london.gov.uk/mayor/economic_unit/docs/living-wage-benefits-report.pdf