**Draft Concept Note & Feasibility Study for EAPN Living Wage Campaign**

**What is EAPN’s Decent Work Task Force?**

The objective of the Task Force is to elaborate a Concept and Feasibility Note regarding the implementation of an EAPN-wide Living Wage Campaign, and to prepare a Campaign Guide and other ancillary campaign materials to support members in implementing such an initiative. [The Scottish Living Wage Campaign](http://slw.povertyalliance.org/) will be used as a model, and the role of the Task Force is to see to what extent it can be transposed, as well as improved, for use across the EAPN membership.

**What is the Scottish Living Wage Campaign?**

As low pay still is a very real problem in Scotland, the Living Wage campaigns decided to take demands directly to employers and try to make a difference, building on the earlier success of such campaigns in London and elsewhere. The campaigns are based on a dual approach, combining lobbying employers, with the help of trade unions, with supporting grassroots organisations to put pressure on local employers to take ownership of the campaign.

The campaign has proved remarkably successful: important institutions have become Living Wage employers, such as The Glasgow City Council, Scottish Enterprise (the agency responsible for business development in Scotland) and Employers in Voluntary Housing. The Glasgow City Council also started their own Glasgow Living Wage Campaign, signing up more than 130 employers as ‘living wage’ employers.

The Living Wage has also been debated twice in the Scottish Parliament. As the target were employers and not the State, thus placing on the former the responsibility to fight poverty, it was easier to garner political support. The campaigns also helped forge new links between local community organisations, trade unions, faith-based organisations and other civil-society organisations.

**Living Wage Concept**

The concept of a Living Wage is not the same as the statutory minimum wage. The latter takes into account considerations to do with competitiveness and is not solely concerned with living costs.

The Living Wage establishes a rate of pay that is required to cover the basic needs of workers and their dependents. The standard of living equates to a socially acceptable minimum level of income needed to live and participate in society. This goes beyond the scope of the minimum wage.

The concept of a Living Wage places the emphasis on earnings rather than cash transfers from the state to uphold decent living standards. While benefit income and tax credits are factored in as applicable, the overall thrust is to prioritise wages rather than in-work welfare supports to improve the situation for low paid workers.

The development of Living Wage campaigns in the UK and America has been associated with ‘community organising’, involving the direct participation of workers and a network of local actors. It is a collaborative approach between trade unions, community organisations, faith organisations and others. In practice, the extent of grassroots mobilisation varies but is an important element in garnering broad-based support [[1]](#footnote-1).

The experience in Scotland goes beyond negotiating a Living Wage rate, encompassing collective bargaining at company level on issues such as minimum holidays, training and other conditions where possible[[2]](#footnote-2).

**Context of a Living Wage Campaign – the Decent Work Agenda**

This Feasibility Study and accompanying Toolkit on a Living Wage is part of the wider focus of the EAPN on the issues of in-work poverty and decent work.

While these issues have been of ongoing concern for EAPN they have become more urgent as a result of the rise in in-work poverty due to the focus in the EU in response to the current crisis on getting people into jobs, reducing unemployment levels, and at the same time increasing competitiveness, with little attention being paid to the quality of jobs. A constant message from the EU and its Member States is that employment is the best way out of poverty. However, the reality is that In 2012 an estimated 9.1% of the workforce was at risk of poverty an increase from 8.9% in 2011 and 8.4% in 2010 (Eurostat[[3]](#footnote-3)). Therefore, if employment is to be a route out of poverty and provide for a decent standard of living, the causes of in-work poverty have to be tackled. A key part of this is that workers must earn a living wage.

Ensuring that workers have access to a living wage is one aspect of a range of interconnected elements that need to be addressed if people are to have a job that provides them and their families with a decent standard of living while also ensuring the well-being and quality of life of the worker.

The EAPN Position paper on In-Work Poverty[[4]](#footnote-4) and the Explainer on Quality Work and Employment[[5]](#footnote-5) present the analysis and the wider policy background of decent work within which the issue of a living wage is set. They outline a comprehensive approach for ensuring that the issue of decent work is brought to the fore at EU and Member State levels.

The elements which make up decent work have been the focus of many institutions and organisations including the International Labour Organisations, the European Trade Union Confederation and the EU in the Charter of Fundamental Rights. EAPN drew on these and the experience of its members to develop its 10 Principles for Quality Work. These principles include adequate/living wages, employment rights, social protection, quality working conditions and working environment; the reconciliation of private and professional life; the right to participate in collective bargaining and social dialogue; protection against discrimination; access to training and personal development; progression in work and job satisfaction.

**The Living Wage: an integrated approach**

Addressing the issue of a living wage means addressing a range of issues in an integrated way. This involves:

* A wage which is high enough and allows workers and their families to have an adequate income to live with dignity and be able to participate in the society in which they live. This includes an hourly rate of pay related to the cost of living, but also related to contracts and the hours that workers work and how they are organised to ensure that at the end of the week workers can bring home an adequate weekly wage. This relates closely to unsustainable, precarious work to which those on temporary and part-time contracts are most vulnerable.
* The workers own personal circumstances including the cost of going to work and the number of non-working dependents.
* Access to social protection payments for workers whose take home pay is not sufficient for them their family to live with dignity. This includes in-work payments to supplement low wage and family income.
* Access to and the cost of services as well as the existence and level of social protection supports to assist with the cost of services. This includes housing, caring, health, transport, education, and heating and utilities.
* The level of taxation, not just on income but also other taxes for which the worker and their family are liable and reduce disposable income.

The interactions between patterns of work (part-time, temporary); periods of work (permanent, seasonal), hours of work, household composition , in-work benefits, available services and taxation levels are complex, impacting on employee income, employer costs, the incentive to work and the level of employment. The objective of providing a Living wage is therefore subject to multiple tensions and pressures involving various actors in society and the State. There are a variety of approaches that can be taken to addressing the problem of low pay. The option of a Living Wage campaign should be considered as one of a suite of different or complementary alternatives.

**Issues to consider in approaching a Living Wage Campaign**

1. **Wage bargaining**

The starting point is very different in each Member State with regard to implementing a Living Wage campaign. Pay rates are negotiated between employer and trade union bodies at sectoral level or national level in some countries such as Germany, Austria, Sweden and Denmark. In contrast, the tradition of wage bargaining in Scotland and the UK is at company level. Some Eastern European countries have low trade union density and limited experience of centralised agreements. In Ireland, pay rates, set above the minimum wage, are due to be renewed in low-paid sectors such as catering, hospitality and retail following the introduction of legislation to overcome a legal challenge to the system.

The Scottish Living Wage campaign targeted individual employers, reflecting the fact that low-paid sectors are not covered by specific pay standards, beyond the minimum wage.

The question is how to best direct energy and action with regard to tackling low pay. Is it by seeking support for the re-negotiation of national minimum wage levels or industry agreements or through targeted pressure on individual employers? A key consideration is to work out how to combine a variety of efforts so that they support rather than undermine reach other.

This may involve sequencing. The priority in the first instance may be to secure a statutory minimum wage or to enhance provisions within sectoral agreements with a view to subsequently pushing individual employers to go further where possible. Ultimately the case for a more encompassing Living Wage rate may have to be developed incrementally using the institutional arrangements that are in place for wage-setting. As in the case of Scotland and the UK, for countries without national or industry agreements on pay, it is an obvious option to directly campaign for a Living Wage at company level, especially if there is little prospect of improving the statutory minimum rate of pay already in place.

1. **What is the nature of the problem**

In considering whether to pursue a Living Wage campaign there must be a clear understanding of the nature of the problem with regard to low-pay. Is it to do with the hourly rate? Is it more of a question of insufficient working hours? Is it a combination of both? And how does the tax and social welfare system interact with those on low pay. This analysis can assist in determining the priority areas that need attention or the different strands of the problem that need to be addressd.

1. **How will it be monitored?**

The Scottish Living Wage campaign has succeeded in boosting the hourly earnings of low-paid workers in a variety of occupations, particularly in the public sector. Nonetheless, the trade unions and community organisations involved are also alert to the need for surveillance in order to guard against misuse. It emerged that in some cases employers were seeking to reduce hours, leaving workers no better off despite the Living wage rate[[6]](#footnote-6). Equally, it is vital to ensure employers do not lapse with regard to implementing of the rate and of other agreed terms and conditions. There is a clear role for trade unions in monitoring but the mechanisms to do so may be underdeveloped or under-resourced. In developing a Living Wage campaign the need to address this issue and to develop ways to overcome limitations should be considered.

An important element of the legal minimum wage level is that it includes statutory monitoring bodies and legal implications of non-compliance.

1. **What kind of Living Wage Campaign**

The Scottish approach is targeted at individual employers rather than the full range of organisations operating in a particular sector. This reflects the fact the pattern of firm-level rather than higher-level bargaining in Scotland. The possibility of extending the terms to public procurement contracts has been advocated but the Scottish government has argued there are road blocks with regard to competition rules.

However, in the US the Living Wage has been implemented in certain States through legislation (Living Wage Ordinances) or through conditions for contracted work[[7]](#footnote-7). (Need to fill in the detail on this)

An country-specific assessment of possible implementation paths for a Living Wage should be undertaken by each affiliate in order to determine whether the Scottish approach is the only feasible option and/or a suitable way to progress in parallel with or complementing other actions to tackle low-pay, e.g. minimum/sectoral wage increases as a first step. This may involve consideration of EU competition rules which may be beyond the capacity of EAPN affiliates. It may be useful for EAPN Europe to develop an overview of the legal framework relating to EU competition law and public procurement and to examine where new legislation in this area passed recently by the European Parliament offers any scope for enforcing standards on wages.

1. **The attitude of employers**

The Scottish Living Wage has drawn much of its success from the public sector, achieving implementation by Glasgow City Council, the NHS and government agencies. Penetration into the private sector has been more difficult to achieve. Big players in the retail sector are particularly resistant. Signing up for the Living Wage offers positive reputational effects but the extent to which employers are motivated to get involved based on Corporate Social Responsibility is unreliable if not unrealistic, especially if first mover advantage is used up. Employers are concerned about the impact of a Living Wage rate on their cost base and raise the risk of job losses as a result. However the evidence is less compelling and there are even indications that employment may actually grow because of an increased incentive to work[[8]](#footnote-8).

The feedback from the EAPN Ireland highlights the reluctance of employers to contemplate pay increases in low paid sectors or to accommodate an increase in the minimum wage. Moreover an agreement was recently reached on wage cuts in the public sector and there is no prospect of restoration in the short term. Pay increases have been negotiated at company level in industries that are doing well, e.g. pharmaceuticals. Some large retailers have recently conceded nominal wage increases to staff after a protracted period of stagnancy/reductions. The greatest impact for the largest number of low-paid workers can be achieved initially by pursuing sector-wide pay rates. The ambition of achieving a Living Wage for workers through this mechanism could be a medium/long-term objective, given the challenges involved in convincing employers. There may also be limited scope to pursue individual companies for a Living Wage rate based on arguments of productivity and motivation but, given the absence of an accreditation or awards system as exists in Scotland, there is the reputational dividend for employers is not as attractive in the short term.

1. **Political support**

Key to the success of the Living Wage campaign in Scotland was the support of two major political parties, Labour and the Scottish Nationalist Party. Shifting the balance away from in-work supports sends out an important signal. In Scotland this has resulted in the Living Wage being adopted for certain Local Authorities and state functions. (It would be useful to get more info from David on why there was political buy-in; did the campaign spend a long time securing political support or was it readily available?).

The dynamics in Ireland demonstrate the challenges that can arise in securing definite political commitment. While the concept of a Living Wage has gained some ground in political discourse – for instance, through the Labour Minister for Social Protection, Joan Burton, and the Deputy Prime Minister, Eamon Gilmore – there has been no detail about what it would look like in practice for Ireland. As Ireland emerges from a prolonged economic crisis, consideration of wage increases is only beginning to enter the political/public consciousness.

The discussion in Ireland is both mixed and linked with potential reforms to the tax and welfare systems which may influence the development of a Living Wage. However, there is concern in government about the rising cost of the in-work benefits (e.g. Family Income Supplement) to support low-paid workers. Employers have been lobbying for income tax reductions. Politically a certain degree of consensus is emerging about the need to put money back into the pockets of workers who have been affected by wage cuts and tax hikes in recent years. However, the question about whether this will be achieved through the tax system remains to be determined and the extent to which the low-paid would benefit is unclear, as are the implications for public services and social protection systems. The state as an employer is unlikely to countenance pay increases in the short term which leaves only the tax and/or benefit system open to provide relief.

Whether or not there is political support from government in Ireland for a Living Wage campaign targeted at private sector employers remains to be seen but the main drivers of change in this space would have to be trade unions working in alliance with community and other actors, backed perhaps by sympathetic opposition politicians. Nonetheless, the government has delivered on its commitment to restore the legislative basis for wage-setting in low paid sectors which is a key lever in working towards implementing the bedrock for a Living Wage.

The political factors at play differ in each Member State. In assessing the potential and best approach for EAPN members to get involved in a Living Wage campaign, a thorough analysis of the political realities would be required to ensure resources are deployed in the most effective manner possible to tackle low pay.

1. **Methodology/Calculation**

The Scottish Living Wage is arrived at through a specific methodology for calculation (need further details on how it was calculated). The initial incarnation of a Living Wage was developed by the Greater London Authority, combining an analysis of the cost of housing, council tax, transport, childcare and other regular costs to meet a low but acceptable budget with a margin above the poverty threshold. The UK Living Wage was subsequently calculated by academics at Loughborough University from 2011 using focus groups to set a Minimum Income Standard (MIS) for various family types. Both approaches take account of available tax credits and in-work benefits[[9]](#footnote-9).

Different countries are at different stages in the development of what is termed reference or consensual budgeting or Minimum Income Standards to capture the income requirements of households for a decent life and methodologies may differ. Moreover, the implications of this approach for existing wage-setting provisions need to be analysed. It is therefore not possible for EAPN Europe to propose a common procedure for calculating a Living Wage applicable in each Member State. This may pose limitations for affiliates if there is no agreed/acceptable approach at national level but the absence of a specific figure does not prevent campaigning on the broad concept of a Living Wage/tackling low pay. The European Commission has commenced work on developing a common methodology for EU standards that could underpin a Living Wage but it is unclear what will emerge and in what timeframe.

1. **Building alliances – capacity issues**

The financial constraints for EAPN Europe and its affiliates have tightened in recent years. An assessment about the possibility of devoting human resources to a Living Wage Campaign would have to be undertaken given other priorities that may be set. The potential to draw from EU or other funding streams to support the work would have to be explored. Acting as part of a large network/coalition may be feasible but it may be too onerous to have to shoulder significant responsibilities.

The availability of a common campaigning toolkit/template from EAPN Europe would assist affiliates to lobby directly for a Living Wage and/or to pool efforts with other organisations.

1. ‘Beyond the Bottom Line – the challenges and opportunities of a living wage’, Kate Lawton & Matthew Pennycook, IPPR, Resolution Foundation 2013, p10-13 [↑](#footnote-ref-1)
2. David Moxham, Scottish Trade Union Confederation, Presentation to EAPN Task Force, 11/12/13 [↑](#footnote-ref-2)
3. <http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do;jsessionid=9ea7d07e30d786bf8a73b97449a48263e65c03c703c9.e34MbxeSahmMa40LbNiMbxaMc38Ne0> [↑](#footnote-ref-3)
4. Working and Poor: EAPN Position Paper on In-Work Poverty, November 2013. <http://www.eapn.eu/images/stories/docs/EAPN-position-papers-and-reports/2013-EAPN-in-work-poverty-position-paper-web.pdf> [↑](#footnote-ref-4)
5. EAPN Explainer on Quality Work and Employment, January 2014. <http://www.eapn.eu/images/stories/docs/eapn-books/2014-EAPN-Explainer-Quality-of-Work-and-Employment-web.pdf> [↑](#footnote-ref-5)
6. David Moxham, Scottish Trade Union Confederation, Presentation to EAPN Task Force, 11/12/13 [↑](#footnote-ref-6)
7. Explaining the Passage of Living Wage Legislation in the U.S, Suzanne Heller Clain, International Atlantic Economic Society Journal; July 2012; 40:315-327 [↑](#footnote-ref-7)
8. ‘Beyond the Bottom Line – the challenges and opportunities of a living wage’, Kate Lawton & Matthew Pennycook, IPPR, Resolution Foundation 2013, p27-34 [↑](#footnote-ref-8)
9. ‘Beyond the Bottom Line – the challenges and opportunities of a living wage’, Kate Lawton & Matthew Pennycook, IPPR, Resolution Foundation 2013, p14-15 [↑](#footnote-ref-9)