

A Fairer London: The 2013 Living Wage in London



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Foreword

The recovery from the 2008 recession remains slow but London is leading the way with, for example, employment rising faster than for the UK overall.

Nevertheless I recognise that things remain tough for many households as we shake off the longest and deepest recession since quarterly records began in 1955. I am therefore doing my utmost to fuel the takeoff of London's economy, including through the London Enterprise Panel which I chair - improving the skills of Londoners and therefore employment; helping SMEs to thrive; realising the potential of London's world class science and technology community; and ensuring that infrastructure investment meets London's needs.

But none of these things will be possible without the skills, commitment and hard work of those who maintain the fabric of our communities and our city 24/7 – our care workers and shop workers, as well as those who keep our workplaces and educational establishments clean. It is morally right that their contribution is appropriately recognised and that they share in the proceeds of London's resumed growth. That means paying every London employee at least the 'London Living Wage' which provides the minimum acceptable quality of life for them and their families plus a bit more 'for a rainy day'.

That is why I am delighted to publish the Living Wage Unit's ninth annual report and to announce that the 2013 London Living Wage is £8.80 per hour.

In my '2020 Vision' for London published in June I pledged to make the London Living Wage the norm across the capital and noted the London Living Wage now benefits around 18,800 London workers.

This report shows that there are over 200 employers that are now fully accredited – including, I am delighted to say, the GLA and TfL – plus around a further 90 working towards accreditation. I am particularly pleased that the vast majority of workers in the Olympic Park for the 2012 Olympics earned at least the London Living Wage and that the London Legacy Development Corporation – the Mayoral Development Corporation that is responsible for the regeneration legacy from the Games – pays at least the Living Wage and requires its suppliers to do likewise. Another milestone over the past year has been the commitment of the first Whitehall department (the Department for Work and Pensions) to pay the Living Wage.

But we cannot afford to rest on our laurels. There is little more than six years to 2020 and there is still some way to go before the London Living Wage becomes the norm in this city. Twelve per cent of full-time workers and 48 per cent of part-time workers earn less than the Living Wage – a total approaching 750,000.

This report explains the calculation of the London Living Wage. As before we use a combination of two calculations to work out the “poverty threshold wage” of £7.65 per hour. Then we add a margin of 15 per cent to this to protect against unforeseen events. The new Living Wage is 39 per cent above the National Minimum Wage – the highest ever difference.

As I made clear in my ‘2020 Vision’, I firmly believe that all the ingredients are in place for the London economy to grow and prosper. I am determined that we also do everything we can to ensure that all Londoners benefit from this economic growth – and the London Living Wage is a key means of achieving this.

A handwritten signature in black ink, appearing to read 'Boris Johnson', with a long horizontal flourish extending to the right.

Boris Johnson
Mayor of London

Executive summary

This is the ninth London Living Wage report from the GLA. It unveils the update of the Living Wage in London, calculated (as previously) by combining an assessment of the cost of achieving an adequate standard of living with a threshold (60 per cent) of the median London income of representative London households.

Since 2006 the GLA Group has been implementing the London Living Wage (LLW). The Group continues to include the LLW as a requirement for contracts that are let or renewed. This year the Mayor's '2020 Vision' celebrated the number of employers now paying the London Living Wage which benefits over 18,800 workers in the Capital. There are now over 200 accredited London Living Wage Employers and around 90 employers working towards accreditation. The Mayor continues to lobby national Government to adopt the London Living Wage across Whitehall.

As previously we calculate the Living Wage by a combination of two approaches. The first, developed by the Family Budget Unit (FBU),¹ estimates the costs of a 'Low Cost but Acceptable' (LCA) budget for a selection of households and calculates the wage required to meet these costs. This is termed the "Basic Living Costs" approach. The second – the "Income Distribution" approach – simply identifies the median income for London (appropriately weighted for 11 household types) and then takes 60 per cent of it.

The Basic Living Costs approach yields an hourly wage of £7.45 per hour and the Income Distribution approach one of £7.90.

The average of these two wages (called the "poverty threshold wage") is £7.65 per hour.

In order to protect against unforeseen events a margin of 15 per cent is added to the poverty threshold wage. This gives a figure of **£8.80** per hour (when rounded to the nearest five pence) as the London Living Wage.

If means-tested benefits² were not taken into account (that is, tax credits, housing benefits and council tax benefits) the Living Wage would be approximately £11.30 per hour. However we believe that in-work benefits and tax credits must be taken into account, as the tax and benefit system is, by design, redistributive.

Data from the Annual Survey of Hours and Earnings suggests that 88.1 per cent of full-time employees in London earn more than the Living Wage of £8.80 per hour. 4.8 per cent earn less than the Living Wage but more than the poverty threshold wage of £7.65. The remaining 7.1 per cent earn a wage below the poverty threshold wage.

51.7 per cent of part-time employees in London earn more than the Living Wage. 12.4 per cent are paid less than the Living Wage but more than the poverty threshold wage. The remaining 35.9 per cent earn a wage below the poverty threshold wage.

Adding full-time and part-time workers together, 80.5 per cent earn more than the Living Wage and 13.1 per cent earn below the poverty threshold wage.

1. Introduction

The 2013 edition of the annual Living Wage report for London presents the update of the Living Wage in London, calculated by combining an assessment of the cost of achieving an adequate standard of living with a threshold (60 per cent) of the median London income.

This year we have updated the weights used for the different households types, and made revisions to the method for estimating childcare costs (see Box 1). This year has also seen further changes to the tax and benefits system which we have taken into account in our calculations. These are explained in Chapter 2. In particular this year has seen a large increase in the personal allowance for Pay As You Earn (PAYE) income tax, allowing working households to retain more of their income before they start to pay income tax. We also review progress in implementation of the Living Wage.

1.1 Structure of the paper

Chapter 2 outlines the Basic Living Costs approach and presents the resulting calculation. Chapter 3 does the same for the Income Distribution approach. Chapter 4 compares the two results and calculates the London Living Wage. In Chapter 5 we review progress in the adoption of the Living Wage. This is followed by Chapter 6, the concluding chapter, with technical appendices at the end of the report.

2. Basic Living Costs approach

This section explains the Basic Living Costs approach that was developed by the Family Budget Unit (FBU).

The FBU calculated the expenditure required to achieve a Low Cost but Acceptable (LCA) standard of living, for a range of 'typical' families.³ Depending on the working patterns of a family, the wage rate needed to finance this expenditure is then calculated.

This wage level is not the same as the Minimum Wage.⁴ It is defined by the FBU as a wage that achieves an adequate level of warmth and shelter, a healthy palatable diet, social integration and avoidance of chronic stress for earners and their dependents.⁵

In this section we assess changes in the various items that contribute to Basic Living Costs over the past year.

2.1 Household types and working patterns

Estimates of basic living costs (also called the LCA budget) were made for four family types:

- a two adult household with two children aged ten and four
- a one adult household with two children aged ten and four
- a couple without children
- a single person without children.

Within each family type we look at all possible combinations of full-time and part-time work; working patterns are important for the calculation of tax credits and benefits. All in all we analyse 14 household types for the calculation, although we only use data for 11 household types to calculate the wage.⁶

In this report as in previous reports we provide calculations of the Living Wage, both including and excluding means-tested benefits and tax credits.

2.2 Costs

Basic living costs are divided into the following sub-categories:

- Housing
- Council tax
- Transport
- Childcare
- All other costs (a 'regular shopping basket').

For the first four sub-categories, cost estimates are based on direct data for London. For the fifth item, we used a comparison of regional price differences produced by the Office for National Statistics (ONS).⁷

Tables 2.1a and 2.1b show our calculation of basic living costs. Details of the calculations can be found in Appendix A.

Table 2.1: Basic Living Costs (LCA budget) for typical families living in London (£ per week)

2.1a: Households with children

	Couple with children					Lone parent	
	2ft	1ft 1pt	2pt	1ft	1pt	ft	pt
Shopping basket costs	218.50	218.50	218.50	218.50	218.50	165.50	165.50
Housing	113.20	113.20	113.20	113.20	113.20	113.20	113.20
Council Tax	25.00	25.00	25.00	25.00	25.00	18.80	18.80
Total Transport Costs	63.10	63.10	63.10	31.60	31.60	31.60	31.60
Childcare Costs	280.00	136.10	136.10	0.00	0.00	280.00	136.10
Total Costs	699.90	556.00	556.00	388.30	388.30	609.10	465.20

2.1b: Households without children

	Couple with no children					Single no children	
	2ft	1ft 1pt	2pt	1ft	1pt	ft	pt
Shopping basket costs	131.10	131.10	131.10	131.10	131.10	102.40	102.40
Housing	196.00	196.00	196.00	196.00	196.00	108.20	108.20
Council Tax	25.00	25.00	25.00	25.00	25.00	18.80	18.80
Total Transport Costs	63.10	63.10	63.10	31.60	31.60	31.60	31.60
Childcare Costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Costs*	415.30	415.30	415.30	383.70	383.70	261.00	261.00

Notes: ft= full-time and pt= part-time

Rounded to the nearest 10 pence

* Total Costs may not sum due to rounding.

Source: GLA Economics based on various data sources: see Appendix A

Tables 2.2a and 2.2b show that Basic Living Costs rose over the period for all the different model household types. Households with children experienced a cost increase of between 3.4 and 6.0 per cent, compared to increases of between 5.1 and 6.9 per cent for households without children.

The average of annual inflation from April 2013 to June 2013 was used to update the shopping basket costs. These three months are used as they provide the most up to date data prior to the writing of this report. The costs of individual components within the shopping basket rose by between 0.1 and 4.1 per cent. Some of the highest increases in costs were: +4.1 per cent for NHS charges and +3.2 per cent for energy/fuel, and around +3 per cent for food, personal care and leisure services. Only two items experienced falls in price: leisure goods and insurance/pension contributions, which fell by 0.5 and 0.3 per cent respectively (see Appendix A, Table A4).

Housing costs for households with children – on our assumption that they have access to social housing – have risen by 6.6 per cent since last year's report. Households without children are assumed to be in the private rented sector. For single people housing costs rose by 9.3 per cent, while for couples the increase was 12.0 per cent. However, council tax for all groups has fallen by 0.2 per cent.

Transport costs have again increased, rising by 4.1 per cent since the last Living Wage uplift, and childcare costs are also up between 9 and 10 per cent (just over half of this increase is due to a change in our method for estimating childcare costs, Box 1 explains).

Table 2.2: Annual percentage change in LCA costs between 2012 and 2013 Living Wage reports

2.2a: Households with children

	Couple with children					Lone parent	
	2ft	1ft 1pt	2pt	1ft	1pt	ft	pt
Shopping basket costs	2.1	2.1	2.1	2.1	2.1	2.0	2.0
Housing	6.6	6.6	6.6	6.6	6.6	6.6	6.6
Council Tax	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Total Transport Costs	4.1	4.1	4.1	4.1	4.1	4.1	4.1
Childcare Costs	8.9	10.0	10.0			8.9	10.0
Total LCA Costs	5.6	5.0	5.0	3.4	3.4	6.0	5.4

2.2b: Households without children

	Couple with no children					Single no children	
	2ft	1ft 1pt	2pt	1ft	1pt	ft	pt
Shopping basket costs	2.1	2.1	2.1	2.1	2.1	2.3	2.3
Housing	12.0	12.0	12.0	12.0	12.0	9.3	9.3
Council Tax	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Total Transport Costs	4.1	4.1	4.1	4.1	4.1	4.1	4.1
Childcare Costs							
Total LCA Costs	6.7	6.7	6.7	6.9	6.9	5.1	5.1

Notes: ft= full-time and pt= part-time

Source: GLA Economics based on various data sources: see Appendix A

Box 1 – Childcare costs

We continue to base our estimation of childcare costs for our different household types on data provided by the Family and Childcare Trust (formerly the Daycare Trust⁸). This year the Family and Childcare Trust have provided additional data on the cost of afterschool childcare by including costs for ‘childminder after-school pick up’. We have taken this opportunity to improve our estimation of the childcare costs for a school-age child.

As in previous reports we have assumed that all households with children, where the only parent or both parents work, incur childcare costs. We continue to assume that earners working full-time and part-time require 40.5 and 19.5 hours of childminding respectively. Additionally we assume that earners working full-time and part-time also require 15 and 7.5 hours out of school care respectively.

This year using data from the Family and Childcare Trust we calculate two hourly rates for childcare, i.e. for a preschool-aged child and for a school-aged child in full-time education.

Childcare costs in London in 2012-13

Nursery 25 hours (under 2)	£133.17
Nursery 25 hours (over 2)	£124.73
Childminder 25 hours (under 2)	£131.08
Childminder 25 hours (over 2)	£128.34
Afterschool club (15 hours)	£48.06
Childminder after-school pick up	£92.86

Source: Family and Childcare Trust

Average cost for preschool-aged child (25 hours)	Preschool-aged child childcare cost (per hour)	Average cost for school-aged child (15 hours)	School-aged child childcare cost (per hour)
£129.33	£5.17	£70.46	£4.70

Source: Family and Childcare Trust and GLA Economics calculations

Using the hourly rates above we calculate that full-time childcare for two children (one preschool-aged and one school-aged) per week would cost the following:

Full-time childcare for two children: $(40.5 \times £5.17) + (15 \times £4.70) = £280^9$

Part-time childcare for two children: $(19.5 \times £5.17) + (7.5 \times £4.70) = £136^{10}$

The new methodology leads to an annual increase in our estimated childcare costs of 9 and 10 per cent for full-time and part-time childcare respectively. Without the methodology change childcare costs would have risen by 4 per cent this year.

This means that childcare costs this year are not directly comparable with last year.

Changes to childcare support announced in the 2013 Budget are likely to significantly change the cost of childcare from 2015-16. These changes will provide much more generous support for childcare costs.

2.3 Earnings and household incomes

The benefits that households can access and applicable tax credits depend on the level of earnings and household circumstances. For our analysis we consider the impacts of Working Tax Credit, Child Tax Credit, Child Benefit, Housing Benefit and Council Tax Support (previously Council Tax Benefit). Some benefits depend on childcare costs and housing rental costs.¹¹

Box 2 – Changes in the tax and benefits system

The tax and benefits system is inherently complex and there are a number of changes that affect the calculation of the London Living Wage this year.

- **Increase in PAYE income tax threshold** – This year saw a relatively large increase in the personal allowance for Pay As You Earn (PAYE) income tax (from £8,105 in 2012-13 to £9,440 in 2013-14), allowing working households to retain more of their income before they start paying income tax. This means that the Living Wage has to do less of the work to get households to the required level of income.
- **Up-rating of benefits** – In the past benefits have been uprated using CPI inflation from the preceding September. This would have been an increase of 2.2% in 2013-14. However most benefits have been uprated by 1 per cent and some have been frozen (for example child benefit).
- **Council tax benefit** – In April 2013 the national system of Council Tax Benefit was abolished and replaced with a localised Council Tax Support scheme whereby councils design their own schemes. We now estimate Council Tax Support entitlement for each household type in each local authority and a weighted average for London is calculated using the number of Housing Benefit caseloads for each household type in each local authority. The overall impact of this change is very small to date.
- **Benefit cap** – The model has been updated in line with the newly introduced ‘Benefit cap’ policy. However, the benefit cap only applies to one of the household types in the LLW calculation¹² whose benefits are currently below the threshold.
- **Housing benefit reform** – From April 2013 the Government introduced new rules for the size of accommodation that housing benefit will cover for working-age tenants renting in the social sector. However, due to the household types we use for the LLW and the assumptions we make about the type of housing they need, the policy does not affect the way the LLW is calculated.
- **Child Benefit** – Previously a universal benefit, Child Benefit became means-tested as of April 2013. However all of the households we analyse have earnings significantly below the threshold for means-testing to have an impact on Child Benefit receipts. As a result, throughout this document, child benefit is still treated as though it were a universal benefit.

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Table 2.3 illustrates the disposable income and basic living costs of 11 different household types, assuming different working patterns, with earnings at the level of the NMW (£6.31).¹³ In all calculations that follow, a full-time worker is assumed to work 38.5 hours a week and a part-time worker 17 hours.¹⁴ Appendix C illustrates the difference between income and basic living costs (the LCA budget standard) at £6.31, £7, £8, £9 and £10 per hour.

Table 2.3: Incomes and costs of different households, including and excluding means-tested benefits (£ weekly figures), at the National Minimum Wage (NMW)

2.3a: Households with children

	Couple with children				Lone parent	
	2ft	1ft 1pt	2pt	1ft	ft	pt
Joint earnings at £6.31 per hour	485.90	350.20	214.50	242.90	242.90	107.30
Total income (net earnings plus benefits)	725.00	567.80	511.30	463.30	605.20	451.00
Basic living costs	699.90	556.00	556.00	388.30	609.10	465.20
Income minus costs	25.10	11.80	-44.70	74.90	-3.90	-14.20
Excluding means-tested benefits						
Child benefit	33.70	33.70	33.70	33.70	33.70	33.70
Total income (net income plus child benefit)	472.50	360.40	248.20	253.10	253.10	141.00
Income minus costs	-227.40	-195.60	-307.80	-135.20	-356.00	-324.20

2.3b: Households without children

	Couple with no children				Single no children
	2ft	1ft 1pt	2pt	1ft	ft
Joint earnings at £6.31 per hour	485.90	350.20	214.50	242.90	242.90
Total income (net earnings plus benefits)	438.80	380.10	347.30	357.40	237.90
Basic living costs	415.30	415.30	415.30	383.70	261.00
Income minus costs	23.50	-35.20	-67.90	-26.30	-23.10
Excluding means-tested benefits					
Child benefit	0.00	0.00	0.00	0.00	0.00
Total income (net income plus child benefit)	438.80	380.10	347.30	357.40	237.90
Income minus costs	23.50	-88.60	-200.70	-164.30	-41.60

Notes: ft= full-time and pt= full-time
All figures rounded to nearest 10 pence
Source: GLA Economics

For some household types, the NMW together with the assumed working patterns are sufficient to cover weekly basic living costs assuming all relevant tax credits and benefits are claimed. However, as Table 2.4 also shows, for other household groups the NMW is not sufficient to cover basic living costs.

Using basic living costs as a target income level, it is possible (through iteration of the tax and benefit model established for this exercise) to calculate the wage required for each household to cover its basic living costs. Table 2.4 shows the hourly wage required for each household type to meet its basic living costs.

Table 2.4: Hourly wages required to meet basic living costs for different households
2.4a: Households with children

	Couple with two children				Lone parent	
	2ft	1ft 1pt	2pt	1ft	ft	pt
Number of people	219,900	231,800	14,400	300,900	47,100	51,100
Wage level including all the relevant benefits	6.31 *	6.31 *	8.55	6.31 *	6.70	9.75
Wage level excluding means-tested benefits	10.65	10.95	>15.70	11.50	>15.70	>15.70

2.4b: Households without children

	Couple with no children				Single no children	Weighted Average **
	2ft	1ft 1pt	2pt	1ft	ft	
Number of people	376,300	90,400	13,100	208,900	722,000	2,275,900
Wage level including all the relevant benefits	6.31 *	8.35	13.25	10.80	7.40	7.45
Wage level excluding means-tested benefits	6.31 *	8.35	13.25	12.60	7.90	9.55

Notes: ft=full-time and pt=part-time

* NMW sufficient to meet basic living costs (LCA budget standard)

The number of people in different household groups was updated this year using the Annual Population Survey 2011, rounded to nearest 100.

The NMW (£6.31) has been used as a lower limit for the wage when calculating the weighted average wage as it is generally illegal to pay wages below the NMW. An upper limit of £15.70 has also been applied. This is the median hourly pay (excluding overtime) for all employee jobs in London, taken from the ONS 2012 Annual Survey of Hours and Earnings (provisional results).

**This weighted average covers both households with, and without children and has been rounded to the nearest 5 pence.

From Table 2.4, **the weighted average wage across the different household types required to meet basic living costs is £7.45** assuming all benefits are included, compared to £9.55 if means-tested benefits are ignored.

Assuming all relevant benefits and tax credits are claimed, 50 per cent of the working households considered in this analysis would achieve their basic living costs, or LCA standard of living, at the £6.31 National Minimum Wage (NMW).

3. The Income Distribution approach

The Income Distribution approach calculates the wage required to place a household on the 60th percentile of median income.

The Department for Work and Pensions (DWP) provides indicators on the average income of households.¹⁵ This measure uses household disposable incomes, adjusted for household size and composition, as a proxy for material living standards or, more precisely, for the level of consumption of goods and services that people could attain given the disposable income of the household in which they live.¹⁶

DWP provides two measures of disposable income: before and after housing costs. This report only considers the disposable income after housing costs. Disposable income after housing costs consists of earnings, all social security benefits (including housing and council tax benefits), pensions, maintenance payments, educational grants, and cash value of payments in kind such as free school meals for all members of the household, less income tax (including national insurance, pension contributions) and maintenance or support payments made to people outside the household. Rent, mortgage interest payments, water charges and structural insurance premiums, are deducted from income on this measure.¹⁷

Based on this measure, the household median income in 2011/12 was £367 per week for a couple with no children. This translates into £517.50 for a couple with children. DWP provide details of the process by which to calculate equivalent incomes for other household types.¹⁸

Using the equivalisation process, incomes for the various household types considered earlier have been calculated. Table 3.1 illustrates the median income and different percentages of median income for the different household types.

Given these income levels and using the same tax and benefit model as in the previous section, wages that achieve the different households' disposable income can be approximated.

Table 3.1: Disposable income thresholds for different types of households (£ per week, 2011/12,)

	Couple with children	Lone parents with children	Couple with no children	Single person with no children
Median	517.50	352.30	367.00	201.90
70% of median	362.20	246.60	256.90	141.30
65% of median	336.40	229.00	238.60	131.20
60% of median	310.50	211.40	220.20	121.10

All figures rounded to nearest 10 pence

Source: GLA Economics based on DWP data for 2011/12.

Table 3.2 shows the approximate hourly wage required to achieve the level of disposable income that would place each household at 60, 65 and 70 per cent of median income (both including and excluding benefits). The Government's poverty threshold is 60 per cent of median income. Hence, we focus on the wage required to meet this income level.

Table 3.2: Approximate hourly wages required to reach a certain percentage of median income for different households

3.2a: Households with children

	Couple with two children				Lone parent	
	2ft	1ft 1pt	2pt	1ft	ft	pt
Including all relevant benefits						
60% of median income	6.50	7.15	10.30	6.31 *	8.05	12.15
65% of median income	7.75	8.40	12.85	10.65	9.80	>15.70
70% of median income	9.00	9.80	15.65	15.10	11.45	>15.70
Excluding means-tested benefits						
60% of median income	11.20	11.75	>15.70	13.80	>15.70	>15.70
65% of median income	11.70	12.45	>15.70	14.80	>15.70	>15.70
70% of median income	12.20	13.10	>15.70	>15.70	>15.70	>15.70

3.2b: Households without children

	Couple with no children				Single no children	Weighted Average
	2ft	1ft 1pt	2pt	1ft	ft	
Including all relevant benefits						
60% of median income	6.35	8.95	14.40	14.80	7.40	7.90
65% of median income	6.70	9.45	15.20	15.50	7.80	9.10
70% of median income	7.05	9.90	15.70	15.70	8.20	10.25
Excluding means-tested benefits						
60% of median income	6.35	8.95	14.40	14.80	7.40	10.05
65% of median income	6.70	9.45	15.20	15.50	7.80	10.60
70% of median income	7.10	9.90	>15.70	>15.70	8.20	11.05

3.2c: Numbers of people in London that would attain 60% of median income at various wage levels

	Couple with two children				Lone parent	
	2ft	1ft 1pt	2pt	1ft	ft	pt
Total number of people of this family type	219,900	231,800	14,400	300,900	47,100	51,100
Number which would attain 60% of median income at a wage of:						
£6.31	0	0	0	300,900	0	0
£7.90	219,900	231,800	0	300,900	0	0

	Couple with no children				Single no children	Total number of people in all households considered
	2ft	1ft 1pt	2pt	1ft	ft	
Total number of people of this family type	376,300	90,400	13,100	208,900	722,000	2,275,900
Number which would attain 60% of median income at a wage of:						
£6.31	0	0	0	0	0	300,900
£7.90	376,300	0	0	0	722,000	1,850,000

Notes: ft=full-time and pt=part-time

*The NMW (£6.31) is sufficient to meet the 60 per cent of median income threshold.

The NMW has been used as a lower limit for the wage when calculating the weighted average wage. The weighted averages are calculated using £15.70 per hour as an upper limit which is the median hourly earnings excluding overtime of all employees in London (ASHE).

All money figures rounded to the nearest five pence. All population figures rounded to the nearest 100.

Source: GLA Economics and APS 2011

Data from Table 3.2 indicates that only 13 per cent of the working households considered here would attain 60 per cent of median income at the £6.31 NMW (even assuming all relevant benefits were claimed). **The weighted average wage (assuming all relevant benefits are claimed) required to achieve 60 per cent of median income is £7.90.** At this wage, 80 per cent of the households considered would achieve the 60 per cent median income threshold. Note that in contrast to the LCA approach (see Chapter 2), relatively high wages are required for families with children to attain the target income required to avoid poverty.

4. Comparison of the two approaches and the wage distribution

This section compares the results of the two approaches and then looks at the wage distribution to see what proportion of the working population in London would be affected by a Living Wage if adopted London-wide.

Under the Basic Living Costs approach, around 50 per cent of the households considered in this analysis would cover their basic living costs at the £6.31 NMW level. Under the Income Distribution approach 10 per cent of the households considered would attain 60 per cent of median income at the £6.31 NMW level. We assume that all relevant benefits and tax credits are claimed.

Table 4.1 displays the weighted average hourly wages derived from the two approaches considered, including and excluding means-tested benefits. The weighted average wage (including benefits) from the Basic Living Costs approach is £7.45 per hour compared to £7.90 from the Income Distribution approach. **The poverty threshold wage of £7.65 is the mean of the figures given by the Basic Living Costs and Income Distribution approaches**, rounded to the nearest 5 pence.

Table 4.1: Weighted average poverty threshold wage (£ per hour)

Approach	Including benefits	Excluding benefits
Basic living costs (1)	7.45	9.55
Income distribution (60%) (2)	7.90	10.05
Average of (1) and (2)	7.65	9.80

Source: GLA Economics

Notes: Figures rounded to nearest five pence.

This indicates that a wage of around £7.65 allows most households (claiming all relevant benefits and tax credits), on average, to move to or above the poverty threshold. With a 15 per cent margin added to the (unrounded) poverty threshold wage, this yields a Living Wage, to the nearest five pence, of **£8.80** per hour. This will be implemented in the GLA Group as contracts allow.

The next section looks at the wage distribution in London to see what proportion of the working population would be affected at these wage levels (assuming the wage was adopted across London).

4.1 Wage distribution

We use the Annual Survey of Hours and Earnings (ASHE) from the ONS to estimate the earnings distribution of different hourly wage rates. It is based on a sample of employee jobs taken from HM Revenue and Customs PAYE records. Information on earnings and hours is obtained in confidence from employers. It does not include the self-employed. We continue to use the ASHE workplace-based data as recommended by the ONS since it provides the most accurate estimates and is the data which most closely represents workplaces and employers.

Earnings Distribution Around The London Living Wage

Data from the Annual Survey of Hours and Earnings suggests that 88.1 per cent of full-time employees in London earn more than the Living Wage of £8.80 per hour. 4.8 per cent earn less than the Living Wage but more than the poverty threshold wage¹⁹ of £7.65. The remaining 7.1 per cent earn a wage below the poverty threshold wage.

51.7 per cent of part-time employees in London earn more than the Living Wage. 12.4 per cent are paid less than the Living Wage but more than the poverty threshold wage. The remaining 35.9 per cent earn a wage below the poverty threshold wage.

Adding full-time and part-time workers together, 80.5 per cent earn more than the Living Wage and 13.1 per cent earn below the poverty threshold wage.

Table 4.2: Proportion of employee jobs¹ in London where employees earn less than the specified hourly pay threshold

	All		Full-time		Part-time	
All employees = 100%	100	CV ²	100	CV	100	CV
% earning less than:						
<£7.65 per hour ^a	13.1	1.6	7.1	2.5	35.9	1.8
<£8.55 per hour ^b	18.3	1.3	10.8	2.0	46.4	1.5
<£8.80 per hour ^c	19.5	1.3	11.9	1.9	48.3	1.4

	Men All		Men Full-time		Men Part-time	
All employees = 100%	100	CV	100	CV	100	CV
% earning less than:						
<£7.65 per hour ^a	11.3	2.4	6.7	3.4	43.1	2.8
<£8.55 per hour ^b	15.8	2.0	10.3	2.7	53.4	2.3
<£8.80 per hour ^c	16.8	1.9	11.3	2.6	54.7	2.3

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	Women All		Women Full-time		Women Part-time	
All employees = 100%	100	CV	100	CV	100	CV
% earning less than:						
<£7.65 per hour ^a	15.2	2.1	7.7	3.8	32.4	2.3
<£8.55 per hour ^b	21.1	1.8	11.6	3.0	43.1	1.9
<£8.80 per hour ^c	22.6	1.7	12.7	2.9	45.2	1.8

Source: Annual Survey of Hours and Earnings (2012 provisional), Office for National Statistics.

1 Employees on adult rates of pay whose pay for the survey pay-period was not affected by absence.

2 The quality of an estimate is measured by its coefficient of variation (CV), which is the ratio of the standard error of an estimate to the estimate.

CV ≤ 5% (precise)

CV > 5% and ≤ 10% (reasonably precise)

CV > 10% and ≤ 20% (acceptable)

CV > 20% (unreliable).

a: 2013 poverty threshold, £7.65

b: 2012 Living Wage

c: 2013 Living Wage

Note 1: The figures are for people aged 16 and over. They exclude the unemployed population, unpaid family workers and the self-employed but they include students. The proportions show the number of employee jobs in London workplaces where the employee earns less than the different thresholds divided by the number of employee jobs in London workplaces (reporting earnings).

Note 2: Hourly pay is defined as gross pay per hour excluding overtime, shift premium payments and payments in kind.

4.2 What has changed since our 2012 Report?

The 2013 Living Wage has increased by 2.9 per cent since the 2012 report (it has risen by 31.3 per cent since its introduction in 2005). Shopping basket costs (weighted across all the household types considered) have increased by 5.5 per cent and the 60 per cent median household income by 2.2 per cent.

There have been price increases in all but two of the items in the shopping basket used in the basic living costs approach. The largest increase was in NHS costs (+4.1 per cent) and energy costs (+3.2 per cent). Other items increased in price by between 0.1 and 3.0 per cent, while the price of leisure goods and insurance/pension contributions fell by 0.5 and 0.3 per cent respectively. Childcare costs have risen by 9-10 per cent, partly due to a revision to our method for calculating these. Transport costs also increased substantially by 4.1 per cent. There is a marginal (0.2 per cent) fall in council tax this year, following a freeze last year. Housing costs have continued their upward movement and have risen particularly strongly in the private rented sector. Social housing costs increased by 6.6 per cent, private rents for single people without children were up by 9.3 per cent, and private rents for couples without children increased by 12.0 per cent.

For the 2013/14 financial year, the personal allowance is set at £9,440. This is an increase of 16 per cent on last year and goes some way to mitigate the increase required in the London Living Wage to meet the rise in living costs. Much of the working tax credits, the childcare element of the working tax credits and child benefit have been frozen. However, the child, disabled and severely disabled child elements of the child tax credits have increased by 1.1, 2.2 and 2.5 per cent respectively (although the family element remains fixed). The first income thresholds and withdrawal rates for credits also remain unchanged.

4.3 Comparison with the National Minimum Wage, inflation and earnings growth

Table 4.3 shows how the London Living Wage (LLW) and the National Minimum Wage (NMW) have increased since 2005, along with inflation and average weekly earnings.

Table 4.3: LLW, NMW, CPI inflation and earnings growth since 2005

	LLW			NMW			Average Weekly Earnings growth % Change Year on Year	
	LLW	Change Year on Year (£)	Change Year on Year (%)	NMW	Change Year on Year (%)	Ratio (LLW/NMW)		CPI
2005	£6.70			£5.05		1.33	5.0	2.1
2006	£7.05	£0.35	5.2%	£5.35	5.9%	1.32	4.7	2.3
2007	£7.20	£0.15	2.1%	£5.52	3.2%	1.30	5.3	2.3
2008	£7.45	£0.25	3.5%	£5.73	3.8%	1.30	4.9	3.6
2009	£7.60	£0.15	2.0%	£5.80	1.2%	1.31	2.4	2.2
2010	£7.85	£0.25	3.3%	£5.93	2.2%	1.32	2.6	3.3
2011	£8.30	£0.45	5.7%	£6.08	2.5%	1.37	2.8	4.5
2012	£8.55	£0.25	3.0%	£6.19	1.8%	1.38	2.4	3.0
2013	£8.80	£0.25	2.9%	£6.31 ^a	1.9%	1.39	1.0 ^b	2.7 ^c

Source: Low Pay Commission, ONS and GLA Economics calculations

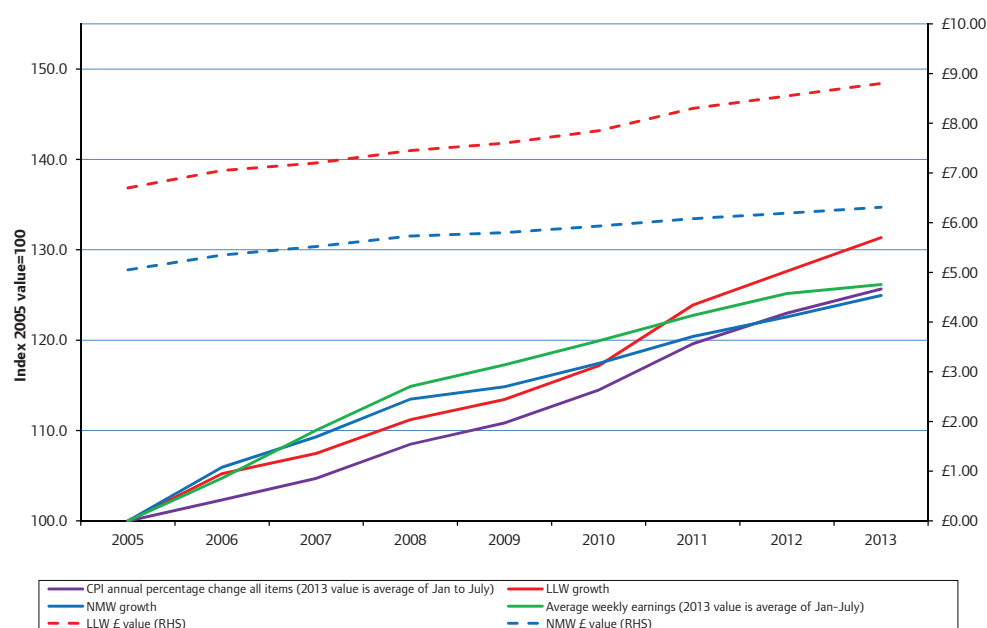
^a From October 2013

^b 2013 value taken as the average of weekly earnings from January 2013 to July 2013

^c 2013 value taken as the average of CPI from January 2013 to July 2013

In 2005 the London Living Wage was 33 per cent above the NMW of £5.05.²⁰ Since then the differential has risen in absolute terms from £1.65 to £2.49. The 2013 LLW is 39 per cent above the NMW.

Figure 4.1 compares the growth in the London Living Wage to the NMW, average weekly earnings²¹ and the Consumer Prices Index. It demonstrates that the LLW has kept pace with the growth in both prices and earnings.

Figure 4.1 Growth in the LLW, NMW, Average Earnings and Consumer Price Indices

Source: Low Pay Commission, ONS and GLA calculations

Average Weekly Earnings Index (K54L) is seasonally adjusted and excludes bonuses and arrears

Base year for both is 2005 (2005=100).

5. Implementation of the London Living Wage

The Mayor recognises the benefits of a living wage to both employees and employers. Indeed, research by Queen Mary University shows that over half the number of people earning the Living Wage (54 per cent) felt more positive about their workplace after it was introduced.

A similar number (52 per cent) felt more loyal towards their employer.²² Employees in living wage workplaces had better psychological well-being than those in non-living wage workplaces. One-third (32 per cent) earning the living wage felt it had benefitted their family life, such as enabling them to spend more time with their family and to take more holidays. Employees also reported financial benefits, such as the ability to buy more goods and save more with two-thirds of the employees (65 per cent) reporting an improvement in work, family life or finances.

There is also evidence that organisations that pay the living wage experience lower staff turnover, higher staff morale, health and productivity, as well as being seen as good places to work and acquiring reputational benefits. Research shows that reputational benefits to companies paying the living wage are significant, including helping to attract new business and customers, and in recruiting staff to professional roles.²³

Whilst an increasing number of employers now pay the London Living Wage, benefiting over 18,800 workers in the Capital,²⁴ there is still work to be done. The Mayor is committed to ensuring that as many London businesses as possible should pay the London Living Wage and called for the London Living Wage to be the norm by 2020.²⁵ This chapter explores the activity carried out to date as well as the Mayor's future commitment to the London Living Wage.

5.1 The Mayor's Manifesto Pledges and the London Living Wage

In 2012, the Mayor set out his Manifesto commitments in relation to the London Living wage. The commitments included:

- **Work constructively with the private sector to increase to 250 the number of companies offering the London Living Wage.**

Over 200 major London employers are now signed up to pay the London Living Wage in 2013, with a further 90 or so employers working towards accreditation (see Appendix D). Some of these firms had already been paying staff the Living Wage but have now formally committed to it, whilst others are starting their journey towards paying the minimum hourly wage for the first time.

- **Lobby Government to adopt the London Living Wage across Whitehall.**

The Mayor continues to lobby government to pay the Living Wage across Whitehall. As a result of on-going discussions, the Department of Work and Pensions is now in the process of gaining accreditation.

In addition to his manifesto commitments, the Mayor made further assurances to support the promotion of the London Living Wage at the London Citizens Mayoral Accountability Assembly (25 April 2012). These included:

- **Announcing the London Living Wage figure annually in person and ensuring full compliance and Living Wage Employer accreditation across the GLA group.**

Whilst the GLA group has been paying the Living Wage since 2006, the Mayor has worked hard over the last year to ensure that the GLA group becomes an accredited Living Wage employer, as per his commitment. The GLA and TfL are now accredited London Living Wage employers.

- **Work with London Citizens to sign up 100 new large (>250 employees) London employers, including at least five in the retail sector, five in hospitality and 16 Local Authorities, to become Living Wage Employers through the course of the Mayoral term.**

Progress against this measure is strong, as evidenced by the expansion in the number of accredited employers in the past year (see Appendix D).

Since the start of the Mayoral term in 2012, 141 London employers have become accredited Living Wage employers. Forty-one of these have 250 employees or more. Of this 41, seven are local authorities, with a number of other authorities planning to implement the living wage in the next financial year. Outreach to the retail and hospitality sectors is in its early stages, but 30 high-street retailers have been identified as the focus of future engagement activity into 2014.

In 2013, the Mayor has written personally to the CEOs of over 40 organisations employing over 250 employees, primarily large organisations in the legal, media and financial sectors. Of these, just under a third were contacted having expressed a prior interest in the London Living Wage, while the remainder were contacted for the first time regarding the issue. A further 16 organisations were already in discussions with the GLA around at the time of the Mayor's first wave of letters.

In all cases, initial contact was made via a direct letter from the Mayor, with the GLA's Business Policy Unit and the Living Wage Foundation (an initiative of Citizens UK) providing employers with detail on the scheme, and support through the accreditation process.

Further waves of engagement are taking place on a rolling basis and the London Living Wage is discussed with employers as part of the GLA's wider business engagement activity.

The GLA is continuing to work closely with the Living Wage Foundation to engage with employers. Building on work in Canary Wharf to establish a Living Wage Zone among local employers, further discussions are also underway to establish a similar zone in More London, home to major London Living Wage accredited employers including PwC, Ernst & Young and the GLA.

- **Ensure that the Living Wage Olympic Legacy continues by negotiating Living Wage commitments with all developers on the Olympic Park.**

To support the delivery of the Mayor's manifesto commitment and in recognition of the regeneration potential that the LLW can bring, the London Legacy Development Corporation (LLDC) requires all of its contractors on the Park to pay its directly employed workforce the London Living Wage as a minimum. Contractors are scored against this at Invitation-to-Tender stage and the commitment is then embedded in their contracts. Therefore all construction contractors for Transformation, the first developer (Taylor Wimpey at Chobham Manor), GLL (for Multi-use and Aquatics), Balfour Beatty Workplace (for EFM and the AMOrbit) and The Camden Society (for the North Park hub) are all paying LLW to their staff.

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LLDC will continue to ensure all contractors are committed to the LLW through all future procurement and contracts for the construction, management and operation of the Park.

- **Work with London Citizens to make Living Wage Week the greatest possible success by contributing Transport for London hoardings for promotion.**

2013 signals the first year of a joint promotion programme for the London Living Wage taking place in the run up to Living Wage Week in November. The GLA have allocated one of its TfL poster circuits (50 sites) to promote the Living Wage, primarily to achieve greater visibility for and recognition of the Living Wage Employer Mark amongst businesses and to increase awareness of the Living Wage in London amongst Londoners and businesses.

In addition, the GLA have committed to promote the London Living Wage during Living Wage week through:

- the use of its spotlight banner on the London.gov.uk homepage during the campaign;
- the London.gov blog on the London.gov.uk homepage;
- inclusion on GLA owned newsletters;
- LLW leaflet distribution at the City Hall café and distribution at People's Question Time, Kensington & Chelsea;
- tweeting activity during the week.

5.2 List of Living Wage employers November 2013

A list of accredited Living Wage employers and those that are in the process of accreditation can be found in Appendix D.

6. Conclusions

The London Living Wage has increased by 2.9 per cent this year, to £8.80 per hour. In the eight years since 2005, it has increased by 31.3 per cent.

Since our last report, household median income has increased by 2.2 per cent. There has been inflation in the basket of goods of between 0.1 and 4.1 per cent. Housing costs have risen substantially by between 6.6 and 12.0 per cent for families with children and those without respectively. Transport costs are up 4.1 per cent. We have revised our estimation of childcare costs which has led to an increase of 9-10 per cent this year.

There have also been a number of changes to the tax and benefits system some of which have impacted on the households we look at. Many benefits that would in the past have been uprated by CPI inflation have instead been uprated by 1 per cent, and some have been frozen.

The basic element of working tax credits and the credits for those working 30 hours or more a week also remains fixed at 2011/12 values. Child tax credits, as well as the disabled child element and the severely disabled child element have all increased by between 1.1 and 2.5 per cent, although the family element, the childcare element of the working tax credits and child benefit payments are unchanged. The changes to housing benefit (relating to the size of properties) and means-testing of child benefit (introduced in April 2013) have not affected the households we look at.

This year has seen a significant increase in the PAYE personal allowance threshold which has risen by £1,335 (16 per cent) to £9,440. This means households are able to retain more of their income before they start paying income tax hence the living wage has to do less of the work to get households to the required income.

Other changes this year include a revision of the household weights used to average across the different household types using data from the ONS Annual Population Survey. Next year we hope to revise these weights again using Census 2011 data.

This year the Mayor's '2020 Vision' noted the number of employers now paying the London Living Wage benefits over 18,800 workers in the Capital. There are now over 200 accredited London Living Wage employers and around 90 employers working towards accreditation. The Mayor continues to lobby Government to adopt the London Living Wage across Whitehall.

Appendix A: Details of cost calculations

This appendix provides more information about the calculation (see Section 2) of the five subcategories of Basic Living Costs.

A.1 Housing costs

Social housing rent

Housing costs in London were updated using the same methodology as in previous Living Wage reports (although there have been some minor adjustments to data sources). The assumptions about what type of accommodation different family types occupy are unchanged, with couples and lone parents with two children assumed to live in a three-bedroom social housing property. This is based once more on the FBU method, which attempts to estimate the rent that a model family needs to pay, in order to obtain access to affordable but adequate housing.

As in previous reports we used data from the Chartered Institute of Public Finance and Accountancy (CIPFA) which provides, for each London borough, the average council rent on a three-bedroom property and the number of such dwellings in the council stock. The current report has been updated using the most recent data from CIPFA on net rents for three bedroom properties in London. Table A.1 shows the median, weighted mean²⁶ and un-weighted mean of these rents, covering the majority of London boroughs for 2012, and for comparison the 2011 data has also been included.

Table A.1: Median, weighted and un-weighted mean weekly rents for three-bedroom council houses in London in 2011 and 2012

	2011	2012
Median	102.36	109.89
Weighted Mean	104.39	111.46
Unweighted Mean	105.86	112.88

Source: CIPFA

We are aware that Council housing does not represent the only source of affordable housing available to such families and therefore, as in the previous reports, other social housing is also taken into account. This year the data for this came from the Homes and Communities Agency (HCA) (having previously been provided by the now closed, Tenants Services Authority). The weighted average weekly net rent for three-bedroom other social housing in London was £115.16 per week in 2012.

To derive our estimate of the social rent for three-bedroom houses in London, we used the average (weighted by dwellings in each borough) of rent for council houses at £111.46 per week and rent for other social housing at £115.16 per week. This was weighted by 412,820 council houses in London and 385,000 units of other social housing in 2012 (using DCLG dwelling stock data).

The calculation was:

$$£111.46 \times (412,820/797,820) + £115.16 \times (385,000/797,820) = £113.24$$

This gives an average social housing rent for affordable three-bedroom dwellings in London of £113.24 per week, a rise of 6.6 per cent from £106.27 in the 2012 report. This figure is used for the housing costs of couples and lone parents with children.

Private rent

As in previous reports it was assumed that single people and couples without children are more likely to live in private accommodation, since they have less access to social housing than families with children.

We assume that single people will require a single room or studio to attain an acceptable living standard whilst a couple will require a single bedroom self-contained dwelling. The range of dwelling types includes maisonettes, one-bedroom houses and cottages in the range of accommodation available to a couple. Similarly, our estimate of rents for single people includes rooms, shared rooms, bed-sits and studios.

For private rental data we use Private Rental Market Statistics produced by the Valuation Office Agency. This is the same data on which the GLA's London rents map (used in our 2011 and 2012 reports) is based.

In each case the first quartile of the rent distribution has been used as an estimate of the typical cost of private rented accommodation. This yields a typical rental of £108 per week for a single person (a 9.3 per cent increase since last year) and £196 per week for a couple (an increase of 12 per cent from last year's report²⁷).

A.2 Council tax

According to the Department for Communities and Local Government (DCLG) the majority of London houses are band D or above.²⁸ This report assumes a band D council tax and calculates the average council tax band D using DCLG data. This yields a figure of £25.04 per week for 2013-14. People living on their own or lone parents are entitled to a 25 per cent single person's discount (to £18.78).

A.3 Childcare

See Box 1 (Chapter 2).

A.4 Transport

We used the weekly equivalent cost of a monthly Zone 1-3 Oyster Travel Card (see Table A.2). This year the cost of travel has risen by 4.1 per cent

Table A.2: Transport costs (£ weekly)

Type of households	£ per week
Couples with children	63.14
Lone parents	31.57
Couples without children	63.14
Single individuals without children	31.57

Source: Based on Transport for London fares 2013

A.5 Regional price differentials for the standard shopping basket

We use ONS regional price differentials from 2004. After 2004 we update the 2004 estimates applying the growth in national prices to the subcomponents of London's shopping basket.

Rising costs since last year's report

Over the past year most prices of goods and services have risen while very few have fallen. Table A.4 provides details.

Table A.3: Annual percentage growth in prices of items in the CPI shopping basket

Item	Average annual % growth in prices (April-June 2013)
Price rises	
Food	3.0
Clothing	1.0
Personal care	3.0
Household goods	0.1
Household services	2.1
Leisure services	2.9
Energy (in the past we referred to Fuel)	3.2
NHS charges	4.1
Pets	2.3
Charitable donations	2.7
Price falls	
Leisure goods	-0.5
Insurance/pension contributions	-0.3

Source: Office for National Statistics (ONS) and GLA Economics calculations

Notes: To uprate the cost of each item of the shopping basket we used the average of the annual price inflators for the months between April and June.

Appendix B: Benefits and tax credits

This section describes how we incorporate tax credits and benefits in our estimate of Basic Living Costs. The methodology is explained in more detail in Appendix C of the 2005 Living Wage report.

B.1 Earnings and benefits

For households with someone in work, all benefits included within the living wage calculation are means-tested. These cover:

- Working tax credit
- Child tax credit
- Housing benefit
- Council tax benefit
- Child benefit – although the earnings threshold for means-testing to have an impact is significantly above the earnings of all households considered in the living wage analysis.

The amount a household receives depends on various factors including household income, hours worked, type of household (couple or lone parent) and number and age of children.

To calculate main benefits for different family types, we follow the same methodology as outlined in Appendix B of the 2005 Living Wage report.

The working tax credit has several elements that are applied based on the circumstances of households, as outlined in Table B.1.

Table B.1: Working tax credit, 2013/14

Working tax credit elements	Maximum amount	
	£ per year	£ per week
1. Basic	1,920.00	36.92
2. Second adult/lone parent	1,970.00	37.88
3. 30 hour	790.00	15.19
4. Childcare (per cent of eligible cost covered) 70%		
Maximum eligible cost for one child		175
Maximum amount for two or more children		300
5. Disability	2,855.00	54.90
6. Severe disability	1,220.00	23.46

Source: HMRC

The working tax credit has a childcare element that is given to those households who are working and have children. The childcare element of the benefits system means that 70 per cent of eligible childcare costs incurred are covered up to a maximum of £175 per week for one child. This means that a family with one child can get a maximum of £122.50 per week from the childcare element. Similarly, families with two children can receive up to a maximum of £210 per week (70 per cent of £300).

Families with disabled members get extra help, in the form of additional disability or severe disability elements.

A representative couple, therefore, working more than 30 hours per week, with two children and incurring childcare costs will be generally entitled to:

- the basic element;
- the second adult element;
- 30 hour element;
- 70 per cent of childcare costs incurred (or up to 70 per cent of the maximum £300).

However, the amount received depends on household income. The next section considers the child tax credit and then details how to calculate the working tax credit, given information on household income.

B.2 Child tax credit

Child tax credit is mainly for families on low (or middle) incomes who are responsible for one or more children, under 16 years old (or a child under 19 studying full-time up to A-level). Changes announced in the Budget 2010, mean that only those working at least 16 hours a week on average with a household income below £40,000 are eligible for the child tax credit.

Note that the child tax credit can be granted in addition to the childcare element of the working tax credit. The main elements of the child tax credit are the family element and the child element (see Table B.2). A family responsible for a child or children is entitled to receive the family element, which has been frozen at £545 since 2010/11. In addition, a family can get £52.31 per week for each additional child (over one year old).

Table B.2: Child tax credits, 2013/14

Child tax credit elements	Maximum amount	Maximum amount
	£ per year	£ per week (approx)*
Family	545	10.50
Child	2,720	52.31
Disabled child	3,015	57.98
Severe disabled child	1,220	23.46

Source: HMRC

* Weekly figures are only approximate as tax credits are based on rounded daily amounts

As with working tax credit, the amount received in child tax credits depends on the household's income.

Common thresholds of household income for working tax credit and child tax credit

Families with a household income below £123.46 per week are entitled to the maximum amount as shown in Tables B.1 and B.2. Families with a household income above this first income threshold will receive less with their award being reduced at the rate of 41p for every £1 of gross income over this threshold (see Table B.3). This award is calculated using the following formula:

Tax credit = maximum amount of child tax and working tax credits – 41% (gross household income – £123.46 per week)

Table B.3: Common features to derive child and working family credits, 2013/14

Common Features	Maximum amount	Maximum amount
	£ per year	£ per week (approx)*
First income threshold	6,420	123.46
First withdrawal rate (%)	41%	
Second income threshold	abolished	
Second withdrawal rate (%)		
First threshold for those entitled to Child tax credit only	15,910	305.96

Source: HMRC

* Weekly figures are only approximate as tax credits are based on rounded daily amounts

Child benefit

As of April 2013 Child Benefit became means-tested for those households with an income above £50,000. The households used to calculate the London Living Wage are all significantly below this threshold. Child Benefit is paid for children up to the age of 16 or up to 19 for those in full-time education (up to and including A level standard). Table B.4 shows the amount couples or lone parents are entitled to receive depending on the number of children they have. There is a higher rate of benefit for the first child of £20.30 per week. For each subsequent child, couples receive £13.40 per week. These rates have been frozen since 2010-2011.

Table B.4: Child Benefit, 2012/13

Number of children	Couple
	£ per week
1	20.30
2	33.70
3	47.10
Each extra child above 3	13.40

Source: HMRC

Note: Since April 2007, lone parents have received the same amount of child benefits as couples.

B.3 Housing benefits

We include a family specific amount of housing benefit calculated by the following formula:

Housing benefits = eligible rent – 65% (net income – applicable amount)

where:

Net income = (gross income – tax – earnings disregard) + child tax and working tax credits

and

Applicable amount = total personal allowances + total premiums

The applicable amount represents the minimum income the government thinks a person under certain circumstances needs to live on. This is made up of two components: personal allowances and total premiums, depending on the particular circumstances of the household.

To calculate housing benefit it is necessary to take into account household income and any other benefits received. The amount of housing benefit that a household receives also depends on the eligible rent and council tax paid.

To derive the total applicable amount, information from Table B.5 is used and depends on the size of the family or type of household. For instance, if the family is a couple with two children then they are entitled to receive £112.55 per week in personal allowances, and £131.24 per week for both children under 16. In addition, families receive the family premium (for couples) of £17.40 per week.

Table B.5: Housing Benefits, 2013/14

	Maximum Amount
Personal Allowance	£ per week
Single person (under 25)	56.80
Single person (25 or over)	71.70
Lone parent (18 or over)	71.70
Couple (one/both 18 or over)	112.55
Children:	
- Under 16	65.62
- 16-18	65.62
Premiums	
Family	17.40
Family (lone parent)	22.20

Source: HMRC

B.4 Council tax support

In April 2013 the Council Tax Benefit scheme operated by central government was abolished and replaced by a localised Council Tax Reduction scheme, whereby councils design their own scheme. In light of this policy change the income towards council tax costs, for different households, in London is estimated as follows:

- The council tax reduction entitlement for each household type in each local authority is estimated,
- A weighted average for London is then calculated using the number of housing benefit caseloads (as a proxy for recipients of council tax support) from Jan-Dec 2012 for each household type in each local authority.²⁹ This data is derived from DWP's Stat-Xplore.

The general format of council tax support calculations across boroughs is:

Council tax support = council tax – taper rate*(net income – applicable amount),

where: net income and applicable amount are the same as that described above in the section on housing benefits.

Most councils have adopted a minimum contribution requirement for residents such that there is an upper limit to the amount of support that can be claimed. Some councils have also included a lower limit e.g. Haringey, where households whose council tax support entitlement is less than £1 receive no council tax support. As with Council Tax Benefit, there remains a 25 per cent single person's discount.

Appendix C: LCA required income and actual income at different hourly wages

This appendix sets out the difference between basic living costs and income approaches at different hourly wages. Table C.1 includes all relevant benefits and tax credits in the calculation for the first approach. Table C.2 excludes all means-tested benefits from the calculation.

Table C.1: Weekly earnings, taxes, benefits, disposable income and costs for different hourly wages including all applicable tax credits and means-tested benefits
C.1a: Households with children

	Couple with two children					Lone parent	
Hourly wages	2ft	1ft 1pt	1pt 1pt	1ft	1pt	ft	pt
£6.31							
Total disposable income	725.00	567.80	511.30	463.30	427.50	605.20	451.00
LCA Costs	699.90	556.00	556.00	388.30	388.30	609.10	465.20
Total disposable income minus LCA costs	25.10	11.80	-44.70	74.90	39.10	-3.90	-14.20
£7.00							
Total disposable income	739.30	581.90	525.10	464.60	431.60	612.40	455.10
LCA Costs	699.90	556.00	556.00	388.30	388.30	609.10	465.20
Total disposable income minus LCA costs	39.50	25.90	-30.90	76.30	43.20	3.30	-10.10
£8.00							
Total disposable income	760.10	602.30	545.20	466.70	437.50	622.80	459.30
LCA Costs	699.90	556.00	556.00	388.30	388.30	609.10	465.20
Total disposable income minus LCA costs	60.30	46.30	-10.80	78.40	49.20	13.70	-5.90
£9.00							
Total disposable income	780.90	622.30	564.30	469.40	443.30	633.20	462.60
LCA Costs	699.90	556.00	556.00	388.30	388.30	609.10	465.20
Total disposable income minus LCA costs	81.00	66.30	8.30	81.00	55.00	24.10	-2.60
£10.00							
Total disposable income	801.70	640.60	580.30	472.50	448.50	643.60	467.30
LCA Costs	699.90	556.00	556.00	388.30	388.30	609.10	465.20
Total disposable income minus LCA costs	101.80	84.60	24.30	84.20	60.20	34.50	2.10

C.1b: Households without children

	Couple no children					Single Person	
Hourly wages	2ft	1ft 1pt	1pt 1pt	1ft	1pt	ft	pt
£6.31							
Total disposable income	438.80	380.10	347.30	357.40	325.50	237.90	211.00
LCA Costs	415.30	415.30	415.30	383.70	383.70	261.00	261.00
Total disposable income minus LCA costs	23.50	-35.20	-67.90	-26.30	-58.20	-23.10	-49.90
£7.00							
Total disposable income	474.90	390.50	351.70	359.70	329.60	243.10	212.70
LCA Costs	415.30	415.30	415.30	383.70	383.70	261.00	261.00
Total disposable income minus LCA costs	59.70	-24.70	-63.50	-24.00	-54.10	-17.90	-48.30
£8.00							
Total disposable income	527.30	405.60	361.20	363.20	335.50	263.60	214.80
LCA Costs	415.30	415.30	415.30	383.70	383.70	261.00	261.00
Total disposable income minus LCA costs	112.00	-9.60	-54.10	-20.50	-48.20	2.70	-46.20
£9.00							
Total disposable income	579.60	442.40	372.50	367.30	338.60	289.80	217.60
LCA Costs	415.30	415.30	415.30	383.70	383.70	261.00	261.00
Total disposable income minus LCA costs	164.40	27.10	-42.70	-16.40	-45.10	28.90	-43.40
£10.00							
Total disposable income	632.00	483.50	383.00	376.40	340.70	316.00	220.40
LCA Costs	415.30	415.30	415.30	383.70	383.70	261.00	261.00
Total disposable income minus LCA costs	216.70	68.20	-32.20	-7.30	-43.00	55.00	-40.50

Source: GLA Economics

All figures rounded to nearest 10 pence

Table C.2: Weekly earnings, benefits, disposable income and costs for different hourly wages, including only child benefits**C.2a: Households with children**

	Couple with two children					Lone parent	
Hourly wages	2ft	1ft 1pt	1pt 1pt	1ft	1pt	ft	pt
£6.31							
Total disposable income	472.50	360.40	248.20	253.10	141.00	253.10	141.00
LCA Costs	699.90	556.00	556.00	388.30	388.30	609.10	465.20
Total disposable income minus LCA costs	-227.40	-195.60	-307.80	-135.20	-247.40	-356.00	-324.20
£7.00							
Total disposable income	508.60	390.20	271.70	271.20	152.70	271.20	152.70
LCA Costs	699.90	556.00	556.00	388.30	388.30	609.10	465.20
Total disposable income minus LCA costs	-191.20	-165.80	-284.30	-117.20	-235.60	-337.90	-312.50
£8.00							
Total disposable income	561.00	433.30	305.70	297.30	169.70	297.30	169.70
LCA Costs	699.90	556.00	556.00	388.30	388.30	609.10	465.20
Total disposable income minus LCA costs	-138.90	-122.70	-250.30	-91.00	-218.60	-311.70	-295.50
£9.00							
Total disposable income	613.30	476.10	338.80	323.50	186.20	323.50	186.20
LCA Costs	699.90	556.00	556.00	388.30	388.30	609.10	465.20
Total disposable income minus LCA costs	-86.50	-79.90	-217.20	-64.80	-202.10	-285.50	-279.00
£10.00							
Total disposable income	665.70	517.20	368.70	349.70	201.20	349.70	201.20
LCA Costs	699.90	556.00	556.00	388.30	388.30	609.10	465.20
Total disposable income minus LCA costs	-34.20	-38.80	-187.30	-38.60	-187.10	-259.40	-264.00

C.2b: Households without children

	Couple no children					Single Person	
Hourly wages	2ft	1ft 1pt	1pt 1pt	1ft	1pt	ft	pt
£6.31							
Total disposable income	438.80	326.70	214.50	219.40	107.30	219.40	107.30
LCA Costs	415.30	415.30	415.30	383.70	383.70	261.00	261.00
Total disposable income minus LCA costs	23.50	-88.60	-200.70	-164.30	-276.40	-41.60	-153.70
£7.00							
Total disposable income	474.90	356.50	238.00	237.50	119.00	237.50	119.00
LCA Costs	415.30	415.30	415.30	383.70	383.70	261.00	261.00
Total disposable income minus LCA costs	59.70	-58.80	-177.30	-146.20	-264.70	-23.50	-142.00
£8.00							
Total disposable income	527.30	399.60	272.00	263.60	136.00	263.60	136.00
LCA Costs	415.30	415.30	415.30	383.70	383.70	261.00	261.00
Total disposable income minus LCA costs	112.00	-15.60	-143.30	-120.00	-247.70	2.70	-125.00
£9.00							
Total disposable income	579.60	442.40	305.10	289.80	152.50	289.80	152.50
LCA Costs	415.30	415.30	415.30	383.70	383.70	261.00	261.00
Total disposable income minus LCA costs	164.40	27.10	-110.20	-93.90	-231.20	28.90	-108.40
£10.00							
Total disposable income	632.00	483.50	335.00	316.00	167.50	316.00	167.50
LCA Costs	415.30	415.30	415.30	383.70	383.70	261.00	261.00
Total disposable income minus LCA costs	216.70	68.20	-80.30	-67.70	-216.20	55.00	-93.50

Source: GLA Economics

All figures rounded to nearest 10 pence

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Table C.3 presents the wage level that different types of families require to achieve 60 per cent of median income, 65 per cent of median income and 70 per cent of median income. These calculations include all benefits and tax credits.

Table C.3: Weekly incomes (£) for different types of families including benefits in the measure of disposable income

		Required hourly wage rate			
Household type	Weekly income	2ft	1ft 1pt	2pt	1ft
60% of median (Relative poverty measure)					
With two children aged 2-4 and 8-10					
1) Couple parents	310.50	6.50	7.20	10.30	6.30
2) Lone parent	211.40	N/A	N/A	N/A	8.10
With no children					
1) Couple	220.20	6.30	8.90	14.40	14.80
2) Single person	121.10	N/A	N/A	N/A	7.40
65% of median					
With two children aged 2-4 and 8-10					
1) Couple parents	336.40	7.80	8.40	12.90	10.70
2) Lone parent	229.00	N/A	N/A	N/A	9.80
With no children					
1) Couple	238.60	6.70	9.40	15.20	15.50
2) Single person	131.20	N/A	N/A	N/A	7.80
70% of median					
With two children aged 2-4 and 8-10					
1) Couple parents	362.20	9.00	9.80	15.70	15.10
2) Lone parent	246.60	N/A	N/A	N/A	11.40
With no children					
1) Couple	256.90	7.10	9.90	15.70	15.70
2) Single person	141.30	N/A	N/A	N/A	8.20

Source: GLA Economics

All figures rounded to nearest 5 pence

Similarly, Table C.4 shows the wage levels in the income distribution approach as above, but including only child benefits.

Table C.4: Weekly incomes (£) for different types of families including only child benefits in the measure of disposable income

Household type	Weekly income	Required hourly wage rate			
		2ft	1ft 1pt	2pt	1ft
60% of median (Relative poverty measure)					
With two children aged 2-4 and 8-10					
1) Couple parents	310.50	11.20	11.80	>15.70	13.80
2) Lone parent	211.40	N/A	N/A	N/A	>15.70
With no children					
1) Couple	220.20	6.30	8.90	14.40	14.80
2) Single person	121.10	N/A	N/A	N/A	7.40
65% of median					
With two children aged 2-4 and 8-10					
1) Couple parents	336.40	11.70	12.40	>15.70	14.30
2) Lone parent	229.00	N/A	N/A	N/A	>15.70
With no children					
1) Couple	238.60	6.30	8.90	14.40	14.80
2) Single person	131.20	N/A	N/A	N/A	7.80
70% of median					
With two children aged 2-4 and 8-10					
1) Couple parents	362.20	12.20	13.10	>15.70	>15.70
2) Lone parent	246.60	N/A	N/A	N/A	>15.70
With no children					
1) Couple	256.90	7.10	9.90	>15.70	>15.70
2) Single person	141.30	N/A	N/A	N/A	8.20

Source: GLA Economics

All figures rounded to nearest 5 pence

Appendix D: Living Wage employers November 2013

D.1 Accredited Living Wage employers November 2013

Organisation Name	Sector
11KBW	Private Sector
Accenture	Private Sector
ACEVO	Third Sector
Action Aid	Third Sector
Advantage Accreditation Limited	Private Sector
Age UK Camden	Third Sector
Age UK Kensington and Chelsea	Third Sector
Allen & Overy LLP	Private Sector
Amnesty International (UK)	Third Sector
Aquaterra	Third Sector
Association of Teachers and Lecturers	Third Sector
Aviva	Private Sector
Barclays	Private Sector
Barking & Dagenham Council for Voluntary Service	Third Sector
Barts and the Royal London	Public Sector
Bates Wells Braithwaite	Private Sector
BCS (Electrical and Building) Ltd	Private Sector
Bethnal Green Academy	Public Sector
Bindmans LLP	Private Sector
Blackstone Chambers Ltd	Private Sector
Bootstrap Company Ltd	Third Sector
Bromley-by-Bow Centre	Third Sector
CAFOD	Third Sector
Cambridge House & Talbot	Third Sector
Cartias Social Action Network (CSAN)	Third Sector
Casual Films	Private Sector

Catholic Education Service	Third Sector
Catholic Trust for England and Wales	Third Sector
CCLA Investment Management	Third Sector
CDF - Community Development Foundation	Third Sector
Cedar Communications Limited	Private Sector
Central Finance Board of the Methodist Church	Third Sector
Centre for Strategy and Communication Ltd (The Centre)	Private Sector
Chartered Society of Physiotherapy	Third Sector
CIFAS	Private Sector
Citizens UK	Third Sector
Clifford Chance	Private Sector
Community Links Trust	Third Sector
Community Union	Third Sector
Contextual Theology Centre	Third Sector
CPAG	Third Sector
Cripplegate Foundation	Third Sector
Crisis UK	Third Sector
Curzon Central	Private Sector
Deloitte	Private Sector
Devereux Chambers	Private Sector
Disability Action in Islington	Private Sector
Dot Dot Property Ltd	Third Sector
Dyslexia Action	Third Sector
East London Community Land Trust	Third Sector
ELATT	Third Sector
Enventure	Private Sector
Ernst and Young	Private Sector
Fabian Society	Third Sector
Faucet Inn Ltd	Private Sector
FDA Union	Third Sector
Fellowes Associates	Private Sector
Fentons Solicitors	Private Sector
Finchley Reform Synagogue	Third Sector
First Rung Ltd	Third Sector
FormFormForm Ltd	Private Sector
Friends Life	Private Sector
G. Baldwin & Co Ltd	Private Sector
Global Markets Consultants	Private Sector

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Global Payments	Private Sector
Grafton Primary School	Public Sector
Great Ormond Street Hospital for Children NHS Foundation Trust	Public Sector
Greater London Authority	Public Sector
Greenwich Action for Voluntary Service (GAVS)	Third Sector
Hamilton Brown	Private Sector
Herbert Smith LLP	Private Sector
Hermes Fund Managers	Private Sector
Hogarth Architects	Private Sector
Holman Fenwick Willan LLP	Private Sector
Hope Worldwide	Third Sector
ICAEW	Third Sector
iKhofi Ltd	Private Sector
ING Bank	Private Sector
Innovision Events Ltd	Private Sector
Insight Public Affairs	Private Sector
Intentionality Community Interest Company	Third Sector
IPPR	Third Sector
Islington & Shoreditch Housing Association	Third Sector
Islington CCG	Public Sector
Islington Law Centre	Third Sector
Ivy House Community Pub Limited	Private Sector
Joiner's Arms Shoreditch	Private Sector
Joseph Rowntree Foundation	Third Sector
JP Morgan	Private Sector
Kayleigh Plant Hire	Private Sector
Keep Britain Tidy	Third Sector
Kingsmith Care Ltd	Private Sector
KPMG	Private Sector
Kudox	Private Sector
Labour Party	Third Sector
LASA	Third Sector
Legal & General	Private Sector
Lewis Silkin	Private Sector
Linklaters	Private Sector
Live Vision Ltd	Private Sector
Living Space Project	Third Sector

Lloyd's of London	Private Sector
London Borough of Lambeth	Public Sector
London Borough of Brent Council	Public Sector
London Borough of Camden	Public Sector
London Borough of Ealing	Public Sector
London Borough of Hounslow	Public Sector
London Borough of Islington	Public Sector
London Borough of Lewisham	Public Sector
London Borough of Southwark	Public Sector
London Business School	Public Sector
London Citizens	Third Sector
London Community Foundation	Third Sector
London Funders	Third Sector
London Housing Trust	Third Sector
London Legacy Development Corporation	Private Sector
London School of Economics and Political Science	Public Sector
LSE Student Union	Public Sector
London School of Hygiene and Tropical Medicine	Public Sector
Lush	Private Sector
LVSC	Third Sector
Mark Humphries Legal	Private Sector
Match Solicitors	Private Sector
Matrix Chambers	Private Sector
Maudsley Learning	Public Sector
Mayer Brown	Private Sector
Merton Voluntary Service Council	Third Sector
Middlesex University Students' Union	Public Sector
Mind in Camden	Third Sector
Mishcon de Reya	Private Sector
MSH Health & Wellbeing Community Interest Company	Private Sector
Musicians' Union	Third Sector
Nanny Network	Private Sector
National Housing Federation	Third Sector
National Literacy Trust	Third Sector
National Portrait Gallery	Third Sector
NCVO	Third Sector
New Economics Foundation	Third Sector
Norton Rose Fulbright LLP	Private Sector

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O'Donovan Waste Disposal Ltd	Private Sector
Olswang	Private Sector
Organise Consulting	Third Sector
Outer Temple Chambers	Private Sector
Oxfam GB	Third Sector
Pakeman Primary School	Public Sector
Pearson plc	Private Sector
Penrose Care	Private Sector
People's Health Trust	Third Sector
Pooles Park Primary School	Public Sector
Poplar Harca	Third Sector
Positive Parenting and Children (Positive Partners Ltd)	Private Sector
Prior Weston Primary School & Children's Centre	Public Sector
PwC	Private Sector
Queen Mary UoL	Public Sector
Rathbones	Private Sector
Reconstruct	Private Sector
Religious Society of Friends (Quakers in Britain)	Third Sector
Resolution Foundation	Third Sector
Resolution Operations LLP	Private Sector
Resource for London	Third Sector
Richard Cloudesley School	Public Sector
Royal Borough of Greenwich	Public Sector
Royal College of Midwives	Third Sector
Royal College of Veterinary Surgeons	Public Sector
Samuel Rhodes School	Public Sector
Sarasin	Private Sector
Save the Children	Third Sector
Schools Offices Services	Private Sector
SCOR	Private Sector
Share Action	Third Sector
Skills Enterprise	Third Sector
Skoob Books	Private Sector
Slaughter and May	Private Sector
Society and College of Radiographers	Public Sector
St Charles Sixth Form College	Public Sector
St James's Church Piccadilly	Third Sector
St John's Highbury Vale C of E Primary	Public Sector

St Mary's University College	Public Sector
St Paul's Cathedral	Third Sector
Syd Bishop & Sons (Demolition) Ltd	Private Sector
Table Talk and Blue Strawberry (MJT Holdings Ltd)	Private Sector
The Boston Consulting Group UK LLP	Private Sector
The Boxing Academy	Public Sector
The Campaign Company	Private Sector
The Green Party	Third Sector
The Hurley Group	Public Sector
The Law Society	Private Sector
The Pentecostal Credit Union Ltd	Third Sector
The Phone Co-Op Ltd	Private Sector
The Truscott Arms	Private Sector
The Young Foundation	Third Sector
Timewise Foundation (previously named 'Women Like Us')	Third Sector
Tower Hamlets Homes	Third Sector
Toynbee Hall	Third Sector
Transport for London	Public Sector
Trust For London	Third Sector
TUC	Third Sector
Twist London Ltd	Private Sector
UCL Student Union	Public Sector
UNICEF	Third Sector
UNISON	Third Sector
Unity Trust Bank	Private Sector
University of East London	Public Sector
UnLtd*	Third Sector
Vauxhall One	Private Sector
Vibrance	Third Sector
Voluntary Action Islington	Third Sector
Wenlake Management Ltd	Private Sector
West End in Schools / Blue Box Entertainment Limited	Private Sector
White & Case LLP	Private Sector
Wixted & Co	Private Sector
Working Families	Third Sector
Yerbury Primary School	Public Sector

D.2 Employers in the process of accreditation 2013

Organisation Name	Sector
Aequitas Consulting	Third Sector
Age UK	Third Sector
Arena Media	Private Sector
Argus Media	Private Sector
Aspire Foundation	Third Sector
Asylum Support Appeals Project	Third Sector
Barrow Cadbury Trust	Third Sector
Big Bang Lab	Third Sector
Bloomsbury Central Baptist Church	Third Sector
British Youth Council	Third Sector
Bromley College of Further & Higher Education	Public Sector
Build on Belief Ltd	Third Sector
Cafcass	Public Sector
Cafe Brazil	Private Sector
Cathay Pacific Airways Limited	Private Sector
Chinadialogue	Third Sector
Clear Channel	Private Sector
Community	Third Sector
Credit Suisse	Private Sector
Department for Work and Pensions	Public Sector
Derby Homes	Third Sector
Deutsche Bank	Private Sector
Diocese of London	Third Sector
Edelman	Private Sector
Elfrida Rathbone Camden	Third Sector
Equinox Care	Third Sector
Faucet Inn Limited	Private Sector
Freeth Cartwright	Private Sector
General Medical Council	Public Sector
Godliman Partners	Private Sector
Goldman Sachs	Private Sector
Goldsmiths	Public Sector
Graeae Theatre Company	Third Sector
HGS UK	Private Sector

Holborn Community Association	Public Sector
Holy Trinity Clapham	Third Sector
Housing Justice	Third Sector
Ivy House Community Pub Limited	Private Sector
Jacksons Lane	Third Sector
Keepmoat	Private Sector
King's College London	Public Sector
Kite Clinic Ltd	Private Sector
Latymer Christian Centre	Third Sector
London Borough of Hackney	Public Sector
London Borough of Tower Hamlets	Public Sector
L'Oreal	Private Sector
Macquarie	Private Sector
Martineau	Private Sector
Morgan Stanley	Private Sector
Nesta	Third Sector
Nomura	Private Sector
Nuffield Health	Third Sector
Our Patterned Hand	Third Sector
Oxford Research Group	Third Sector
Peace Direct	Third Sector
Pulse Commercial Utilities	Private Sector
Quiet Revolution	Private Sector
R H Evans Architects	Private Sector
Rainforest Foundation UK	Third Sector
Renegade Pictures	Private Sector
Rengen Energy	Private Sector
Rethink	Third Sector
Royal Free London NHS Foundation Trust	Public Sector
Safer World	Third Sector
St John's Church, Hoxton	Third Sector
ST LUKES CENTRE	Third Sector
St Stephen's Canonbury	Third Sector
Standard Chartered	Private Sector
Stanton Williams	Private Sector
Tate	Third Sector
Thames McGurk Ltd	Private Sector
The Children's Society	Third Sector

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The Cinnamon Tree Bakery Ltd	Private Sector
The Iveagh Surgery	Public Sector
The London Young Dads' Council (LYDC)	Third Sector
The Social Investment Business	Private Sector
Tindelmanor	Third Sector
TLScontact	Private Sector
Together for Mental Wellbeing	Third Sector
UBS	Private Sector
University of London Union	Public Sector
Village Underground	Private Sector
Visionnaire Consulting	Private Sector
Volunteer Centre Camden	Third Sector
West Thames College	Public Sector
Westfield Head Office	Private Sector
Westminster Advisers	Private Sector
Westway Development Trust	Third Sector
Westway Sports Centre	Third Sector
Whipps Cross University Hospital NHS Trust	Public Sector
Working With Men	Third Sector
Zaccheaus 2000 Trust	Third Sector

Abbreviations and endnotes

Abbreviations

APS	Annual Population Survey
ASHE	Annual Survey of Hours and Earnings
CIPFA	Chartered Institute of Public Finance and Accountancy
CPI	Consumer Price Index
DCLG	Department for Communities and Local Government
DWP	Department for Work and Pensions
FBU	Family Budget Unit
GLA	Greater London Authority
HEI	Higher Education Institute
LCA	Low Cost but Acceptable
LFS	Labour Force Survey
LLW	London Living Wage
NES	New Earnings Survey
ODA	Olympic Delivery Authority
ONS	Office for National Statistics
RPI	Retail Price Index

Endnotes

- 1 The Living Wage is defined by the Family Budget Unit as, “a wage that achieves an adequate level of warmth and shelter, a healthy palatable diet, social integration and avoidance of chronic stress for earners and their dependents”.
- 2 Although child benefit is now a means-tested benefit the earnings threshold at which this kicks in is significantly above the earnings for all households in our analysis. As a result, we continue to treat child benefit as a universal benefit for the purposes of this document.
- 3 The LCA budget standard was produced following work in 1997/98 by the FBU, then based in the Department of Nutrition and Dietetics at King’s College London. The funding for the work was provided by the Zacchaeus 2000 Trust. The work was based on two model families – a two adult household with two children aged ten and four and a one adult household with two children aged ten and four. The first study was carried out in York with later studies being carried out in East London, Swansea and Brighton.
- 4 For a discussion of the minimum wage and its determinants see, for example, the Low Pay Commission (1998) ‘The National Minimum Wage: First Report of the Low Pay Commission’, p15. (<http://www.berr.gov.uk/files/file37987.pdf>)
- 5 Parker, H. (1998), *Low Cost but Acceptable. A minimum income standard for the UK: Families with young children*, London: Zacchaeus Trust. More details on this are provided in the first Living Wage report published in April 2005 by GLA Economics Living Wage Unit.

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- 6 For single persons without children, working part-time is not considered for the purposes of estimating the living wage. This is because people in this situation could work full-time to supplement their income. For the same reason couples without children where only one person works, and that person works part-time, are not considered.
- 7 Wingfield, D., Fenwick, D. and Smith, K. (2005), 'Relative Regional Consumer Price Levels in 2004', Economic Trends 615. London: Office for National Statistics (ONS). www.statistics.gov.uk/articles/economic_trends/ET615Wingfield.pdf
- 8 The Daycare Trust and the Family and Parenting Institute merged on 1 January 2013. The name for the new charity, formed by the merged organisations, is the Family and Childcare Trust.
- 9 Rounded to the nearest pound
- 10 Rounded to the nearest pound
- 11 For an explanation of the methodology used to calculate entitlement to these benefits and tax credits, see the 2005 Living Wage report. Appendices B and C provide more information on the various tax credits and benefits and how they fit into these calculations.
- 12 This is a couple with no children where both work part-time. Since neither adult works more than 30 hours, this household is not eligible for Working Tax Credit (WTC). All other households are eligible for WTC. Households eligible for WTC are exempt from the cap on benefits. .
- 13 Based on the Low Pay Commission's recommendations published in March 2013, the NMW (adult rate) for workers aged 21 years and older was increased to £6.31 from October 2013. The youth rate, for workers aged between 18 and 20 years, is £5.03, the under 18 rate is £3.72 and the apprentice rate is £2.68. The apprentice rate is for apprentices under 19 or those in their first year. Apprentices aged 19 or over and past their first year receive the rate that applies to their age.
- 14 This follows the assumptions used in the initial Family Budget Unit (FBU) work.
- 15 See <https://www.gov.uk/government/publications/households-below-average-income-hbai-199495-to-201112>
- 16 See https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/206781/chapter_2_hbai13.pdf
- 17 It should be noted that this measure does not take into account childcare costs.
- 18 Details of this process (called 'equivalisation'), and the Income Distribution approach more generally are discussed in Appendix E of the 2005 Living Wage report.
- 19 To recap: The Living Wage equals 1.15 times the Poverty Threshold Wage. In turn the Poverty Threshold wage is an average of two calculations.
- 20 The NMW was introduced in April 1999, and was set at the "deliberately cautious level of £3.60 an hour" – see National Minimum Wage, Low Pay Commission Report 2007
- 21 ONS - whole economy, seasonally adjusted (excluding bonuses and arrears) (K54L)
- 22 Costs and benefits of the London Living Wage, Trust for London and Queen Mary University, October 2012

- 23 An independent study of the business benefits of implementing a Living Wage policy in London, London Economics, February 2009
- 24 Queen Mary University, London Living Wage Research: <http://www.geog.qmul.ac.uk/livingwage/numbersandmoney.html>
- 25 The Mayor's '2020 Vision', Greater London Authority
- 26 The weighted mean takes into account the different number of (three-bedroom) council houses in each borough, and weights the average by this number. The unweighted mean is a simple average of all boroughs for which data is available.
- 27 As with the 2011 report, categories of housing thought to be available to couples without children include one bedroom houses and cottages.
- 28 Based on Valuation Office Agency data.
- 29 Unfortunately, this data does not allow for a differentiation of households based on the working patterns of each adult member. As a result, within each household composition type, the corresponding number of housing benefit caseloads for that household composition type has been allocated equally across the different working patterns e.g. the number of working lone parent households receiving housing benefit in a given borough is split equally across lone parents working full-time and lone parents working part-time.

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