

Institution: University of Bath		
Unit of Assessment: C20 Social Work and Social Policy		
Title of case study: Living Wages		
Period when the underpinning research was undertaken: 2014 - 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:
Paul Gregg	Professor	September 2011 – August 2020
Period when the claimed impact occurred: 2014 - 2020		
Is this case study continued from a case study submitted in 2014? N		
<p>1. Summary of the impact</p> <p>Since 2008, real wages in the UK have stagnated. Gregg's research at University of Bath has exposed the adverse consequences for workers – but also the beneficial effects of the statutory minimum wage.</p> <p>The main UK Government response was the introduction in 2015 of the statutory National Living Wage (NLW). This increased to 60% of median national hourly earnings in 2020. In addition, more than 6,000 employers in the UK have adopted the higher Voluntary Living Wage (VLW) set by the Living Wage Foundation.</p> <p>Gregg's research and policy advice has had a significant impact on the level and targeting of both the NLW and the VLW and hence on the wages and incomes, living standards and social welfare, of more than 6,000,000 low-waged employees in the UK.</p>		
<p>2. Underpinning research <i>[numbers in square brackets refer to the references in Section 3]</i></p> <p>Following the financial crisis of 2008, the UK experienced a decade of stagnation in real wages. According to the Bank of England, this was the worst such period since 1860.</p> <p>Gregg and colleagues have published a series of studies concerned with the two periods when wages fell (between 2009 - 2014 and 2017) and the brief recovery in between. These highlight how unusual this decade has been, with large falls in real wages but on the other hand only limited job losses. This is the opposite to previous UK recessions and the general pattern across the OECD [1,2,5].</p> <p>Gregg's University of Bath research has focussed more specifically on wage stagnation among those in the lower portion of the wage distribution. Gregg and Gardiner analyse wages for successive cohorts born after 1978 [4]. The young have been particularly hard hit, with their wages in 2018 the same in real terms as wages for their counterparts 15 years previously. The research highlights their reduced chances of career progression by job moves and promotions, and hence their longer experience in lower paying occupations, with weaker growth in earnings [5].</p> <p>Gregg also undertook research during 2013, funded by the Low Pay Commission, into the effects of minimum wage laws in the UK [3]. The study examined what happened when wages were raised to the new minimum, and whether this had any adverse effects on jobs surviving, hours, bonuses and non-wage aspects of the contract (e.g. zero hours or temporary).</p> <p>The minimum wage somewhat reduced hours worked, weakening its overall effect on weekly income. However, it had little effect on levels of non-basic pay, the use of temporary contracts or the provision of pensions by employers. Nor did it produce an increase in flexible employment arrangements, such as zero hours contracts. The minimum wage had only slight negative effects</p>		

Impact case study (REF3)

on a person's likelihood of remaining in the same job a year later; this was no worse for young people than for older workers.

This research has led to academic publications and reports by the Resolution Foundation, disseminated widely in the media and policy-making circles. This has connected to broader debates about generational fairness: whether young people will continue to see lower wages as they age, or will catch-up as wage growth recovers.

3. References to the research

1. Gregg, P, Machin, S & Fernandez Salgado, M 2014, 'Real Wages and Unemployment in the Big Squeeze', *The Economic journal*, vol. 124, no. 576, pp. 408-432.
<https://doi.org/10.1111/ecoj.12139>
2. Gregg, P, Machin, S & Fernandez Salgado, M 2014, 'The Squeeze on Real Wages – and what it Might take to End it', *National Institute Economic Review*, vol. 228, no. 1, pp. R3-R16.
<https://doi.org/10.1177/002795011422800102>
3. Papps, KL & Gregg, P 2014, *Beyond the wage: Changes in employment and compensation patterns in response to the national minimum wage*. Low Pay Commission.
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/289426/Gregg_PappsBATH_Beyond_the_wage_FINAL.pdf
4. Gregg, P & Gardiner, L 2017, *Study, Work, Progress, Repeat? How and why pay and progression outcomes have differed across cohorts*. Resolution Foundation, London UK.
<https://www.resolutionfoundation.org/publications/study-work-progress-repeat-how-and-why-pay-and-progression-outcomes-have-differed-across-cohorts/>
5. Clarke, SR & Gregg, P 2018, *Count the pennies: explaining a decade of lost pay growth*. Resolution Foundation, London.
<https://www.resolutionfoundation.org/publications/count-the-pennies-explaining-a-decade-of-lost-pay-growth/>

The research material was also used in a more public orientated form in Stephen Clarke and Paul Gregg (2019) 'The Prospects for the UK Labour Market in the post Brexit era' in Special Edition Gavin Kelly and Nick Pearce (Eds) *Britain Beyond Brexit*, (Political Quarterly Monograph Series) Volume 90, Issue S2

Grants

2013 Low Pay Commission *Beyond the wage: Changes in employment and compensation patterns in response to the national minimum wage* (with Kerry Papps, University of Bath) GBP47,000

2015 (March) Nuffield Foundation - *Understanding Britain's Fall in Real Wages from 2008-2014: A project to improve our understanding of the individual dynamics of wages before and after the Great Recession and the Prospects of a Broad Based Sustained Wage Recovery* with Stephen Machin (LSE) and Marina Fernandez-Salgado (Bath, now Acala, Spain) and Resolution Foundation GBP102,573

4. Details of the impact [Letters in square brackets refer to the references in Section 5]

Gregg's research at University of Bath on the effects of minimum wage laws, demonstrating their positive benefits and the lack of any significant negative effects, has had a major impact on the development of the National Living Wage (NLW) and the Voluntary Living Wage (VLW).

Gregg has presented the research to the Bank of England Monetary Policy Roundtable (November 2017), the TUC (January 2018) and the Cabinet Office (February 2018). He gave a keynote presentation to the HM Treasury Labour Markets Conference (September 2018) and a joint Resolution Foundation/Bank of England seminar (October 2018), as well as to other more public-orientated events and academic conferences.

Gregg's research and expertise on the UK labour market, in terms of both wages and employment, also led to his membership of the two influential bodies below, looking at how to ensure higher wages for lower paid workers. In both cases, Gregg's research fed directly into their conclusions; it has thereby directly influenced public policies affecting the living standards and social welfare of more than 6,000,000 employees.

National Living Wage (NLW)

Gregg was a member of the **Resolution Foundation** review in 2014 of minimum wages, chaired by Sir George Bain (the former Chair of the Low Pay Commission) see Bain, G., Gregg, P., et al.: *"More than a minimum: The resolution foundation review of the future of the national minimum wage: The final report"* (March 2014), Resolution Foundation [A]. This was strongly influenced by the research Gregg was undertaking at the time on wage stagnation in the lower portion of the wage distribution [Section 2 above and research publications (1) and (2) in Section 3].

The Bain report was cited by George Osborne, in the 2015 Budget, as key evidence influencing his decision to introduce the NLW for those aged 25 and over and with the target of increasing to 60% of median wages by 2020: *"I am today introducing a new national living wage. The Low Pay Commission will recommend future rises that achieve the Government's objective of reaching 60% of median earnings by 2020. That is the minimum level of pay recommended in the report to the Resolution Foundation by Sir George Bain, the man the last Labour Government appointed as the first chair of the Low Pay Commission"* (see Hansard [B] and HM Treasury 2015 [C: para 3.2]).

This bold policy shift was the more remarkable, given the general reluctance on the part of Conservative politicians to regulate the labour market. Moreover, the proposed 60% of median hourly earnings is high by international standards - only France and New Zealand, among advanced economies, are in this territory [D]. This raised concerns over the potential effects of higher minimum wages on employment and hours worked. However, it was again research by Gregg with Kerry Papps (2014) (research publication (3) in Section 3 above) that was cited in the Treasury document for the new National Living Wage, to allay such fears: *"While some empirical studies have found reductions in employment from increases in the minimum wage, these have generally been modest: see for example, Papps, K. and Gregg, P. (2014) and Galinda-Rueda, F. and Pereira, S. (2004)"* (see HM Treasury 2015 [C: para 3.2 FN 56]). These research findings were consistent with earlier research by the Centre for Economic Performance, LSE.

The scale of the change, to be rolled out between 2016 and 2020 was expected to be very large. The Office for Budget Responsibility (OBR) estimated in 2017 that 6,000,000 workers in the UK would be affected, depending on where they are in the wage distribution:

- 750,000 who would have been on the existing national minimum wage had not the (higher) NLW been introduced;
- 2,000,000 whose pay would have been above the NMW but whose pay is now raised at least to the NLW;
- 3,250,000 whose pay was above the NLW but who through spill-over effects will nevertheless get more, as firms seek to maintain some of the wage differential over the minimum.

The OBR estimated that the effect on weekly earnings, after factoring effects on hours worked and employment, would be GBP6 per week averaged across all groups. This would represent just under GBP2,000,000,000 a year reaching low waged workers. [E]. These numbers have been exceeded according to the LPC 2020 report for the period up to April 2019 [F – page 9]. This was due in part to rapid employment growth and slower wage growth in general, meaning NLW increases have had bigger effects.

Voluntary Living Wage (VLW)

Gregg also became a member of the **Living Wage Commission**, established by the Living Wage Foundation in 2017, to set the rates for the higher Voluntary Living Wage. The aim was to harmonise the process of setting rates for the national VLW and the London Living Wage; and to

demonstrate to existing and potential VLW employers the guiding principles for future rate changes. The research behind the Commission's setting of the 2017 VLW was published as "*The Living Wage Commission - Closing the Gap: A Living Wage that means families don't go short*" (September 2016) [G]. The Commission continues to set the revised rates annually. It also plays a key role, in providing some principles and forward guidance, to help support this growth.

A growing number of employers have sought accreditation by the Living Wage Foundation, signing up as a Living Wage Employer. Others shadow the wage rates set by the Foundation without accreditation [J].

The VLW has 6,500 accredited Living Wage employers, including 40% of FTSE 100 companies in 2020. It now directly covers 180,000 workers. More than 2,500 employers have joined the scheme since the Living Wage Commission was established in 2017. Many of these firms also require their contractors to meet the VLW. Also, since 2017, and with the encouragement of the LWF, a number of ambitious plans have been drawn up to create Living Wage Places, towns and cities where all employers pay the VLW. Dundee, Glenrothes and Cardiff have formed employer/local council led coalitions to achieve this ambition [H, I, J]. This shows the larger socio-political impact that the LW debates and research evidence are having.

In all this, Gregg "*played an invaluable role in forging the reputation of the LWC and in ensuring it plays a robust, independent and credible role in setting the Living Wage rates.... [He] quickly commanded the respect of the employer chief executives on the Commission as well as the General Secretary of the TUC and Deputy Mayor of London*" [J].

5. Sources to corroborate the impact

National Living Wage

- A. Bain, G., Gregg, P., et al.: *More than a minimum: The resolution foundation review of the future of the national minimum wage: The final report* (March 2014), Resolution Foundation.
- B. Hansard Record, House of Commons, Wednesday 8 July 2015, Columns 337 and 338.
<https://publications.parliament.uk/pa/cm201516/cmhansrd/cm150708/debtext/150708-0001.htm#15070837000897>
- C. HM Treasury (2015) Summer Budget Policy Paper, 15th July. Treasury document supporting the introduction on new National Living Wage, sections 1.4 and 3.2.
<https://www.gov.uk/government/publications/summer-budget-2015/summer-budget-2015>
- D. Blake: *The NLW: a sea change for the UK labour market?* March 2016.
<https://minimumwage.blog.gov.uk/2016/03/30/the-nlw-a-sea-change-for-the-uk-labour-market/>
- E. Office for Budget Responsibility (2017) *The effects of the National Living Wage*.
<https://obr.uk/box/the-effects-of-the-national-living-wage/>
- F. Low Pay Commission, *The National Minimum Wage in 2020* Upating Report 1 April 2020.
<https://www.gov.uk/government/publications/the-national-minimum-wage-in-2020>

Voluntary Living Wage

- G. *Closing the Gap: A Living Wage that means families don't go short*. The final report of the Living Wage Commission, September 2016.
<https://www.livingwage.org.uk/news/living-wage-commission-report-sept-2016-closing-gap>
- H. Living Wage Foundation website. Wage Places, accessed January 2021.
<https://www.livingwage.org.uk/living-wage-places>
- I. Cardiff Council website. Cardiff Living Wage City, accessed January 2021.
<https://www.cardiff.gov.uk/ENG/Your-Council/Strategies-plans-and-policies/Living-Wage/Pages/default.aspx>
- J. Letter from Head of the Resolution Foundation, making clear the role of Gregg in NLW and VLW and the role of LWF – building on Gregg's research - in promoting Living Wage Places, date received 27 February 2020.