

# Fair Pay for Merthyr: An Action Plan for the Living Wage

More than a quarter of employees in Merthyr are paid less than they need for a decent standard of living.

It doesn't have to be like this.

Concerted local action could make a big difference to hundreds of employees in the area and break the low-pay/few jobs cycle.

Our six point plan involves:

## 1. Establishing the Merthyr Living Wage

At the same rate as the Living Wage Foundation rate, local branding will raise the awareness, interest and drive take-up.

## 2. Setting an achievable target

Aim for Merthyr to have the same proportion of workers on the Living Wage as the UK by 2021 and to secure 12 more Living Wage-accredited employers by Living Wage week in November 2017

## 3. Targeting natural sympathisers

Public, third sector and responsible private sector businesses should be encouraged to take the crucial step to committing to the Merthyr Living Wage.

## 4. Working together

A local strategy group should provide leadership, offer incentives and support and oversee progress.

## 5. Harness the power of the local supply chain

Using local purchasing power, especially when goods and services are procured locally, is critical.

## 6. A fresh approach to funding

Public sector and charitable funders should specify and fund payment of the voluntary Living Wage to all organisations they grant-aid.

## 1. Establish a Merthyr Living Wage

A strong, local brand for the Living Wage is needed to overcome confusion with the National Living Wage and lack of interest in what is perceived to be a London-based campaign. The rate must be the same as the out-of-London UK rate as set by the Living Wage Foundation.

Organisations should be able to seek accreditation as Merthyr Living Wage employers if they pay the rate to directly-employed staff. They would then be expected to phase-in payment to sub-contracted staff when contracts were up for renewal.

## 2. Set an achievable target

The next step is to set an achievable target for reducing the number of employee jobs paid below the Living Wage in Merthyr Tydfil.

The ONS estimated that 26.4% of employee jobs in Merthyr Tydfil were paid below the Living Wage in 2015. This is slightly higher than the Wales rate (25.6%), and more than three percentage points higher than the most recently calculated UK (excluding London) rate of 23%.

Assuming that no new employee jobs are created which pay below the Living Wage in the next few years, approximately 180 jobs paid below the Living Wage will need to be given a pay rise for Merthyr Tydfil to match the Wales rate. Approximately 770 low-paid employee jobs would need to be paid at the Living Wage or more for the borough to match the UK (excluding London) rate. Over five years, a target of raising the pay of 150 low-paid jobs a year would help to reduce the proportion paid below the Living Wage rate to match that of the rest of the UK outside London.

### Reduction in the number of employee jobs paid below the Living Wage needed to match other UK rates, 2015

Number of employee jobs paid below the Living Wage	% of employee jobs paid below the Living Wage	Reduction to match Wales rate	Reduction to match UK (ex-London) rate (23%)	Reduction to match Scotland rate (19.5%)	Reduction to halve rate
6,000	26.4	-180	-770	-2,570	-3,000

Sources: ONS (2015), Annual Survey of Hours and Earnings (ASHE) 2014 to 2015 - Number and percentage of employee jobs with hourly pay below the living wage, by parliamentary constituency and local authority (place of work), UK, April 2014 and 2015; ONS (2015), Estimates of employee jobs paid less than the living wage in London and other parts of the UK

### 3. Target natural sympathisers

A Living Wage strategy should focus initially on natural sympathisers such as public sector employers, non-accredited third sector organisations and private sector employers with strong corporate social responsibility strategies.

Merthyr Tydfil also has several large employers which have publicly committed to paying the Living Wage, but are not accredited. They should be encouraged to become accredited so that they commit to uprating the Living Wage annually, as well as paying the Living Wage to sub-contracted staff.

Amongst the third sector and responsible private businesses, it is likely that many of these employers already pay at or close to Living Wage rates.

Efforts should then be directed towards low paid sectors, occupations and types of work (i.e. part-time). Bespoke campaigns which identify the particular benefits of the Living Wage to that employer group should be highlighted.

### 4. A local strategy group

To achieve the Living Wage target, the borough needs dedicated and vocal leadership to monitor its adoption and promotion throughout Merthyr Tydfil. This should bring together expertise from employers, political leadership, trade unions, other campaigners and other organisations which represent employee and employer interests.

The experience of Scotland and city regions elsewhere in the UK shows that achieving a step-change requires a dedicated resource to raise awareness of the benefits of the Living Wage, to allay fears about the impact on wages, to support employers to seek accreditation and to champion those businesses that pay. The resource does not need to be large – a budget of £25,000 would be enough to employ a part-time campaign manager and cover campaign costs.

#### Local awareness and leadership

Awareness of the voluntary Living Wage in Merthyr Tydfil is low, caused in part because of the low number of accredited employers based in the borough. The National Living Wage has also introduced an element of confusion, with many people unclear that there is a difference.

There is a strong case for more to be done to raise awareness of the Living Wage in Merthyr Tydfil, and a number of ways that it could be done, for example:

- actively promoting the Merthyr Living Wage;
- celebrating existing Living Wage employers;

- advising and supporting employers in the borough who are interested in the Living Wage.

The local authority may also wish to consider what it could do to encourage more employers in Merthyr Tydfil to pay the Living Wage through its economic development function. Merthyr Tydfil Borough Council is one of the key agencies in the borough which employers have contact with, whether to pay their business rates or to collect their waste. They can raise awareness of the Living Wage initiative through their communications with employers, and can also make a public commitment to promoting the Living Wage, and explore the causes of and outcomes resulting from low pay (such as has been done in West Yorkshire<sup>1</sup>).

There is also scope to support and encourage the Living Wage through incentives. Some local authorities in England have incentivised employers to pay the Living Wage using grants to cover the cost of accreditation or a reduction in business rates.<sup>2</sup>

## 5. Harness the power of the local supply chain

Many (although certainly not all) employers in Merthyr Tydfil are part of the local supply chain, providing services and goods to other businesses in the borough. Not only does this mean that there is a strong local network, there is also the opportunity for employers to discuss the sort of employment standards they find desirable with their suppliers and generate some momentum around the Living Wage. If only a few big purchasers in Merthyr Tydfil started to include a reference to terms and conditions in their procurement, in line with the latest guidance, this could have significant consequences for take-up of the Living Wage.

Given that the supply chain within the public sector and third sectors appears to be relatively local, there is real potential to drive up adoption of the Living Wage through local action.

### Setting out a clear business case

Employers need to know that they will not lose out because of paying the Living Wage as no employer will be willing to sign up to an initiative which harms their business or organisation.

It is also highly likely that many employers will not be in a position to start paying the Living Wage to all employees, and they may not even know how many of their

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<sup>1</sup> West Yorkshire Combined Authority Lower Paid Workers' Group (2015), 'No Silver Bullet': Doing More to Support our Lower Paid Workers

<sup>2</sup> For example, the local authority in Greenwich offered a discount on business rates to the first 100 employers to receive Living Wage accreditation in 2014-15 - Royal Borough of Greenwich (2015), 'Business rates relief for London Living Wage employers' [accessed via: [http://www.royalgreenwich.gov.uk/info/200012/business\\_rates/1576/business\\_rates\\_relief\\_for\\_london\\_living\\_wage\\_employers](http://www.royalgreenwich.gov.uk/info/200012/business_rates/1576/business_rates_relief_for_london_living_wage_employers)]

employees are paid below it. Employers should be encouraged to make small steps to consider their pay policy and what it means for their workers and families as well as their wider community. For example, conducting a pay audit to calculate how many workers are paid below the Living Wage and producing a strategy for how they will become Living Wage employers are ways to engage employers who are not able to pay the Living Wage immediately.

## 6. A fresh approach to funding

Funding arrangements have emerged as one of the key reasons why many of Merthyr Tydfil's public and third sector employers who are sympathetic to the Living Wage initiative have not implemented it for their whole workforce. Whether it is insufficient funding or uncertainty over future funding, many employers feel that their funding does not enable them to eradicate below-Living Wage pay from their pay scales. In addition, employers are very wary of making a commitment to the Living Wage then having to withdraw in the future.

To break this cycle, the local authority and other funders in the borough should consider what they can do to ensure that the funding and grants which they give are not being used to fund below-Living Wage jobs. The amount of funding offered and a commitment that sufficient funding will be provided in future to cover paying the Living Wage should be considered in order to give employers the confidence to make a Living Wage offer to their workforce. Discussions should also be had with the borough's external funders, to look at how they can review their funding arrangements to support the Living Wage.

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## About the Bevan Foundation

The Bevan Foundation develops ideas to make Wales a fairer, prosperous and sustainable place. We are independent of government or any political party, and are funded by subscriptions, donations, grants from charitable trusts and foundations and commissions.

## About this project

Following on from research on the Living Wage in Wales and the Cardiff Capital Region, the Bevan Foundation has been considering what it would take for there to be a significant increase in the number of people earning the voluntary Living Wage in Merthyr Tydfil.

The Bevan Foundation has been speaking to employers, workers' representatives and community organisations throughout the borough as part of its research, and has published a series of briefings and research publications on the benefits of the Living Wage to Merthyr.

The Bevan Foundation is grateful to funding from the Coalfields Regeneration Trust and Oxfam Cymru to carry out this research.



145a High Street, Merthyr Tydfil, CF47 8DP

[www.bevanfoundation.org](http://www.bevanfoundation.org)

[info@bevanfoundation.org](mailto:info@bevanfoundation.org)

T.: 01685 350938

Registered charity no. 1104191

Company no. 4175018