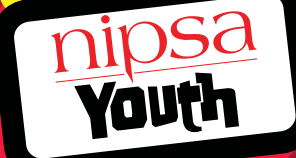


# E-BLAST



NIPSA Youth E-zine

June 2017

## Reality of the Living Wage

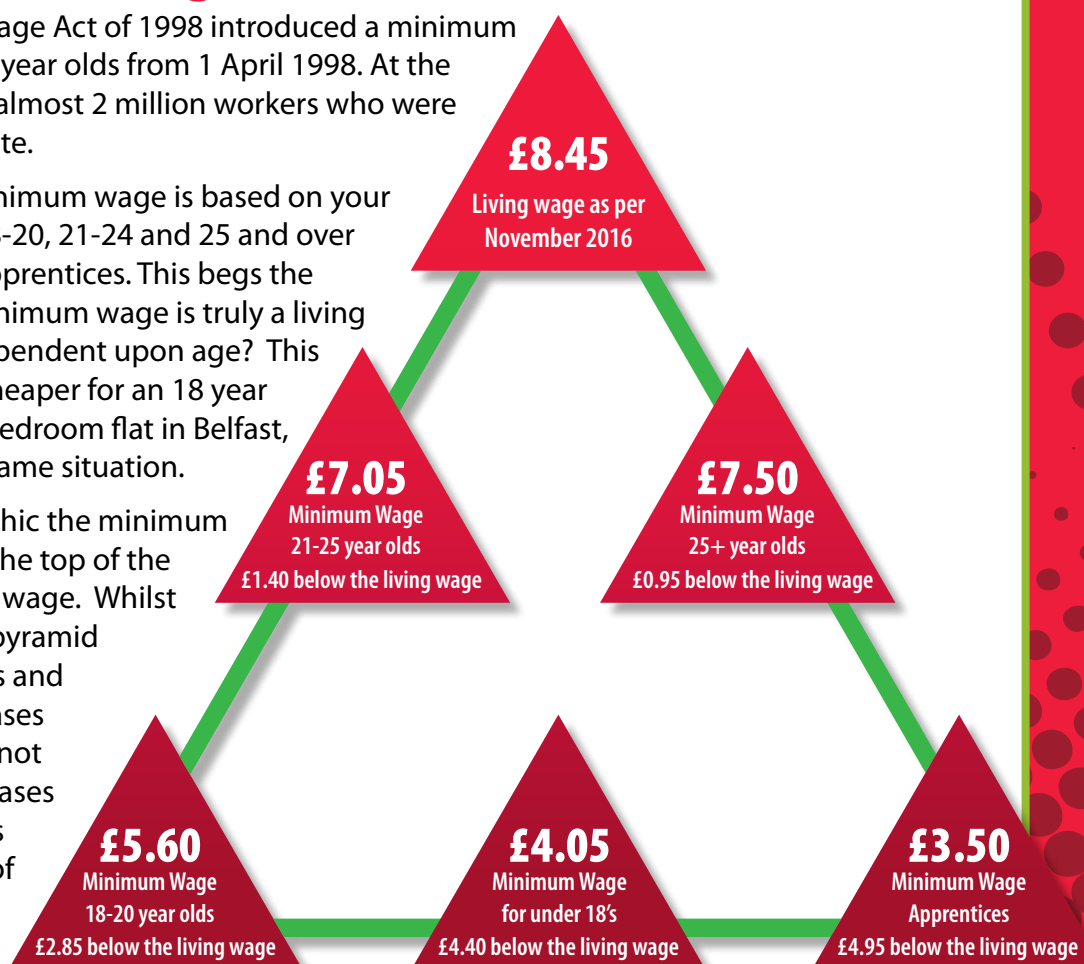
With the National Minimum Wage increase to £7.50 per hour from April, many young workers were delighted they are getting a pay increase to what they believe is the living wage. In this article we hope to look at the reality of the living wage and whether the new national minimum wage cuts it in the real world.

### National Minimum Wage

The National Minimum Wage Act of 1998 introduced a minimum wage of £3.60 for over 21 year olds from 1 April 1998. At the time this impacted upon almost 2 million workers who were getting paid below this rate.

Currently the national minimum wage is based on your age bracket - under 18, 18-20, 21-24 and 25 and over with a separate rate for apprentices. This begs the question if the current minimum wage is truly a living wage, how can this be dependent upon age? This would suggest that it is cheaper for an 18 year old living alone in a one bedroom flat in Belfast, than a 25 year old in the same situation.

As you can see in the graphic the minimum wage still remains below the top of the pyramid goal of the living wage. Whilst workers can work up the pyramid as they move age brackets and the minimum wage increases on an annual basis, this is not proportionate to the increases in the cost of living. In this context reaching the top of the living wage pyramid is unachievable.



With the introduction of the national minimum wage it was assumed that all workers were then placed on the minimum wage and increased as they moved into a different age bracket. Unfortunately this is not the case. Since the introduction of the minimum wage there have consistently been employers unscrupulous enough to attempt to undermine it. This is done in a variety of extremely creative ways such as, "forgetting" to increase your wage when you go up an age bracket, counting tips towards your final salary or most worryingly of all offering staff below minimum wage to work cash in hand and effectively sell off their rights as workers.

**17**

Number of Northern Ireland Employers found to be paying below the minimum wage

Last year in Northern Ireland alone 219 workers were underpaid a total of £60,283.43 by 17 companies failing to pay the national minimum wage.

**219**

Amount of workers underpaid by the 17 employers

**£60,283.43**

Amount in total underpaid by the 17 employers

**£275.27**

Average loss per worker paid below the minimum wage

This averages out for each affected worker losing £275.27 last year.

## The Living wage

With the most recent increase in the national minimum wage, the term 'living wage' has been used a lot by governments, employers and various other individuals.

**£8.45**

Living Wage as of November 2016

The living wage as it is being sold to us is currently £7.50 per hour, but is that a true living wage?

Currently the Living Wage Commission places the value at £8.45 (outside of London). This equates to a difference of 95p per hour, for someone working a 40 hour week this equates to their annual salary being £1,976 below the living wage. This gap is only expected to rise as the Living Wage Commission makes its calculations each November, so the current level is based on 2016's calculation.

# The Case for the Living Wage

## Benefits to Workers

Paying workers the living wage will have numerous benefits to the workers themselves. These include increased financial stability, ability for financial planning and the possibility of leading a more independent, stable life.

As previously mentioned individuals who are currently being paid the national minimum wage are living approximately £2,000 below what they need financially to survive. This has seen a growing reliance on credit. As a large proportion of jobs which pay the minimum wage are in precarious industries such as hospitality and retail, traditional forms of credit such as bank overdrafts are not available. This has led to a growing reliance on high interest, high risk credit solutions such as payday or doorstep loans.

If the living wage were to be paid to these workers it would dramatically reduce, if not completely negate, the need for these high risk creditors.

## Benefits to Employers

In the UK a number of employers have been extremely proactive in paying their workers the living wage and advocate other businesses doing the same.

However so long as there has been a minimum wage there have been those seeking to argue against it. Certain interests within the business community have long made numerous arguments both in opposition to the minimum wage itself and to increasing it appropriately. The same arguments deployed against paying workers the living wage normally revolve around the financial implications to the employer and increased staffing costs that could lead to compulsory redundancy due to the expanding wage bill etc.

Contrary to these arguments there are many accepted positives to paying workers the living wage and the benefits to the employer and employee are well documented. Employers paying the living wage have reported improvements in quality of work, reductions in absenteeism and staff turnover and a stronger corporate reputation.

Living wage employers have reported:

- A 25% average reduction in staff turnover;
- 80% of living wage employers reported staff performance improvements;
- 70% of living wage employers reported improved brand consumer awareness.

## Benefits to the Economy

The current National Living Wage is £7.50 for over 25's. The real cost of living wage for Northern Ireland is £8.45; this is calculated according to the cost of living based on everyday household goods and services.

If the real Living Wage was paid this would create jobs and an increase in wages would allow for additional spending and also lead to tax and benefit savings.

Tax credits account for 14% of all welfare spending in the UK. These are paid to people in work which has allowed employers to get away with paying low wages. Paying the real Living Wage would increase household spending; this would benefit small businesses who could pass on the benefit by increasing staff wages. Paying the living wage would be an important step towards tackling poverty and improving the lives of poor families.

The Northern Ireland Council for Voluntary Action (NICVA) estimated that had the National Living Wage been in effect in 2012, 173,000 workers in Northern Ireland would have received an additional £221 million in gross wages. The Exchequer would have received £88 million through increased direct taxes and reduced benefits and tax credit payments. Consumption would have been boosted by around £132 million.

Paying the real Living Wage would allow additional spending on a number of goods and services such as: transport, food/non-alcoholic drinks, recreation/culture, housing, fuel, power, restaurants and hotels therefore leading to a boost in the economy and a boost for small businesses and creating additional local jobs.

An increase in pay for low paid workers can boost the economy as any money earned is circulated straight back into the economy. A permanent pay rise brings about financial security that allows families to make long-term investments in their lives, also boosting the economy. Paying all workers a living wage means redistributing the amount of money available elsewhere in the economy. Low paid work traps children of poor families into a cycle of poverty that is passed down through generations.

Some employers choose to pay the real Living Wage on a voluntary basis. Paying a wage that is enough to live on is good for business, good for the individual and society.

## Summary

Given the arguments outlined above it becomes even harder to believe that those in business and government still seek to pay workers, mostly young workers, below the living wage. However this is the reality we are faced with today.

NIPSA Youth believes that this important topic should be at the forefront of trade union campaigning especially for youth committees and young trade unionists as individuals.

This publication is not just about highlighting the issue and publicising the facts. We intend that it is a 'living' document for young activists – one that kick-starts NIPSA Youth's work within the wider trade union movement on this issue.

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**or email: [geraldine.alexander@nipsa.org.uk](mailto:geraldine.alexander@nipsa.org.uk)**

