The living wage

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In spite of the minimum wage, many low-paid workers continue to struggle to fund the necessities of life.

At a time when economic crisis is prompting activists to look for new ideas about the way ahead, it is useful to look back to the lessons of history. Here I explore contemporary efforts to popularise the idea of a living wage, contrasting the campaigns which flourished between the 1870s and 1920s with more recent demands. In both periods, work has been associated with ‘sweating’ - characterised by low pay, long hours and poor conditions - often in relations of subcontracted employment. This time round, however, the demand for a living wage is being made in countries as diverse as America, Bangladesh, Britain and Sri Lanka. The demand for a living wage is travelling along the sinews of the sub-contracted global economy, as workers seek to challenge the ‘real employers’ at the top of contracting chains. My argument is that the demand for a living wage can provide the means to challenge the very structure of this subcontracted economy, and to secure greater justice for those doing the work.

The first living wage campaign

The notion of a living wage first emerged in the industrial heartlands of Britain during the 1870s, as the burgeoning labour movement developed the capacity to bargain over their share of economic pie. As Sidney and Beatrice Webb argued, the early trade unions started to challenge the ‘doctrine of supply and demand’ with the ‘doctrine of a living wage’.1 Workers began to demand the wages that would allow them to buy the food, shelter and clothing needed for themselves and their families
to live. Rather than accepting that wages would be set by the vagaries of the market - the laws of supply and demand - workers were agitating for minimum standards that would allow them the means to survive.

The first full-length treatise in defence of a living wage - as far as I have been able to discover - was written in 1894 by Mark Oldroyd, when he was Liberal MP for Dewsbury, Yorkshire. Oldroyd had a textile factory employing 2500 people in the town, and from our perspective - living as we do in an age of irresponsible capitalism - it can only seem remarkable that when invited to give a lecture to the Dewsbury Pioneers Industrial Society (later the Dewsbury Co-operative Society) in December 1894, he chose the topic of the living wage. As many as one hundred and fourteen years ago, a liberal industrialist - who was also a passionate non-conformist Christian - declared: ‘A living wage must be sufficient to maintain the worker in the highest state of industrial efficiency, with decent surroundings and sufficient leisure’.2

Oldroyd declared that the living wage should provide the basic subsistence needed by a worker and his family (as would be expected, the language and arguments reflect the gender norms of the time); it should provide ‘reasonable time for recreation and rest’ as well as ‘reasonable home comforts’; and be sufficient to allow him to ‘discharge … the duties of citizenship’. The living wage was to be paid for by increased efficiency; greater consumption, which would help fuel demand; and in some cases by falling profits and/or rising prices. But Oldroyd’s argument was ethical as well as economic: the living wage was seen as a way to recognise the ‘moral worth’ of labour itself. Workers were to be afforded the dignity of providing for themselves by dint of their work.

At this time, many in the growing labour movement were particularly exercised by the effects of sweating, whereby workers were exploited beyond their capacity to recuperate. Even after long hours of arduous work they were paid less than they needed to reproduce themselves and their families. In response, political activists and social reformers began to advocate minimum standards for education, sanitation, leisure and wages, including a ‘National Minimum’ wage. These arguments prompted the government to pass the Trade Boards Act of 1909, setting new standards in a number of low-waged industries, including chain making and lace finishing, which involved many women working at home, as well as wholesale tailoring and paper-box making, where margins were low and sweating was common. In what were to become the Wages Councils after the second world war,
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these boards involved employers, worker representatives and independent assessors in setting minimum standards for wages, hours and conditions of work.

At the same time, social reformers sought to calculate the real living wage. In the early years of the twentieth century, another industrialist, Benjamin Seebohm Rowntree, son of Joseph Rowntree, Quaker, philanthropist and chocolate manufacturer, developed the tool kit for calculating the living wage, or what he called ‘the human costs of labour’. Rowntree did meticulous research in York to price the food, rent, clothing, fuel and miscellaneous items needed by a man with three children. He then advocated the extension of Trade Boards to cover each industry; these would fix wages around the new standard (35 shillings and 3 pence a week at 1914 prices for all adult men), while overseeing the industrial reforms needed to increase productivity and cover the cost. Rowntree argued that the nation depended on a living wage to ensure its workers were fit and healthy enough to work and take part in the wider community.

The demand for a living wage was then taken up as official policy by the Independent Labour Party from 1925. A living wage bill was proposed in the House of Commons in February 1931 by James Maxton MP (the subject of a biography by none other than Gordon Brown MP), and - with remarkable contemporary resonance - Maxton located the policy within the context of the curse of under-consumption. At a time of economic crisis and high unemployment, and in the wake of the general strike, Maxton and his ILP colleagues sought to focus on the politics of consumption as well as production. A living wage, they argued, would allow the population to consume ‘the essential things of life … food, better housing accommodation, better furnishing, equipment inside their home, better illumination of those homes, and better sanitation’. This, in turn, would stimulate growth, jobs and prosperity for the nation at large: putting money into the pockets of poor people was argued to be a way out of decline. In the event, though 124 Labour party MPs voted in support of the Bill, it failed to win sufficient support, and the notion of a living wage was not to resurface as a political demand in Britain until the recent call and campaign led by London Citizens since 2001.

**Whatever happened to the living wage?**

With hindsight, it is clear that during the post-war years the welfare state gradually
eclipsed the demand for a living wage. The provision of education, health, housing and pensions - together with the growth of collective bargaining and the operation of Wages Councils - relegated to the sidelines the demand for a living wage. During the twentieth century, the state tended to lay down minimum standards for pay - which have generally been less than subsistence standards - and then provided a 'top-up' depending on need and political pressure. However, by the 1970s poverty was creeping back into everyday life. In particular, those workers who had not collectivised their wage setting, and were left to the Wages Councils, had seen a relative decline in their levels of pay. Wages Councils still covered as many 3.5 million workers by the late 1970s, and most had minimum standards little better than benefit levels.

These workers stood little chance of withstanding the whirlwind of market forces that were unleashed by Mrs Thatcher's Conservative governments during the 1980s. These governments introduced market testing to the NHS and compulsory competitive tendering to local government, and enacted widespread privatisation. The market was treated as a public good. Any obstacles to the operation of market forces were opposed, and trade union reforms were accompanied by the abolition of Fair Wages in contracting in 1983, and of the Wages Councils in 1993. Wages were once more being increasingly determined by the laws of supply and demand. As was inevitable, inequality grew. Between 1977 and 1991, the share of total disposable income received by the top 20 per cent of households increased from 36 to 42 per cent. The share received by those in the lowest 60 per cent fell, while the share of the bottom 20 per cent fell from 10 to 7 per cent.4

The model of capitalism that emerged from this period is now widely known as neoliberalism, and its preferred form of employment relationship has been subcontracting, which is now common across the public and private sectors in all parts of the world. Large multinational corporations have been able to source their goods - and, increasingly, their services - from suppliers in a growing diversity of nations, getting them to tender for work and thus reduce costs. Furthermore, as economic activity and market relations have taken hold in poorer parts of the world, rates of international migration have also increased. As Douglas Massey and colleagues put it in their overview of scholarship in the field: 'International migration does not stem from a lack of economic development, but from development itself'.5 Processes of economic globalisation have extended local markets and the desire for material goods, along with the money and physical infrastructure needed to move;
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and they have also played a major role in generating the widening inequalities and
impoverishment that have further encouraged international migration. Increasing
numbers of people from the Global South and East have found their way North and
West, and Britain has become a nation of immigration rather than emigration during
the past twenty years. Many such migrants have acted as Marx said they would: they
have become a reserve army of labour, taking up degraded employment in more
affluent countries. Recent research into London's low-paid economy has exposed the
extent to which our city now depends on these migrant labour supplies; in what we
have called London's Migrant Division of Labour, a number of us working together
at Queen Mary have highlighted the extent to which sectors such as care, cleaning,
construction and hospitality are now dependent upon foreign-born staff.6

In this context, it should be no surprise that the demand for a living wage has
resurfaced in the early years of our new century. In London, the low-paid labour
market is characterised by subcontracted employment, and this has a deflationary
impact on the terms and conditions of work. People have to work long hours in low
paid jobs in order to survive. In addition, even if they have tried, trade unions have
struggled to organise amongst these workers, and have largely failed to improve the
terms of the work. However, while the living wage was championed as a means to
secure the well-being of the nation between the 1870s and the 1920s, today's call for
a living wage echoes far beyond the shores of the United Kingdom. On the one hand,
the earning levels of migrants in countries like the UK impact on the money sent home
in remittances - which now exceeds that awarded in international aid.7 On the other
hand, the demand for a living wage can also be extended to cover all those labouring
to make the goods that we buy. For these reasons the demand for a living wage has
been taken up by the movement for Corporate Social Responsibility and bodies such
as the Ethical Trading Initiative, to try to ensure some measure of justice for workers
abroad. Indeed, the campaign against sweatshops abroad has often been more vigorous
than that conducted against the practice of sweating at home.

Beyond the National Minimum Wage

When they came into power in 1997 New Labour recognised the need to tackle
low pay. The 1998 National Minimum Wage Act provided for the establishment of
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a Low Pay Commission, which now sets Britain’s National Minimum Wage (NMW). The first rate, set in April 1999, was £3.60 an hour for adults aged over 22, and covered as many as 1.2 million adults, who had an average pay rise of 10 per cent. There is evidence that the NMW has reversed half the increase in inequality of the Thatcher era without any detrimental impact on employment; and there is some evidence that it has been responsible for greater productivity, some reductions in hours, some price increases and some falls in profits. Compliance appears to have been remarkably high, and in tandem with working tax credit and child tax credit, the NMW has set new income standards for Britain. But while the NMW has clearly had a very positive impact on the incidence of low pay and income inequality, this approach has a number of limits, and there is a need to go beyond this. Outlined below are five limitations of the NMW that are particularly pertinent in the context of the subcontracted economy.

Firstly, the NMW has been set at a level determined by the market rather than Seebohm Rowntree’s concept of the ‘human needs of labour’. Section 7 of the 1998 Act requires that the Low Pay Commission consult employers’ and workers’ representative bodies in making their recommendations, and in so doing: ‘have regard to the effect of this Act on the economy of the United Kingdom as a whole and on competitiveness’. The wage reflects what the market will bear rather than what is actually required to live. At its present level of £5.73 an hour, a worker earns £230 for a 40-hour week (just under £12,000 a year) before stoppages. Recent research funded by the Joseph Rowntree Foundation has confirmed that in the UK even a single person with no dependents, living in council housing, needs £13,400 a year before tax to afford a basic but acceptable standard of living. This sum translates as £6.88 an hour, well above the NMW. London’s own living wage rate is currently £7.60 an hour - approximately £15,000 a year before stoppages; but even this is calculated on the basis of full benefit take up. Without means-tested benefits the London living wage needs to be as much as £9.85 an hour.

Many workers in London earn well below the living wage rate. The Greater London Authority puts the figure at about 1 in 5, or 400,000 people. Many of these workers have dependents to support, and they often are the only working adult in the family. As already indicated, the majority of them are migrants to the UK, and many do not have access to the benefit system. They include international students, new arrivals from central and eastern Europe and irregular migrants who
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are not eligible to claim the in-work benefits that are available to their colleagues. Even if they were paid the London living wage - which would represent a 40 per cent pay rise from the NMW - these workers would still not be earning enough money, because of this lack of support. As a result many work long hours, take up second or third jobs and share their accommodation with others. I will never forget interviewing one woman from the Caribbean who cleaned at Canary Wharf from 9pm at night, then cleaned a hospital every morning and then managed to look after some elderly people in the evening before returning to Canary Wharf to clean. This woman had a herculean appetite for work, sleeping only at the weekend and always falling asleep on the tube going home. She had a young son at home, and had had a stroke during the previous year. Many other workers we have spoken to are similarly overstretched, studying during the day and working at night. The NMW is not sufficient to keep workers out of poverty, particularly if they have no access to the benefit system.

The second argument against the current system is that it involves a huge subsidy to very wealthy employers. While subcontracting - and the attendant competition for contracts - has kept margins and wages low for key services and workers alike, it is the clients of the subcontractors who have really benefited. It is easy to blame the contractors, but many of them are themselves forced into a downward spiral of competition for tenders that makes it impossible to offer better wages even if they wanted to. In contrast, large private companies - some of them posting eye-watering profits - have saved money by subcontracting their catering, cleaning and security operations and/or by sourcing their goods from suppliers abroad. Low-paid workers have been sweated in the interests of these companies, and where they have been eligible the state has assisted by topping up their pay to reflect their real needs: tax credits cost as much as £20 billion in 2007/8. This is all the more galling in that - while low-paid workers and tax-payers are subsidising them - these same corporations are avoiding their tax liabilities. The National Audit Office has indicated that in 2006 more than 60 per cent of Britain's 700 biggest companies paid less than £10m corporation tax, and 30 per cent paid nothing. The TUC have estimated that the 'tax gap' is as high as £12bn - equivalent to around 480 new schools, 300 hospitals or more than 1.3m new nursery places.¹⁰

In addition, the Migrant Division of Labour means that the clients of the subcontractors are also subsidised by foreign nations. The Ghanaian and Polish
governments - to take an example of two countries whose workers feature heavily among low-paid migrants - have funded their education and health systems, however marginally, only to see their best and brightest depart. Doreen Massey has written powerfully about the way in which London is made through its relationships to the rest of the world; and the exploitation of cheap foreign labour - in situ or in London - is a critical part of this process.11 As she suggests, the wealth of our city depends on its geographical relationships with the rest of the world. Paying a living wage would begin to address some of the responsibilities that should come with our wealth, not least because some of the money would be remitted back home.

A third criticism of the subcontracting system and its reliance on cheap labour is the effect it has in the public sector. The subcontracting practices deployed there to save money simultaneously contradict the core aims of the bodies involved. The public sector is designed to improve the collective good in some way - to improve the health of the nation, to foster community cohesion, to educate future generations - and yet, by supporting employment systems that perpetuate low pay and poor conditions of work, these organisations are creating many of the problems they purport to prevent. In our research we have interviewed hospital cleaners who don't get sick pay and go to work when they are sick; we have met people who have young children at home and yet work two jobs in care and hospital cleaning so they can put food on the table, thus missing out on homework and life after school; and we have spoken to carers who are working long hours looking after other people's families while neglecting their own. Just as in the 1890s, the low-paid economy has costs for the wider community. Improving the quality of low-paid employment - and efforts to tackle the effects of subcontracting in particular - would contribute to the core goals of social inclusion, ending child poverty and re-skilling the nation. It is impossible to overstate how important this is. Recent months have seen the violent deaths of more than twenty young people in London, and it is no coincidence that these crimes take place in the poorest and most excluded communities. Respecting and rewarding low-paid workers would have dramatic knock-on effects in our poorest communities. Experience at Queen Mary suggests that it would also improve the quality of the work that is done.12

This relates to a fourth issue - which is probably the most important matter of all. The combination of subcontracting and state intervention to set minimum standards makes it much easier for employers to avoid their moral responsibility for
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the conditions of work. Subcontracting means that many large private and public bodies have no relationship with the people on whom they depend. In contrast with Mark Oldroyd or the Rowntrees, our business leaders and public officials appear to feel no responsibility for the people doing their work. The absence of an employment contract severs any moral contract between ‘real employers’ and workers. The workers might be down the corridor cleaning the loo or they might be thousands of miles away at the end of a complex supply chain sewing jeans in a factory in a free trade zone, but they no longer feature in the consciousness of the people that benefit from their work. As London Citizens found in the early days of the living wage campaign in London, most ‘real employers’ are happy to leave their staff to the contractor and the laws of the market.

This divorce between those who generate wealth and those who accumulate it is a critical factor in the moral malaise in our society today. A freedom of information enquiry by the Evening Standard during 2007 revealed that only 65 of the 400-odd people thought to ‘earn’ at least £10 million a year declared their income for the purpose of tax. Many of the richest people in Britain now pay less tax than the cleaners whom they choose to ignore. They are able to justify this, in part, because they have no connection to the people they really employ and the society in which the rest of us live.

This abdication of responsibility is further reinforced by our collective view of the state. Since the early years of the twentieth century, progressives have tended to make demands on the state. Led by the Fabians, people have assumed that our problems can be dealt with by some part of the government’s machinery. But even if this were true, this mindset has devastating psychological consequences. It allows us to avoid our responsibility for the systems of which we are part. Many of our lowest paid workers are neglected just because no-one thinks about them and their conditions of work. In our everyday lives, we all take the labour of poor workers for granted. The demand for a living wage asks the real employers to take responsibility for the people doing their work, and it calls upon all of us to reflect on the prices of the consumer goods and services that we buy, as well as the wages of the people cleaning our workplace.

The fifth key problem arising from the prevalence of subcontracted capitalism is that it means that the people who have a direct interest in challenging low pay have little power to change it. Between 2005 and 2007 we interviewed more than 400
migrant workers in low paid employment in London and found that while almost all were receiving the NMW (bar some hospitality workers who were paid to clean by the room), only 7 per cent were paid the living wage or above. Most had just 20 days paid holiday (including 8 bank holidays), very few had access to occupational sick pay or a pension, and only a quarter reported having an annual pay rise.13 These workers were ‘sweated’: they worked hard for wages that did not allow them the minimum standards needed to live. Yet while subcontracting, low pay and poor conditions of work provide reasons to organise, they also make it much harder to win battles. In relationships of subcontracted capitalism, those with the real power over the contracting process - the ultimate employers of all those involved in any particular supply chain or business operation - are generally not accessible to those doing the work. Meaningful collective bargaining is impossible. Even if workers did get organised, join a union and improve their terms and conditions of work, they would in all likelihood price themselves out of a job. To effectively recalibrate the terms and conditions of employment requires that workers get to the ‘real employers’ at the top of contracting chains.14

It is not only migrant workers who suffer in this system. Linda McDowell has written movingly about the young men who leave school without qualifications and find they have to grapple with the low-paid subcontracted service economy to find their way in the world.15 Our society now offers little to young people who aren’t able or willing to stay on in education. There is little opportunity or respect for the people who have to try to make a living from manual work. Any effort to make bad jobs better would help this group, just as it might be a better way to entice the unemployed back into work than cutting benefits. It would clearly also help those migrants already doing the jobs, even if it slowed down demand for such migrant labour in future. The demand for a living wage thus makes it possible to construct a broad coalition to secure such reform, trying to enforce responsibility on those employers who are more than able to pay.

What is being done?

London Citizens - a broad-based alliance of faith, labour and educational organisations - launched a living wage campaign in April 2001. This arose partly through the experience of sister organisations across the Atlantic - notably in
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Baltimore - where the living wage movement took off during the mid-1990s, but it also arose from the very structure of London’s economy. Member organisations of London Citizens - many of them populated by the migrant communities on which London has come to rely - raised the issues of low pay and subcontracting as their major concerns. Their members had no time to volunteer, no time for family life, and were ground down by the very nature of work.

Just like Seebohm Rowntree almost a hundred years ago, the campaign began by calculating a new living wage. Once this was done, the campaign sought to target the ‘real employers’ who could or should pay: the accountants, banks, consultants, legal organisations, hospitals, hotels, universities, charities and art galleries. London Citizens’ alliance of more than one hundred different groups - including my own university department - worked together to try to mobilise workers within any contracted labour force alongside their allies in the community to demand improvements in the terms and conditions of work. To date, the campaign has secured living wage agreements that cover almost 6000 workers, redistributing millions of pounds to the poor.

More than just targeting particular employers, however - and the latest targets are universities and luxury hotels in the build-up to the Olympics in 2012 - this campaign has also been part of a wider effort to remake the city itself. London Citizens seeks to empower poor communities and teach active citizenship through political campaigns. While low-wage workers are part of this movement - and some branches of the trade unions UNISON and Unite (T&G) have been actively involved through the living wage campaign - they are not left to do battle alone. The coalition has effectively allowed the ‘scaling-up’ of workers’ issues to the level of the wider community. The institutional infrastructure of organisations such as the Roman Catholic Church, the intellectual resources of universities, and the political machinery of London’s government have been mobilised in pursuit of a living wage, along with demands for the regularisation of migrants, social housing and community safety. The alliance has generated sufficient power to call London’s business leaders and politicians to account for the state of the city at large.

There are strong historical echoes to this latest campaign. The first wave of agitation for a living wage was the cry of an emergent social movement. The demand for a living wage involved a coalition of voices including trade unionists, political activists, faith leaders and intellectuals. While demands were made for a just wage,
activists used a variety of different mechanisms to secure this goal. The trade unions sought to bargain for better wages; social reformers like Booth and Rowntree provided the research material; the Webbs and others advocated government action to pay a National Minimum; and yet others exercised their political power to ensure that fair wages were paid. As early as 1889 this movement had sufficient political muscle to ensure that the London School Board, Nottingham Corporation and London County Council had adopted fair wages clauses in their contracting procedures. Tower Hamlets Liberal MP Sydney Buxton introduced a similar proposal in the House of Commons in 1891, and as many as 48 county boroughs, 54 non-county boroughs and 116 other urban districts enacted fair wages clauses in their contracts by 1898. The emergent labour movement was able to use its rising economic and political power to secure increases in pay.

A victim of its own success, and in the face of intense economic restructuring and the anti-union laws of the 1980s, this broad church of the socialist and labour movement gradually disintegrated during the latter years of the twentieth century. As is well documented, the Labour Party became New Labour, and the trade unions became increasingly focused on the interests of their members rather than the wider community of which they were part. The faith groups were victims of secularisation, and the academics stopped raising their voice. As a result, poor workers without collective organisation have tended to remain poor, and those without collective muscle have tended to remain powerless. Jobs such as cleaning and hospitality - long carried out by women and now often filled by migrants - were simply neglected. London Citizens has been filling a vacuum left by the left, and the living wage campaign has facilitated the alliance building needed to effect social change.

Against all the odds, London Citizens has proved that it is possible to tackle the subcontracted low wage economy and its political consequences. The campaign has fostered solidarity across incredible diversity, including class, faith, culture and generation, and in so doing it has raised the spectre of a different kind of moral economy. I end with the words of Professor Leonard Trelawny Hobhouse, the first British Professor of Sociology, appointed to a chair at the LSE in 1907. Here he is speaking about the living wage at the Inter-Dominational Summer School, Swanwick, Derbyshire, in the summer of 1913. His words resonate strongly with our situation today. History tells us that there is great scope in agitating for a living wage during a time of recession, seeking to reward the poor as a route to recovery.
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As Hobhouse declared:

A society in which a large proportion of honest and industrious workers are unable to secure continuous employment at a wage which will maintain a family in a condition compatible with the requirements of physical health is fundamentally an ill-organised society; it has failed to secure a primary condition of healthy social life, and a society which sits down passively under such conditions and lets them alone is not only an ill-organised society but one which has lost faith in itself or is dead to its responsibilities. Hence it is that the problem of the living wage lies at the foundation of social life.17

Notes

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