

Housing & Regeneration Scrutiny Sub-Committee Meeting

26th November 2019

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Background



London living wage (LLW)

- Currently £10.75 per hour, Set by MoL Sadiq Khan
- Regulated by Living Wage Foundation
- First established in Tower Hamlets in 2010
- Voluntary – although there are manifesto commitments in all parties
- Nationally 6000 employers are accredited living wage employers
- 102 accredited LLW employers in Tower Hamlets - incl. KPMG , QMUL and Mind
- 2 Boroughs using business rates incentives Brent and Lewisham

Current Position

- 20% of residents in tower hamlets earn less than the LLW, 35k of total number of working residents (174k)
- Average wage in borough £780 a week distorted by Canary Wharf and Aldgate
- 12,700 households are workless - Nomis
- 15% of jobs are taken by residents living in the borough
- c. 102 LLW employers in Tower Hamlets, one of the highest in London, although not an accurate assessment of employers paying over LLW
- Mayors manifesto commitment – campaign to promote LLW

What are we doing?



1. GED Local Strategic Partnership sub group – overall ambition to improve local economy in partnership
 - Exploring innovative opportunities to promote ‘good jobs’
 - Jointly consider partnership campaign to promote LLW
2. Work path jobs supported c.50% getting LLW
 - Accessing development opportunities
3. Planning route
 - Use of s106 agreements/lease arrangement not legal and often not the end user
4. Commissioning
 - LLW included as a procurement clause in contracts awarded, although gaps exist in monitoring arrangements
5. Range of initiatives as part of the tackling poverty programme
 - Ensuring maximisation of residents household income
6. Range of business rate incentives and discounts
 - 7 existing initiatives for businesses reductions

Essential issue – How we improve the uptake of LLW



Summary of challenges and risks



- Challenges

- Maximising the impact of the LLW
- Nudging business to sign up to LLW
- Business of all sizes already paying
- Business reluctant to be confined by other terms and conditions
- Costly for small business
- Little evidence of economic benefit to businesses
- Mainly social
- Only impacts 15% of residents

LLW policy development - What are the options?



Option 1 - Pay 5 years of accreditation fees

- Paid as discount in business rates
- Tackling poverty budget to pay for income lost
- Can't cap payments open to all irrespective of size
- Business rates mechanism – reduce payments accordingly
- Shared cost with GLA and government

Maximum discount	Min no of businesses	Max no of Bus	Cost to council from 1/4/20 48%	Cost to GLA & Central Govt 52%	Maximum Total investment
£6,000	13	260	£37440	£40560	£78,000

Options (continued)



- Option 2 - Use tackling poverty budget as a direct mechanism – pay business that accredit a predetermined sum set by us
 - Capped once budget spent
- Option 3 - Pay balance of salary costs
 - Too expensive
 - Skew markets
- Option 4 - increase compliance through monitoring of commissioned services
- Option 5 – other options may emerge through process

Benefits of LLW



- enhanced the organisation's reputation as an employer 86%
- differentiated the organisation from others in the same industry 64%
- improved relations between staff and managers 58%
- increased commitment and motivation of Living Wage employees 57%
- improved recruitment of employees into jobs covered by the Living Wage 53%
- Source Living Wage Foundation

Social benefits- quotes



IKEA

“Introducing the Living Wage Is not only the right thing to do for our co-workers; It also makes good business sense. This is a long-term investment in our people based on our values and our belief that a team with good compensation and working conditions is in a position to provide a great experience to our customers

LLW policy development – Next steps



Meeting	Date
Directorate Leadership Team	January 2020
Corporate Leadership Team	February 2020
Mayor's Advisory Board	February 2020
Cabinet	March 2020 (tbc)

Any Questions?



- What do members think are the key areas that need to be addressed in the policy?
- How else can we promote the benefits of LLW to small businesses?