

# UK: Campaign for “living wage” conceals falling pay rates

Barry Mason

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Last week was designated a “celebration” of the so-called living wage in the United Kingdom, with new rates defining the pay rate announced on November 4.

From this date, the figure for a living wage was put at £7.65 an hour for those living outside London and £8.80 for those within the capital. This is an increase of just 20 pence and 25 pence, respectively. In addition, the living wage has no statutory basis, and any employer operating the scheme does so on a voluntary basis. To date, only 432 employers nationwide have signed up. It is estimated that at the current rate of firms joining the scheme, with around 4.5 million employers in the UK, it would take 450 years for all employers to adopt the scheme.

The concept of a living wage was initiated in 2001 by the Living Wage Foundation, part of the Citizens UK group, which describes itself as a “powerful alliance of local Community Organising groups in London, Birmingham, Cardiff, Milton Keynes and Nottingham.”

Organisations operating within it include trade unions that have done nothing for years to oppose the erosion of wage rates, along with churches, mosques and housing associations.

The Living Wage Foundation on its web page boasts that it has “cross party support, with public backing from the Prime Minister and the Leader of the Opposition. Paying the Living Wage is good for business, good for the individual and good for society.”

Set just £1.34 above the official minimum wage, the wage is portrayed as a means of overcoming poverty, without entailing any commitment whatsoever on the part of those who claim to support it. Given the skyrocketing cost of living, moreover, the “living wage” is nothing of the sort.

The current living wage figure—based on a 37-hour week—would give a weekly wage of just £283. It is

supposedly calculated on the basis of how much is needed to cover the basic needs, including food, heating and accommodation. In reality, there has been a 35 percent increase in the cost of basic foodstuffs since 2008, a doubling of energy bills since 2000 and a rise in rents by 9.2 percent in the last year alone. According to the Joseph Rowntree Foundation, minimum household budgets have risen by 45 percent in a decade.

It estimates that single people need to earn at least £16,850 a year before tax in 2013 for a minimum acceptable living standard, and couples with two children need to earn at least £19,400 each. The living wage translates to just £14,716.

The new rates were announced at Great Ormond Street Hospital in London, when it became the 432nd employer to sign up to the Living Wage scheme. Boris Johnson, Conservative mayor of London, speaking at the launch, claimed he was happy with concept of a Living Wage while being a “believer in capitalism”.

The living wage is being adopted as an electoral ploy. Labour Party leader Ed Miliband has taken up the issue and has pledged to give firms introducing a living wage a tax rebate of up to £1,000 if elected to office in 2015. However, it would be on a voluntary rather than a statutory basis. This was welcomed by John Cridland, director general of the Confederation of British Industry (CBI). He welcomed the concept of a carrot to “incentivise”, but went on to warn it could lead to price increases.

Sections of the Labour Party are urging Miliband to make the living wage commitment a central feature of his campaign leading up to the 2015 General Election. The labourist website called on Labour to turn the “minimum wage into a ‘living wage’ by 2020,” for example. This “could be an exemplar of responsible

capitalism, with good employers leading the way and Government nudging the others to play catch-up over a five year period,” it claimed.

Behind all the posturing, however, the Conservative-Liberal Democrat government is implementing draconian austerity measures, including the imposition of pay freezes and pay cuts. Miliband has also made it clear that Labour will continue to do the same if it came into government.

The result is a decline in existing wage rates. According to the Office for National Statistics, the median wage fell this year to £359 per week from the previous year’s £373.

Figures released this month show that the number of people living below the living wage figure has increased by 400,000 over the last year to around 5 million people.

A report by KPMG, the auditing and business services company, shows that one in five workers are earning less than the living wage. Whilst proportionally the figures are highest outside the capital, in terms of absolute numbers London and the South East have some of the highest numbers earning below the living wage, with 570,000 in London and 530,000 in the South East.

The report details the industries paying very low wages. Proportionally, these are bar staff and waiters/waitresses, with 90 percent and 85 percent, respectively. In absolute terms, retail workers and cleaners are amongst the lowest paid, with 780,000 for retail staff and 440,000 for cleaners.

These are the employment sectors that account for nearly 80 percent of net job creation since June 2010, according to a survey by the Trades Union Congress earlier this year.

Of a 598,000 net rise in jobs, 77 percent were in the low-pay sector, where the average hourly wage is £7.95 or less. Just one in five net new jobs were in sectors deemed high-paying—such as computer programming, consultancy and related services industries. The “middle-paid industries”, the report stated, which account for almost three-quarters of the UK workforce, had seen no net job creation in the last three years.

The minimum wage—introduced by Labour in 1999—has been a key mechanism for pushing down wages.

A recent Resolution Foundation report showed that

the National Minimum Wage (NMW), currently set at £6.31 an hour for adults, is becoming embedded as a standard rate. It noted in conclusion that “there is now concern about the size of Britain’s NMW workforce. This raises the vital question of the proportion of people who have been at the NMW for an extended period of time, rather than new entrants to the workforce. The evidence...suggests that 320,000 people did not progress beyond the lowest paid jobs in the previous five years. This makes up around 17 percent of the NMW workforce.”

On Monday, it was revealed that many employers do not pay the minimum wage, with several not paying any wages at all. According to the *Guardian*, the HM Revenue and Customs had sent letters to 200 businesses who had advertised for unpaid internships, warning that they could be liable for fines over breaching minimum wage rules. High unemployment is seeing increasing numbers of young people taking unpaid work on a promise of a job at a future point. HMRC said that since April, it had already issued penalties to 466 employers.



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