

Section A		
Institution: Middlesex University		
Unit of Assessment: 17 Business and Management		
Title of case study: Encouraging adoption of the Living Wage by employers		
Period when the underpinning research was undertaken: 2004-2018		
Details of staff conducting the underpinning research from the submitting unit:		
Name(s):	Role(s) (e.g. job title)	Period(s) employed by submitting HEI
Andrea Werner	Senior Lecturer in Management	2008 to present
Richard Croucher	Professor of Comparative Employment Relations	2005 to present
Marian Rizov	Professor of Economics	2005 to 2015
Period when the claimed impact occurred: 2014-2020		
Is this case study continued from a case study submitted in 2014? No		
Section B		
1. Summary of the impact		
<p>Research findings from Werner on the adoption and implementation of the Living Wage (LW) by employers have shifted debate nationally and internationally with regard to its affordability, the benefits attached to adoption, and good practice in LW implementation. Impact has arisen from campaign organisations in the UK and internationally using these findings to produce a robustly evidenced case with which to engage with employers, national and local governments and practitioner bodies. This has resulted in heightened awareness of the benefits of the LW in public debate and contributed to a significant increase in LW accreditations and workers receiving an uplift in wages in the UK and New Zealand. Multiple impacts upon business practice have been evident, including informing staff development within the Living Wage Foundation, improving a leading benchmarking tool for socially responsible business used by 225 prominent employers to inform and monitor their LW performance, and facilitating the expansion of the Living Wage across the operations of a leading international workplace and facilities management company.</p>		
2. Underpinning research		
<p>The introduction of a Living Wage (LW) is recognised within public debate as an important mechanism to address problems arising from low wages and rising social inequality, yet how it operates in practice has been poorly served by empirical study. Research at Middlesex University Business School related to this topic initially started in 2005 through a study of the introduction of a National Minimum Wage (NMW), led by Croucher working with Rizov and White (Greenwich), which developed through a series of projects funded by the Low Pay Commission (LPC). Results demonstrated the NMW had only a very limited negative effect on employment rates among young workers [3.1] and a positive impact on productivity [3.2].</p> <p>Findings into the positive benefits of the NMW were brought together with a stream of research into the ethical and social responsibility of business led by Werner [3.3]. This identified a major research gap in employer's understanding and adoption of a voluntary Living Wage (LW); the notion that workers should be able to meet their essential needs from the wages they receive without having to work several jobs or rely on state welfare. The growth of low-wage jobs and absence/very low levels of legally binding minimum wages, led civil society organisations in a number of economies (UK, New Zealand, Canada, Ireland, United States) to urge employers to implement a LW rate calculated on 'basic living costs'. However, the lack of robust research evidence into its impact upon business organisations hindered advancement of this agenda.</p> <p>In 2014, Werner, working with Dr Ming Lim (University of Liverpool), began a programme of research into the adoption by organisations of the voluntary LW. A critical evaluation of the philosophical, economic and political arguments surrounding the LW was carried out utilising a three-fold conceptual framework comprising sustainability, capability and externality [3.4]. Whereas previous research focused upon economic, worker and social policy perspectives, this research demonstrated</p>		

the need to study the impacts of the LW at an *organisational* level. Werner, together with Lim, pursued this through an empirical study funded by the Barrow Cadbury Trust in 2016, which investigated voluntary adoption of the LW in private sector small and medium size enterprises (SMEs) in the UK via the Living Wage Foundation's (LWF) accreditation scheme. This first piece of systematic organisational LW research focused on SMEs, examined the motivations, benefits, challenges and strategies around LW implementation within SMEs.

Findings from the *Putting the Living Wage to Work* report [3.5] were developed further via more in depth analysis [3.6] and insights generated from commissioned research for a major international workplace and facilities management company (see 5.10). These demonstrated:

- *employer motivations*: SME owners/managers introduction of the Living Wage was motivated primarily within personal ethics and beliefs about fair wages and social justice [3.6]. Findings indicated that whilst SMEs accrue benefits to their reputation and employee morale from Living Wage accreditation, they encountered challenges related to pay structure and incentives.
- *the affordability of adoption of the LW even in SMEs and low wage sectors*: more than half of the SMEs surveyed already paid the Living Wage rate, or above, to all or most of their staff prior to accreditation. This illustrated that many SMEs would find it easy to gain LW accreditation, particularly if they chose to incorporate the LW into their business model from their inception.
- *the benefits of LW adoption*: the major benefits of LW adoption in SMEs were its positive impact upon the company's brand reputation and market positioning (72%), and manager/organisation-employee relations (60%), including fewer employee disputes. Employee morale, productivity and motivation, as well as lower employee turnover (and resulting lower recruitment and training costs) were other frequently identified benefits, as was the ability to attract high quality staff, and the satisfaction of knowing that their staff were paid a fair wage rate. Benefits for employees included the ability to; keep up with the cost of living, have money available for extra or higher quality purchases, save money for the future, financially support their wider family, invest in their education, and have more leisure time available through reducing their work hours.
- *good practice with regard to LW implementation*: benefits of LW adoption differed according to company type. To maximise benefits, SMEs needed to adopt different implementation strategies for the LW within their organisation. Appropriate strategies depended on factors including whether the LW was linked to the skills of the company's core employees and the offer of a high-quality service to clients, or whether the LW was used as a marketing and reputational tool as part of the company's wider social responsibility strategy. Results showed the need for companies to plan for future increases of the LW rate and make a considered decision as to how LW adoption might affect pay structure and differentials. Clear external and internal communication strategies were needed, the latter being particularly important if LW implementation led to organisational changes. For employees, LW implementation required careful communication where it led to changes to pay structures to avoid workforce demoralisation, and comprised part of a holistic range of measures designed to ensure employee satisfaction and well-being.

3. References to the research

3.1 Croucher, R and White, G. (2011) *The impact of the minimum wages on the youth labour market: an international literature review: report to the Low Pay Commission*. The Low Pay Commission, London. <https://eprints.mdx.ac.uk/id/eprint/7530>

3.2 Rizov, M, Croucher, R, and Lange, T. (2016) The UK national minimum wage's impact on productivity, *British Journal of Management*, 27(4): 819-835. ISSN 1045-3172 (doi:[10.1111/1467-8551.12171](https://doi.org/10.1111/1467-8551.12171))

3.3 Webley, S., and Werner, A. (2008) '[Corporate Codes of Ethics: Necessary but not Sufficient](#)', *Business Ethics: A European Review* 17(4), 593-603. ISSN 0962-8770 doi:10.1111/j.1467-8608.2008.00543.x.

3.4 Werner, A. and Lim, M. (2016a). '[The ethics of the Living Wage: A review and research agenda](#)', *Journal of Business Ethics* 137 (3), 433-447. ISSN 0167-4544 doi:10.1007/s10551-015-2562-z

3.5 Werner, A. and Lim, M. (2016b). [Putting the Living Wage to work: Strategies and practices in small and medium sized enterprises \(SMEs\)](#). Project Report. Barrow Cadbury Trust / Middlesex University. doi: 10.13140/RG.2.2.23078.52801

3.6 Werner, A. and Lim, M. (2017). ['A New Living Contract? Cases in the Implementation of the Living Wage by British SME Retailers'](#). *Employee Relations* 39 (6), 850-862. ISSN 0142-5455 doi 10.1108/ER-07-2017-0150

Funding awarded:

1. Award to: Richard Croucher and Geoff White *The Impact of minimum wages on the youth labour market: an international literature review* Awarded by: Low Pay Commission; 2010-11; £20,000.
2. Award to: Marian Rizov and Richard Croucher *The impact of the UK national minimum wage on productivity by low-paying sectors and firm-size groups*. Awarded by: Low Pay Commission; 2010-11; £20,000.
3. Award to: Andrea Werner and Ming Lim *The Living Wage in Small and Medium-Sized Enterprises* Awarded by: Barrow Cadbury Trust; 2016; £29,400.
4. Award to: Andrea Werner *Assessing the value and impact of the Living Wage: a case study on sub-contracted cleaning staff* Awarded by: ISS Facility Services; 2017-2018; £5,000.

4. Details of the impact

Results from this programme of research have been utilised by campaign groups, business organisation, think-tanks and government bodies to influence national and international public debate concerning the costs, benefits and implementation of the minimum wage and LW. The conceptual framework, findings and recommendations of the LW research [3.4; 3.5; 3.6] were disseminated by Werner through numerous public talks and workshop sessions with varied stakeholders including local councils, local business leaders, and campaigning bodies such as the Living Wage Foundation (LWF), which together enabled this work to reach a wide audience.

The principal pathway to impact comprised a range of campaigning organisations, in the UK and internationally, making extensive use of these research results to promote the LW. This led directly to the increased uptake of the LW by employers with its subsequent impact upon employee earnings, and influenced the agendas, actions and policies of other bodies including national and local governments. Campaign organisations routinely used findings from the *Putting the Living Wage to Work* report [3.5], to substantiate the affordability of the LW, including to small businesses and low-wage sectors, alongside the wider business benefits [5.1]. This enabled them to present a strong business case for adoption by a wide range of employers. It also encouraged governments and other societal actors to engage with and promote the LW in a meaningful manner, as exemplified by the use of findings on the positive effects of LW accreditation to business' brand and corporate image within a debate on the LW in the House of Commons by the Parliamentary Under-Secretary of State for Business, Energy and Industrial Strategy [5.2].

Campaign organisations in New Zealand, the UK, Scotland, and Ireland have all emphasised the importance of this empirical research in strengthening the evidence base for their campaigns to achieve significantly improved outcomes. The Living Wage Movement Aotearoa New Zealand stated: *"providing evidence-based arguments has been key to gaining credibility for our Movement... International practice and research, such as Dr Werner and Dr Lim's work, has supported and inspired us so we are eternally grateful for the work done elsewhere in the world, especially in the UK"* [5.3]. The national LWF in the UK widely used these research findings, especially to engage with smaller businesses, local authorities and other anchor bodies that represent local SMEs. A senior manager [5.4] explained the crucial value of *"having dedicated research for SMEs on the tangible benefits and real case studies...to demonstrate how [the LW] is possible and important in practise"*, and that the research enabled the organisation to engage specifically with SME audiences, *"busting any myth that the LW is only achievable/beneficial for the largest employers"*.

The Scottish branch of the LWF incorporated key findings on the affordability, benefits and implementation of the LW into their Employer Guide and a HR director's briefing, used for outreach to employers. The director of LW Scotland observed: *"Of particular value has been Dr Werner's recommendation to implement the Living Wage strategically into business' pay structure,,, Currently, 91% of employers in Scotland who become accredited remain so, but one of the top reasons for*

withdrawal is shrinking of differentials and inability to keep pace with the annual increase. We have included her recommendation in our Employer Guide to Accreditation. We have now accredited over 1,000 SMEs (around 60% of our network) and we are grateful to... her research... as this has helped us to be confident in the way we reach out to SMEs” [5.5].

The process of LWF outreach to employers incorporating Werner’s findings led to a substantial increase in uptake of LW accreditation among SMEs within the UK. In the three years after the report’s publication (2017-2019), 2,326 SMEs adopted the LW in the UK; a significantly higher sign-up rate than the 1,045 accreditations in the three years prior. The number of employees whose pay was uplifted as a result of LW accreditation also more than doubled, from 6,232 (2014-2016), to 13,964 (2017-2019) [5.4].

In New Zealand, the LW campaign organisation Living Wage Aotearoa New Zealand used Werner and Lim’s findings on the affordability of the LW and specifically the use of public sector institutions as lead adopters of the LWF through the procurement process, in a key report that demonstrated how the government could pay a LW in NZ [5.6]: *“The evidence in the report was a key plank in [the LW Movement’s] campaign to secure commitment from candidates in the 2017 General Election to a Living Wage. Due to a change of government we were successful and now are proud to have all directly paid workers in the core public service on a minimum of the Living Wage”* [5.3]. This change resulted in 2,048 workers benefitting from an average uplift of \$3,500 per worker, at a total cost of \$7.23 million, with further positive spill-over effects on LW adoption in the private sector expected.

Among other campaign groups that used the report’s findings was the UK-based Child Poverty Action Group (CPAG), which encouraged London Authorities to LW adoption by including the ‘business case’ for SMEs in their Guide to Local Authorities published in 2017 [5.7]. One direct outcome of this was the London Borough of Newham becoming LW accredited in 2018, citing CPAG in its decision. In the Republic of Ireland, Social Justice Ireland (SJI), a main promoter of the LW in Ireland, utilised evidence from Werner and Lim in developing their recommendation to tackle low pay through payment of the LW [5.8]. The SJI report on tackling poverty and unemployment in the EU was presented at a United Nations Expert Group Meeting, leading to support for the LW being adopted as a key policy recommendation by the UN Department of Economic and Social Affairs (DESA).

Beyond the influential use of Werner’s research evidence by campaign organisations, findings have impacted upon the organisational development of the LWF and wider corporate practice. Werner’s close working relationship with the LWF involved providing training workshops to promote staff development and build team capacity, via developing their understanding of the potential benefits of the LW and aid communication with employers: *“Werner’s research is part of the Living Wage Foundation’s curriculum as part of initial internal inductions/trainings...so this aspect of the LW is acknowledged and understood. This enables team members to have the confidence to authentically demonstrate that paying the real Living Wage is, and has been evidenced, for SMEs”* [5.4].

Employer good practice related to the LW has made use of Werner’s research findings in the process of updating the leading benchmarking tool *Responsible 100*. This tool is used by major firms to improve their socially responsible business practice through reduced organisational risk, enhanced reputation and improved performance. Werner’s invited participation in an expert roundtable in 2017 led to the production of a *“revised and improved Living Wage scorecard”*. Based on Werner’s research, this extended the LW component of this benchmarking tool and identified appropriate criteria and scoring in relation to organisations’ need to plan for LW increases, pay policies in relation to interns and apprentices, and LW communication [5.9]. The updated *Responsible 100* benchmarking tool has been adopted for use by 225 employers comprising 82 corporations (including 13 FTSE 100 companies) and large businesses, 11 SMEs and start-ups, 24 investors, and 108 NGOs. The benchmark criteria are also available online, enabling other organisations to engage in robust self-assessment.

In 2017, Werner was commissioned by ISS an internationally leading workplace and facilities management company with 470,000 employees worldwide serving more than 60,000 customers, to research the impact of implementation of the LW upon their employees and their organisation. The company subsequently used Werner’s research to extend its “organisational commitment to the LW and demonstrate the societal impact - with the objective of expanding our application of the LW and securing the appropriate funding” [5.10]. The company used the report - in particular the powerful

stories shared by employees in the research - to evidence how the LW makes a tangible difference to employees' lives when in dialogue with customers and potential customers to negotiate new contracts. The company also used the report's recommendations as to how the LW should be implemented to maximise its benefits, and its insight that pay was not the only contributor to employee well-being and satisfaction in the workplace, and that flexibility in shift patterns and hours and educational opportunities for employees were important too.

5. Sources to corroborate the impact

[5.1] [New Research To Support The Business Case For Paying The Living Wage In SMEs](#) demonstrating the use of findings from Werner and Lim's *Putting the Living Wage to Work* report by campaigning organisations, here in relation to Living Wage Week in 2016.

[5.2] [House of Commons Living Wage Debate](#) (3 Nov 2016) in which Parliamentary Under-Secretary of State for Business, Energy and Industrial Strategy (BEIS) cited MU research results with regard to the positive effects of LW accreditation in business' brand and corporate image.

[5.3] Factual statement from Living Wage Movement Aotearoa New Zealand (LWMANZ) confirming MU research was a key piece of evidence they used to lobby political parties in the General Election in 2017, leading to implementation of the LW in core public services by the new Labour Government.

[5.4] Factual statement from a Senior Manager in the Living Wage Foundation (UK, London) setting out the wide-ranging use that LWF made of the findings of Werner and Lim's *Putting the Living Wage to Work* report across their work and the positive benefits that flowed from this, including figures on accredited SMEs and uplifted employees.

[5.5] Factual statement from project manager of Living Wage Scotland demonstrating their extensive use of the findings of Werner's research in outreach activities to business, including in their Employer Guide and [HR director's briefing](#) in advising business on the affordability, benefits and strategic use of the LW.

[5.6] MacLennan, C. (2017) [Paying a Living Wage in Aotearoa New Zealand in 2107 – How the Government Can Do It](#) cites evidence from the *Putting the Living Wage to Work* report (pp.54-55) to demonstrate that paying a Living Wage was beneficial to employers as well as to employees.

[5.7] Child Poverty Action Group (2017) [Moving to the London Living Wage: A Guide for Local Authorities in London](#) incorporating findings from the *Putting the Living Wage to Work* report regarding the business case for SMEs in encouraging authorities towards LW adoption.

[5.8] Social Justice Ireland (2017) [Europe: The Excluded Suffer while Europe Stagnates](#) which uses Werner and Lim's findings in developing a recommendation to tackle low pay by supporting the Living Wage concept (recommendation 4; p.96).

[5.9] Factual statement from Director of *Profit Through Ethics*, who led the development of the *Responsible 100* management tool. This shows how Werner's research improved the Living Wage benchmark component of this tool and led to the production of a revised LW scorecard, notably in relation to organisational planning, pay policies and communication.

[5.10] Factual statement from *ISS* providing evidence how Werner's research for this workplace and facilities management company impacted upon business strategy/practice and enhanced its ability to promote the LW to its clients.