

11. The Living Wage

Basic Information

Title	The Living Wage
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Status of Paper	Final
Resolution/s	Set out in Section 10: that the Living Wage should be implemented throughout the Methodist Church as soon as possible. A number of transitional recommendations are also included.

Summary of Content

Subject and Aims	To set out the background to and results of a study into the potential impact of implementing the Living Wage throughout the Connexion and to make recommendations.
Main Points	Background to the Living Wage. Nature of the research completed. Results of the study. Other findings relating to the Living Wage. Description of people being paid below the Living Wage. Costs of implementing the Living Wage. Projects where immediate payment of the Living Wage would lead to redundancies. Effect of the Living Wage on Benefit Entitlements. Employment contracts. Recommendations approved by SRC.
Background Context and Relevant Documents (with function)	Methodist Council April 2009 (Minute 09.2.11): <i>The Council notes that the 2007 Conference Resolution on Lay Employee salaries, commending a minimum "Living Wage", did not have an implementation date. Mindful of our obligation as Christians to be ethical and responsible employers, the Council directs that the Connexional Team investigate the impact of making the Church Action on Poverty Living Wage a mandatory minimum for Methodist Church Lay Employee contracts, and report to the February 2010 meeting of the Methodist Council with a view to bringing an appropriate resolution to the Conference in 2010.</i>

11. The Living Wage

Impact	The proposal will ensure that all workers are remunerated in line with the decisions of the Conference and the ethos of the Church. The detailed financial impacts are discussed in the text and a number of transitional recommendations are suggested to ameliorate negative impacts.
Risk	There may be some risk of churches having difficulty maintaining necessary support staff as well as complying with the recommendations. Not implementing the Living Wage promptly potentially damages the reputation of the Methodist Church, suggesting an employment policy out of line with its ethical position.

1. Background to this Paper

1.1 The government has set a Minimum Wage below which it is illegal to pay any workers. The adult rate at the time of the Connexional research study below was £5.73 per hour. This is the figure used in the analyses that follow. The Minimum Wage for adults has subsequently been raised to £5.80 per hour (with effect from 1 October 2009) with further changes announced in the April 2009 budget. The government sets this using the advice of the Low Pay Commission often setting the level lower than that recommended. The Commission's remit does not include any reference to the welfare of those being paid Minimum Wage, but instead is concerned with optimising labour supply figures.

1.2 The Living Wage is defined as the minimum hourly wage necessary for one person's basic needs (such as food, clothing, utilities, transport, health care, and recreation) for an extended period of time assuming that person works 40 hours a week and has no additional income. The rate at the time of this study is £7.45 in London and £7¹ anywhere else in the UK. Wages below this level do not allow the recipient to live and

engage in society fully. A number of organisations such as Church Action on Poverty (CAP) and London Citizens declare those who employ at rates below Living Wage to be exploitative. The figure we use is set by CAP based on regular research into standards of living performed by the Joseph Rowntree Foundation and others.

1.3 The arguments for the Living Wage are based around practical need. It is also seen by faith based organisations as a clear demonstration of their commitment to treat people with the dignity and respect that they deserve. It is viewed as important that full time honest labour is sufficient to allow a person to stay out of poverty.

1.4 In 2007 the Methodist Conference decided that the Methodist Church², in common with a number of partner Churches, should pay all people employed by a District, Circuit or Local Church the Living Wage and has publicly committed to doing so.

1.5 The remit of this paper, under the direction of the Methodist Council,³ is to assess the impact and practicalities of implementing the Living Wage throughout the Connexion. A study

¹ This is the expected rise to £7.60 and £7.14 in the next Connexional Year in line with the CAP London Mayor's Office and London Citizens' revised rates.

² Conference Agenda 2007, Item 30; Paragraph 3.2.1 states: *The "Living Wage" as recommended by Church Action on Poverty should form the minimum basic salary for people employed by a District, Circuit or Local Church.*

³ The April 2009 meeting of the Council stated: *The Council notes that the 2007 Conference Resolution on Lay Employee salaries, commending a minimum "Living Wage", did not have an implementation date. Mindful of our obligation as Christians to be ethical and responsible employers, the Council directs that the Connexional Team investigate the impact of making the Church Action on Poverty Living Wage a mandatory minimum for Methodist Church Lay Employee contracts, and report to the February 2010 meeting of the Methodist Council with a view to bringing an appropriate resolution to the Conference in 2010. (Minutes 09.2.11)*

11. The Living Wage

into the costs of implementation was performed and its results and consequent recommendations were presented to both SRC and Council. Section 10 presents these approved recommendations.

- 1.6 “Putting our money where our mouth is – A lay person’s guide to the Living Wage and the Methodist Church” can be found in Appendix A. This was written to set out in simple and accessible terms the history and the moral case for the Living Wage. As the Conference in 2007 decided that the Methodist Church should become a Living Wage employer, these matters are not discussed in detail in the main text, but some members of the Conference may find this Appendix useful.

2. Research Study

- 2.1 The research study was designed to look at awareness of and compliance with the Living Wage within Methodist churches (including LEPs).
- 2.2 Churches were contacted between June and September and asked to

give details of all paid staff. Clergy were not included as they are paid on a nationally determined standard rate which is greatly in excess of the Living Wage. Churches were selected randomly but stratified for church type, in line with our statistical collection (village, rural etc.).

- 2.3 Due to time constraints and limitations on data collection over the summer, when church officers were unavailable to answer questions, only a preliminary study was completed. The preliminary study was designed to have sufficient statistical power to show general trends in the complete population of all Methodist churches and provide guidance for directing a larger study⁴. As such it does not have a high resolution or allow reliable analysis of the data by church type or location.

3. Results from Study

- 3.1 In our sample 56% of churches were involved in employing a lay person in some capacity, and over 90% of church officers responding were aware of the Living Wage.

Table 1a and b.

a. All Methodist churches.

	% of all churches
No paid staff	44
Pay Living Wage	40
Pay below Living Wage	16

b. Only churches with paid staff.

	% churches	% employees
Pay Living Wage	71	81
Pay below Living Wage	29	19

Table 1. Showing the proportions of Methodist churches with paid staff and

the proportion that already pay at least the Living Wage. Table a. presents data for all

⁴ The study sample size was calculated to give data points with a confidence interval of 80%, with β value of 50%.

churches, while table b. only includes data from the subset of churches which have paid staff.

3.2 The study has also shown that non-Living Wage employers tend to employ only one individual, whereas those who employ more than one person tend to pay Living Wage. There was only one exception to this rule in our survey.

3.3 Telephone discussions following the initial survey support the observation that those not being paid the Living Wage work substantially fewer hours than those being paid over Living Wage.

4. Other findings related to payment of people working in Methodist churches.

4.1 It was found to be common practice to pay individuals “honorariums” in recognition of their work. While this practice presents legal difficulties in terms both of the Minimum Wage Act (1998) and HM Revenue and Customs, the receivers of “honorariums” were considered to be volunteers for the purposes of this study.

4.2 20% of workers assessed were paid either all or in part by subsidised accommodation. Again while this may not be best practice in terms of remuneration of employees, the total cash value (estimated by rental value) of the whole remuneration package was used to determine compliance with Living Wage.

4.3 In our survey some churches contracted out cleaning services. The employees of the contractors were all paid above the Living Wage.

4.4 There was some evidence of non-compliance with Minimum Wage legislation. This has been immediately followed up.

4.5 Issues relating to honoraria and non-compliance with rules around Minimum Wage and Benefits in Kind have been identified within this survey. The necessity to explore these in further detail is clear and further work within the Team will be designed to address this.

5. Description of people being paid below the Living Wage.

5.1 This study is not large enough to give a definitive description of the type of employment in the Methodist Church which attracts a salary below Living Wage. The data collected is however highly consistent with work undertaken by other Church organisations such as CAP, Housing Justice and some dioceses of the Church of England. We can say with some confidence that our low paid workers are:

- often employed for a very limited number of hours;
- majority women;
- normally not with pastoral or leadership responsibility;
- often concerned with maintenance of fabric of church (caretakers/cleaners);

11. The Living Wage

- commonly in “retail” type jobs such as shop manager/cafe worker;
- commonly working a number of jobs, or with caring commitments as well as their church work.

6. Costs of implementation of the Living Wage.

6.1 As stated above, a larger study would be required to give an accurate total cost to the whole Church with a satisfactory degree of reliability. As these appointments are made and paid for locally it may be more appropriate to look at the costs to an individual employer.

6.2 The worst case scenario for any one employer is that a full time worker on minimum wage will have to become a full time worker on the Living Wage. This equates to an increased wage bill of £1.27 per hour or £50.80 per week for a 40 hour week. The annual wage would go from £11,918 to £14,560.

6.3 As discussed above, while a full-time Minimum Wage worker may be employed by a Methodist church, our survey did not find any and they are not typical of low paid church employees. This suggests that the scenario in 6.2 above would be rare.

6.4 Implementation of the Living Wage will affect up to 16% of Methodist churches: those which employ staff and pay below the Living Wage. In those churches surveyed, if the Living Wage were applied, the largest

increase in wage bill for any one church would be £12.70 per week. The lowest increase in affected churches would be £3 per week. We estimate that for the vast majority of affected churches the increased wage bill would be in the range of £3–£13. There will be a small number of churches with special circumstances such that their increase will be substantially more.

6.5 Our data also suggests that employers who pay less than the Living Wage tend to employ only one individual and for a small number of hours per week. This also suggests that the vast majority of churches affected by full implementation of the Living Wage will have only small amounts added to their wage bill.

6.6 It should be noted that in most cases where the extra money cannot be found a reduction in hours would maintain the worker’s income and secure some of the services paid for, while staying within budget.

6.7 Summary of financial impact should the Living Wage be fully implemented now:

- ~85% Churches no effect
- ~15% Churches increase in wage bill of between £3–13 per week
- Small minority with larger increase in wage bill

7. Living Wage and Benefit Entitlement

7.1 The benefit entitlements of a low paid worker may be reduced by increasing their rate of pay. It has been argued

that this is a reason to not fully implement the Living Wage. Should implementation of the Living Wage have little or no effect on a worker's net income this is an efficiency question as the overall effect will be to shift the responsibility for paying church workers from the state to the Church. Should the Living Wage implementation decrease the net income of some individuals it will raise serious pastoral issues.

7.2 Consultations with benefit experts in Department of Work and Pensions (DWP), CAP and Citizens Advice have suggested that:

- Overall loss of income due to increased wages is extremely rare. DWP are keen to hear of any circumstances where low paid households⁵ gain nothing or lose out because of implementation of the Living Wage, with a view to changing rules where necessary.
- Income related benefits are tapered such that a proportion of the extra earned income is disregarded in benefit calculations, addressing the efficiency question.
- Research indicates that no net increase in income due to a wage rise is greatly over reported due to miscalculation or misunderstanding of total benefit entitlement.

7.3 All three organisations do not see benefit entitlement as an obstacle

to the implementation of the Living Wage. London Citizens who assist employers in introducing the Living Wage policies report that employees do see net income increases and that the benefits system, although overcomplicated and imperfect, does not significantly hinder this.

7.4 Should income related benefits prove an insurmountable problem the option remains to reduce the number of hours worked so that post-Living Wage income stays constant. This would consequently have no effect on benefit entitlement.

8. Projects where immediate payment of Living Wage would lead to redundancies.

8.1 When the Council recommended the proposals for implementation, two districts expressed concerns that there are churches which, for financial reasons, would be forced to close social enterprises should Living Wage be implemented immediately. Sufficient data is not available to assess the finances and business plans of these particular enterprises.

8.2 The sampling method used in the research to estimate Living Wage implementation costs is unlikely to detect very rare occurrences. It is therefore possible that a number of such enterprises exist within the Connexion. Therefore in addition to the recommendations approved

⁵ Benefit calculations are based on total household income and not just an individual's income.

11. The Living Wage

by SRC and Council two further resolutions are put before Conference in recognition of such cases.

9. Contracts to provide services

9.1 Some Churches have entered into contractual agreements to provide services for public authorities e.g. nurseries, day care centres etc. The business plans for such contracts may have been predicated on sub-Living Wage salary rates. It may not be possible to deliver the services in accordance with existing contracts and pay an increased wage rate. These churches may face wage bill increases higher than those predicted by our survey.

9.2 It has been argued that when bidding for such contracts it may be necessary to pay below the Living Wage to remain competitive. This objection should be qualified for two reasons:

- Incoming equalities legislation requires public authorities to take into account socio-economic equality when giving out contracts. It is therefore likely that paying the Living Wage will become a positive part of future bids.
- As the Methodist Conference has decided that paying below the Living Wage is exploitative, it is difficult to hold this view while holding competition as a reason for exemption.

10. Recommendations approved by the SRC and the Council

10.1 Recommendations were made taking into account the following factors:

- wishes of the Methodist Conference
- financial responsibility
- maintaining employment
- ability to fulfil the mission of the Church in the local context
- the responsibility to honour existing contracts
- our ability to promote Social Justice with integrity

10.2 The SRC and the Council recommended that the Living Wage should be implemented as soon as possible. They stated that the moral case is clear and that this study provides sufficient evidence that implementation is practical at the present time. They therefore proposed that:

1. the Living Wage should be implemented Connexion-wide beginning in the Connexional Year 2011–12. This would allow sufficient time to obtain Conference approval for the decision.
2. those contracts with external bodies that are based on salaries of below the Living Wage continue to be honoured. (We are unaware of any of these lasting longer than four years and therefore by the Connexional Year 2013–14 nobody should be employed on sub-Living Wage rates.)

3. from the start of the Connexional year 2010–11, no further contracts requiring salaries of below the Living Wage be tendered.
 - immediately implemented
 - A plan to be in a position to pay the Living Wage within five years.

11. Recommendations additional to those made by the SRC and the Council, in response to concerns raised by individual groups within the Connexion.

11.1 The following additional recommendations have emerged from discussions with interested groups about the implications of the Council's decisions.

11.2 First, it is recommended that should a Church-run project believe it would be compelled to make redundancies if the Living Wage is immediately adopted, it may apply to the District Policy Committee for permission to defer its implementation. Any such application should be accompanied by a "business plan" demonstrating:

- The value of the work to the community
- The need to make redundancies if the Living Wage was

Should the DPC be satisfied that these criteria have been met the enterprise may then defer the Living Wage implementation until an agreed date.

11.3 Secondly, the Living Wage is updated by CAP at irregular intervals, usually in May, in response to research into the cost of living performed by the Joseph Rowntree Foundation, or the London Mayor's Office. The irregular nature of the updates make responsible forward planning difficult. The original resolution of the 2007 Conference was that "The 'Living Wage' recommended by Church Action on Poverty should form the minimum basic salary for people employed by a District, Circuit or Local Church." It is now recommended that the phrase "as published annually by the Connexional Allowances Committee" be inserted after "Church Action on Poverty".

***** RESOLUTIONS**

11/1. The Conference receives the report.

11/2. The Conference confirms its decision in 2007 that the "Living Wage" should form the minimum basic salary for people employed by a district, circuit or local church, and further directs that the level of this "Living Wage" should be that commended by Church Action on Poverty, as published annually by the Connexional Allowances Committee.

11. The Living Wage

11/3. The Conference resolves that:

- (a) the relevant employing bodies should implement the Living Wage throughout the Connexion in the Connexional Year 2011–12;**
- (b) those contracts with external bodies that are based on salaries of below the Living Wage should continue to be honoured;**
- (c) from the start of the Connexional year 2010–11, no further contracts requiring salaries of below the Living Wage should be tendered;**
- (d) should a Church-run project believe it would be compelled to make redundancies if the Living Wage is adopted in 2011–12, it may apply to the District Policy Committee for permission to defer its implementation until an agreed date.**

Putting our money where our mouth is – A lay person’s guide to the Living Wage and the Methodist Church.

1. Where does the idea of a Living Wage come from?

The Church believes that it is fundamental to our understanding of human dignity that a person should be able to trade their full time honest labour for wages sufficient to keep them out of poverty.

There are a number of places in scripture and Christian teaching where this idea developed, but the first modern expression of the concept of a Living Wage is widely recognised as the 1891 Papal Encyclical “*Rerum Novarum*”.

The encyclical was of great influence to Protestant and Catholic churches, and was designed to allow Christians to respond to the workplace changing from the field to the factory. Trade Union movements, which at the time were heavily influenced by the Church, also took up the Living Wage idea.

The Living Wage is a concept rooted in Christian teaching and designed to ensure that every worker is treated as the person

made in the image of God that we believe them to be.

1. How is Living Wage calculated?

The principle of the Living Wage is clear. However, for the policy to be practicable this principle must be converted into a number.

There are a large number of researchers doing work into minimum income standards, these try to tease out what expenses are necessary for a person to live and participate in society. What constitutes participation in society is controversial but there is a consensus that food, shelter and the resources to get to and from work is not sufficient to remain healthy over the long term. Long term health is now a key factor in the determination of Living Wage rates.

There are a number of figures claiming to be “Living Wage”, the figure used by the Methodist Church is the one published by Church Action on Poverty. This is based on research done by a number of groups but primarily the Joseph Rowntree Foundation.

Two numbers are given: a general Living Wage and a London Living Wage.

Each figure is an up to date estimate of the hourly rate needed for a person who works 40 hours per week to live and participate in society.

2. How does Living Wage differ from the minimum wage?

The government sets a legal minimum hourly wage. The mechanism for setting this makes no reference to living standards. The Low Pay Commission, which advises the government on setting the minimum wage, has a narrow remit. This focuses on competitiveness and labour market supply and demand.

The current minimum wage leaves most recipients in need of support from the benefit system. It is also common (especially with workers who have no recourse to public funds) for minimum wage workers to work multiple jobs and do a large (60+) number of hours per week, in order to earn enough to make ends meet. Multiple jobs usually mean multiple commutes and therefore an even greater amount of time at work.

The Minimum Wage is the legal minimum hourly wage set by Government based on economic calculations on supply and demand. The Living Wage is currently higher than the Minimum Wage and is calculated by finding the minimum income required to live and participate in society. We would love to see the day when Living Wage and the Minimum Wage are equal, but this is a long way off.

3. How does Living Wage apply within the Methodist Church?

In 2007 the Methodist Conference adopted the following: “The “Living

Wage” as recommended by Church Action on Poverty should form the minimum basic salary for people employed by a District, Circuit or Local Church.” The implementation of this has proven problematic, so the Connexional Team has undertaken a programme of consultation and research to provide clear guidelines to assist churches in moving forward.

The Conference paper includes two additional recommendations on the advice of people from around the Connexion:

- to give transitional arrangement to projects which may otherwise have to make redundancies.
- to ask the Connexional Allowances Committee to publish the Living Wage figure as it applies to the Methodist Church for each Connexional Year. As CAP updates the Living Wage intermittently this measure is designed to make budgeting easier.

4. Living Wage Rates and Minimum Wage rates:

CAC publishes the rate effective for the subsequent Connexional Year. For Connexional year 2009–10 this is:

- £7 an hour outside of London
- £7.40 inside London

Next Connexional Year (2010–11) it is expected to be:

- £7.14 an hour outside of London
- £7.60 inside London

The gap between Living Wage and the National Minimum Wage (NMW) is marginally reducing. The Greens, Liberal Democrats, Plaid Cymru and the Scottish

11. The Living Wage

National Party all have specific proposals around increasing NMW. We await the outcome of the election to see the effect on NMW.

In some Scandinavian countries the equivalents of NMW and the Living Wage are equal. This effectively abolishes in-work poverty, a situation we as Church would wish to see.

5. What are the benefits to an employer of using the Living Wage?

There is a clear moral case for paying the Living Wage, there is also a practical case for paying Living Wage. A number of groups have produced research about attendance, retention and productivity of employees who receive Living Wage as opposed to Minimum Wage for equivalent jobs. The not very surprising results show that employees receiving a Living Wage score better in each of these areas.

This is not just a reflection of the motivating effect of money but there is a great deal of evidence to show that by raising wages to Living Wage levels the worker's wellbeing is significantly enhanced, allowing them to perform better at work.

Arguments such as these have convinced a large number of employers, not known for strong stances on social issues, to implement Living Wage policies for themselves and their sub-contractors. Other advantages of Living Wage are that the recent Equalities Bill includes in it a clause obliging public bodies to promote socio-economic equality. Therefore paying

Living Wage helps groups in accessing local authority grants, contracts and other assistance.

By paying the Living Wage, churches, circuits and districts will strengthen the national Church's voice as it and other groups seek to influence the government to use Living Wage rates as the standard for low paid public sector workers. This is an issue which the Equalities Bill has ensured will be widely debated in the next year and will affect ~300,000 of the UK's poorest workers.

Using Living Wage is a clear signal of a commitment to social justice and in the context of the Church a clear commitment to placing our beliefs at the centre of what we do – even if it has a cost.

6. What are the benefits to the individual of receiving Living Wage rather than Minimum Wage?

Long hours and multiple jobs are common for low paid workers, and those who only have one part-time job often combine this with caring responsibilities. When the pay rate is set at Minimum Wage although there is extra money coming into the family, it is unclear if the worker's life chances or those of their children are improved over being on benefits. Reasons cited for this include the lack of on the job training, free time or money for courses outside of work, and the ability for minor events, such as a fridge needing replacement, to completely upset the family budget.

Living Wage is not a panacea to these problems but it is a major step forward.

11. The Living Wage

There are a number of statistics that can be quoted but the one of the most illustrative and shocking:

- ~80% of families where the earners are on Minimum Wage have used doorstep or payday lenders in the last year.
- ~25% of families where the earners are on Living wage have used doorstep lenders in the last year.

These are truly lenders of last resort charging interest rates in the 100's to 10,000's% APR.

7. Low-paid workers.

Lastly, there is evidence that low paid workers in the church face many of the same difficulties as low paid workers in other workplaces. Although there is

no systematic research into low paid workers in the Methodist Church, there is research into low paid "faithworkers" in general and work done in this area by other denominations. This indicates that although many people view work in the Church as "special", the pool from which we draw our low paid workers shares many of the same features and experiences as other low paid workers. If we take advantage of the "specialness" of working for the Church by offering our low paid workers poor employment terms it is at a potentially high personal cost to them and their families.

By paying Living Wage the church is making a positive statement of its values, helping individuals and encouraging others to have similar regard for their lowest paid workers.