

The Living Wage

Basic Information

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Status of Paper	Final
Action Required	Decisions on SRC approved recommendations in Section 9.
Draft Resolution	1 That the SRC recommendations be adopted. 2 That in the light of the Council discussion on Section 9, a report be prepared for the 2010 Conference.
Alternative Options	Proposal of alternative recommendations Alternate date of implementation (Section 9.2b) An extended study is undertaken before recommendations accepted

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 Living Wage Costs of implementing Living Wage Effect of 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>

Consultations	Research study based of a sample of Methodist churches throughout the Connexion; Joint Public Issues Team (JPIT); SRC
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Summary of Impact

Standing Orders	It may be necessary for the Conference to approve changes to Standing Orders relating to lay employment in local churches.
Financial	Recommendations will impact on salaries paid to some lay employees in some churches.
Personnel	Recommendations could result in the reduction of hours for some workers. Recommendations seek to ensure that all employees are remunerated adequately and in line with Conference decisions.
Legal	Final decisions will need to be confirmed with lawyers to check compliance with employment law.
External	Recommendations may impact on employment in LEPs.
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.

The Living Wage:

Recommendations to Methodist Council for A Model of Connexional Implementation

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 this study was £5.73. 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). The government sets this using the advice of the Low Pay Commission but has never fully implemented their recommendations, always setting the level lower than that recommended.
- 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 forty hours a week and has no additional income. The current adult rate is £7.45¹ in London and £7 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.
- 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 its entire staff the Living Wage and has publically committed to doing so.
- 1.5 **The remit of this paper, at the instigation of the Methodist Council,³ is to assess the impact and practicalities of implementing Living Wage throughout the Connexion. A study into the costs of implementation was performed and its results and consequent recommendations were presented to SRC. Section 9 presents these approved recommendations.**

2.0 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).

¹ This is expected to rise to £7.60 in next Connexional Year in line with the 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)

- 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.

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

- 3.2 From these data we can draw the conclusion 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 calls after 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.
- 4.0 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 (1988) and Inland Revenue, 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 The study sample size was calculated to give data points with a confidence interval of 80%, with a β value of 50%. This is a standard protocol for preliminary sampling of medium sized populations.

- 4.3 In our survey some churches contracted out cleaning services. The employees of the contractors were all paid above Living Wage.
- 4.4 There was some evidence of non-compliance to Minimum Wage legislation. This has been immediately followed up.
- 4.5 Issues relating to honorariums 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.

5.0 Description of people being paid below 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 done 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)
 - 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

6.0 Costs of implementation of 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 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 extremely rare.
- 6.4 Implementation of Living Wage will affect up to 16% of Methodist churches: those which employ staff and pay below Living Wage. In those churches surveyed, if 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 was £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 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 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 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

7.0 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 Living Wage. Should implementation of 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 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 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.
- CAB figures indicate 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 Living Wage. London Citizens who assist employers in introducing 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.

8.0 Contracts to provide services

8.1 Some Churches have contracted to public authorities to provide services on their behalf, e.g. nurseries, day care centres etc. The business plan for these contracts may have been predicated on sub-Living Wage salary rates. It may not be possible both to deliver the

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

services to the standards promised and pay an increased wage rate. These churches may face wage bill increases higher than those predicted by our survey.

8.2 It has been argued that when bidding for such contracts it may be necessary to pay below 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 Living wage will become a positive part of future bids.
- As the Methodist Conference has decided that paying below Living Wage is exploitative, it is difficult to hold this view while holding competition as a reason for exemption.

9.0 Recommendations approved by the SRC

9.1 Decisions on four issues are required from the Council.

- i) Is implementation of the Living Wage appropriate in the foreseeable future?
- ii) The specific timing for Living Wage implementation.
- iii) Appropriate arrangements to honour existing external contracts.
- iv) Any further research required.

9.2 Recommendations on each of these questions are 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

9.3 The SRC recommends:

- i) The Living Wage should be implemented as soon as possible. The moral case is clear and this study provides sufficient evidence that implementation is practical at the present time.
 - As Conference has requested Living Wage implementation, if the Council decision is not to adopt this proposal, it would be useful to understand what additional information or conditions need to be met for the Council to view Living Wage implementation as prudent.
- ii) That Living Wage be implemented Connexion-wide beginning in the Connexional Year 2011-12. This would allow sufficient time to obtain Conference approval for the decision.

Two further options are offered:

 - Should the Council view a further Conference decision as unnecessary, implementation in the next Connexional year would be possible.

- Should the Council view that both a Conference decision and one full budget cycle is required implementation could be delayed to Connexional Year 2012-13.
- iii) That those contracts with external bodies that are based on salaries of below 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.)
It is also recommended that, from the start of the Connexional year 2010-11, no further contracts requiring salaries of below Living Wage be tendered.
- iv) That no further research is necessary to give sufficient statistical confidence in the data.