

# The Living Wage – Victorian anachronism or a new tool in social policy?



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# Survival isn't "living"

"[A subsistence minimum wage] ...means that people are not paid what they are worth but what is necessary to keep them working. That is how the horse or slave is paid" –

R.H.Tawney

# Corbynomics in 1909:

*“It is a serious national evil that any class...should receive less than a living wage in return for their utmost exertions. It was formerly supposed that the working of the laws of supply and demand would naturally regulate or eliminate that evil [...and...] ultimately produce a fair price.”*

*“Where... you have a powerful organisation on both sides... there you have a healthy bargaining.... But where you have what we call sweated trades, you have no organisation, no parity of bargaining, the good employer is undercut by the bad, and the bad employer is undercut by the worst... where those conditions prevail you have not a condition of progress, but a condition of progressive degeneration.”*

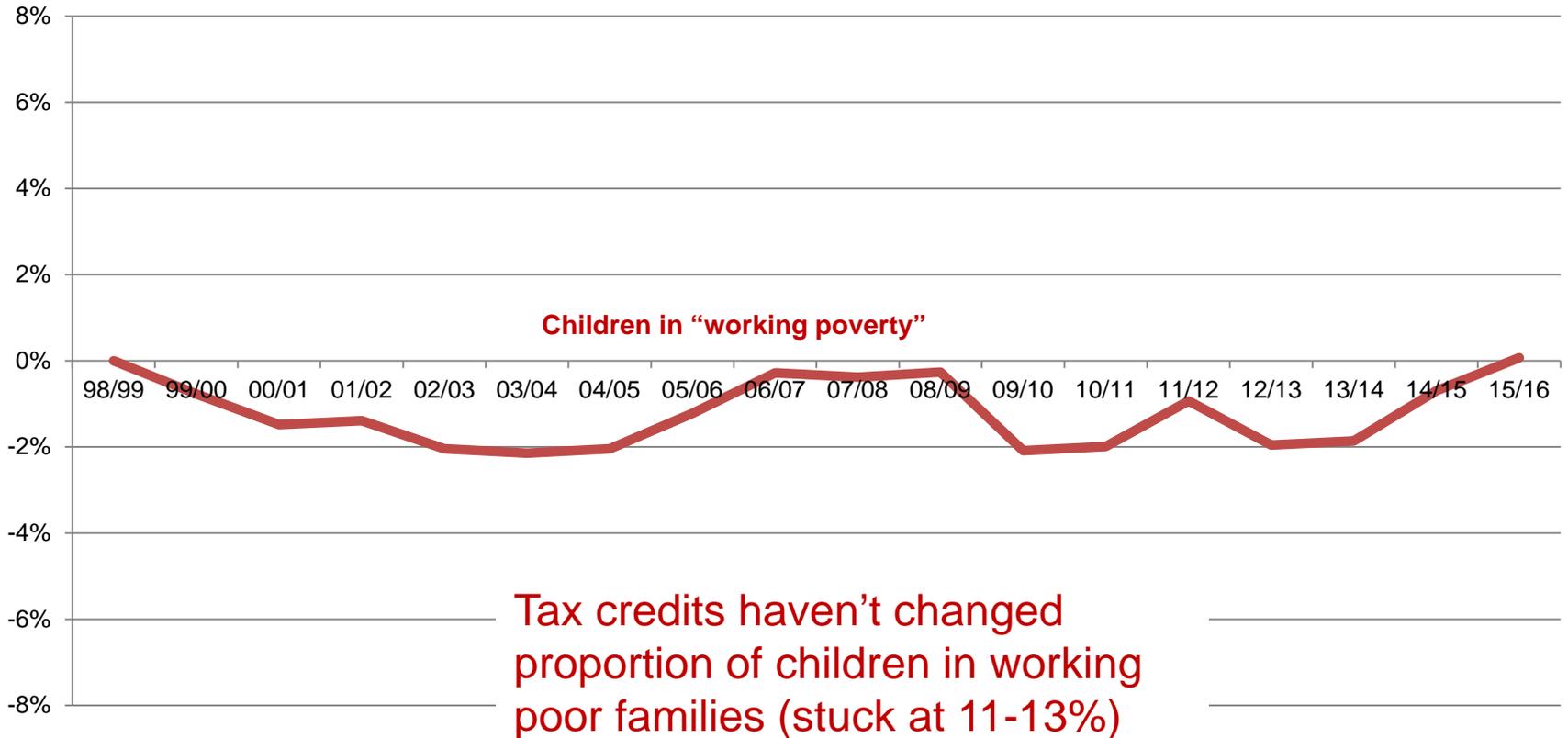
**Winston Churchill**

# From Churchill to Brown...

(via Thatcher)

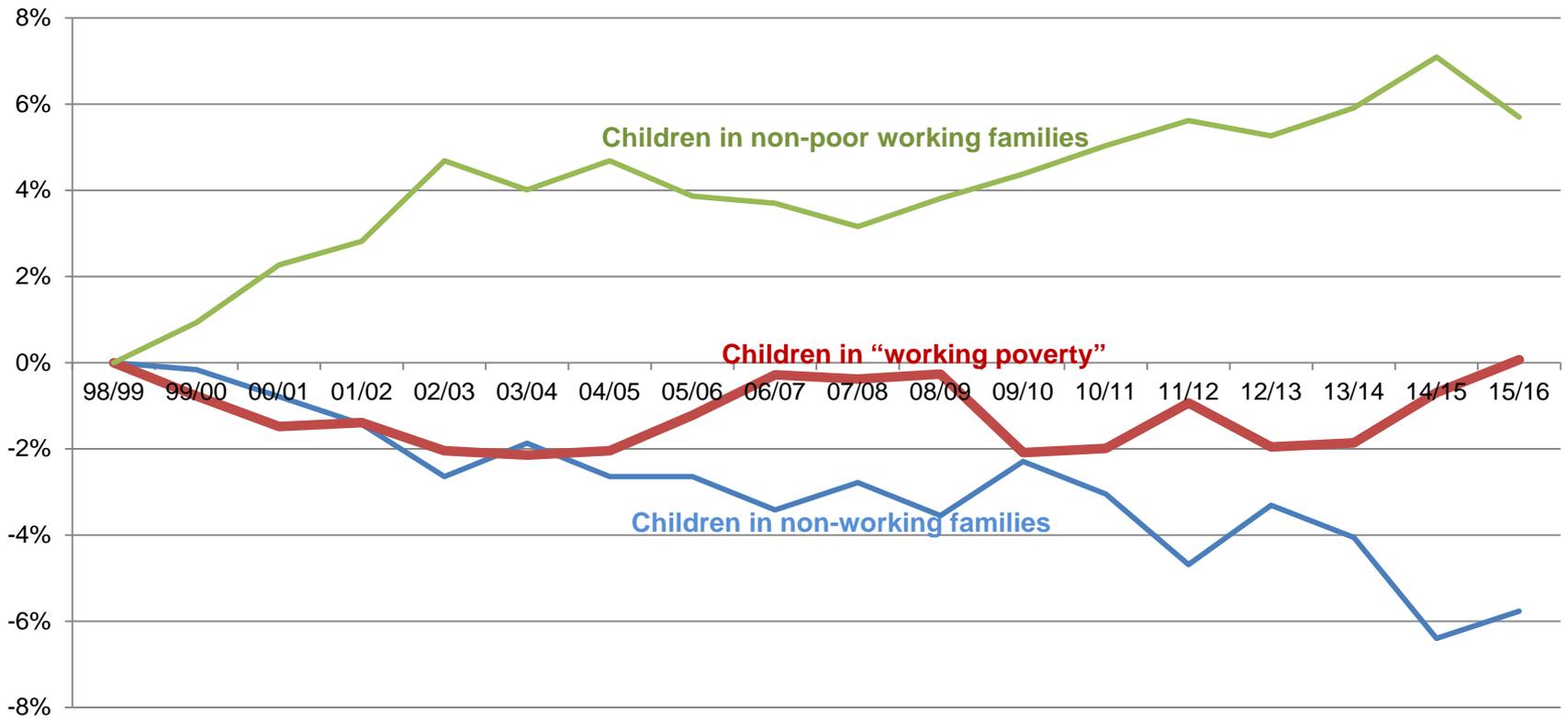
# Working poverty hasn't fallen...

Change in % of all children by work and poverty status,  
1998-2016



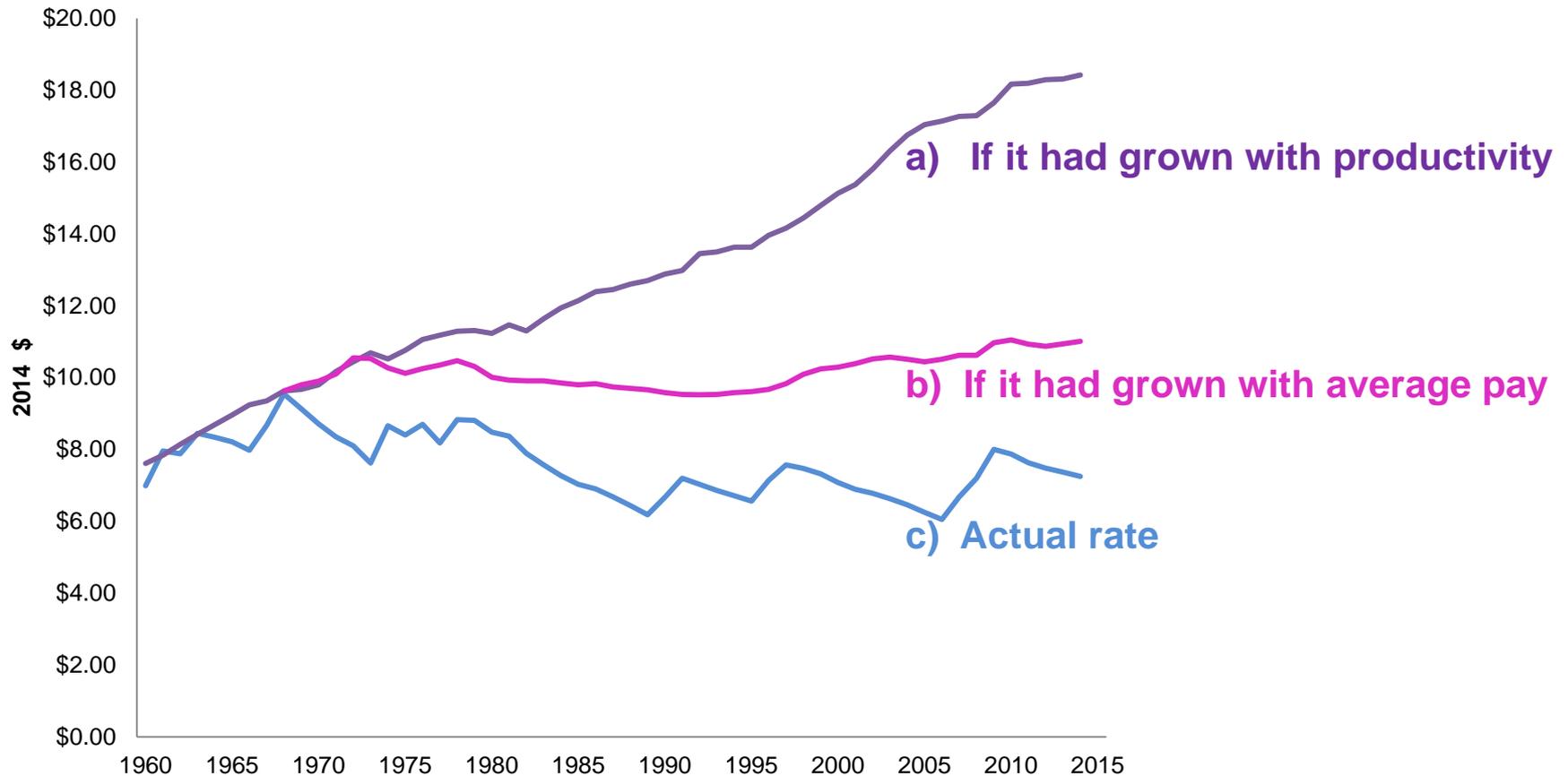
# ...but more children are in working families

Change in % of all children by work and poverty status  
1998-2016



# How FDR's living wage became a poverty wage

Level of the Federal Minimum Wage (2014 prices) since the 1960s



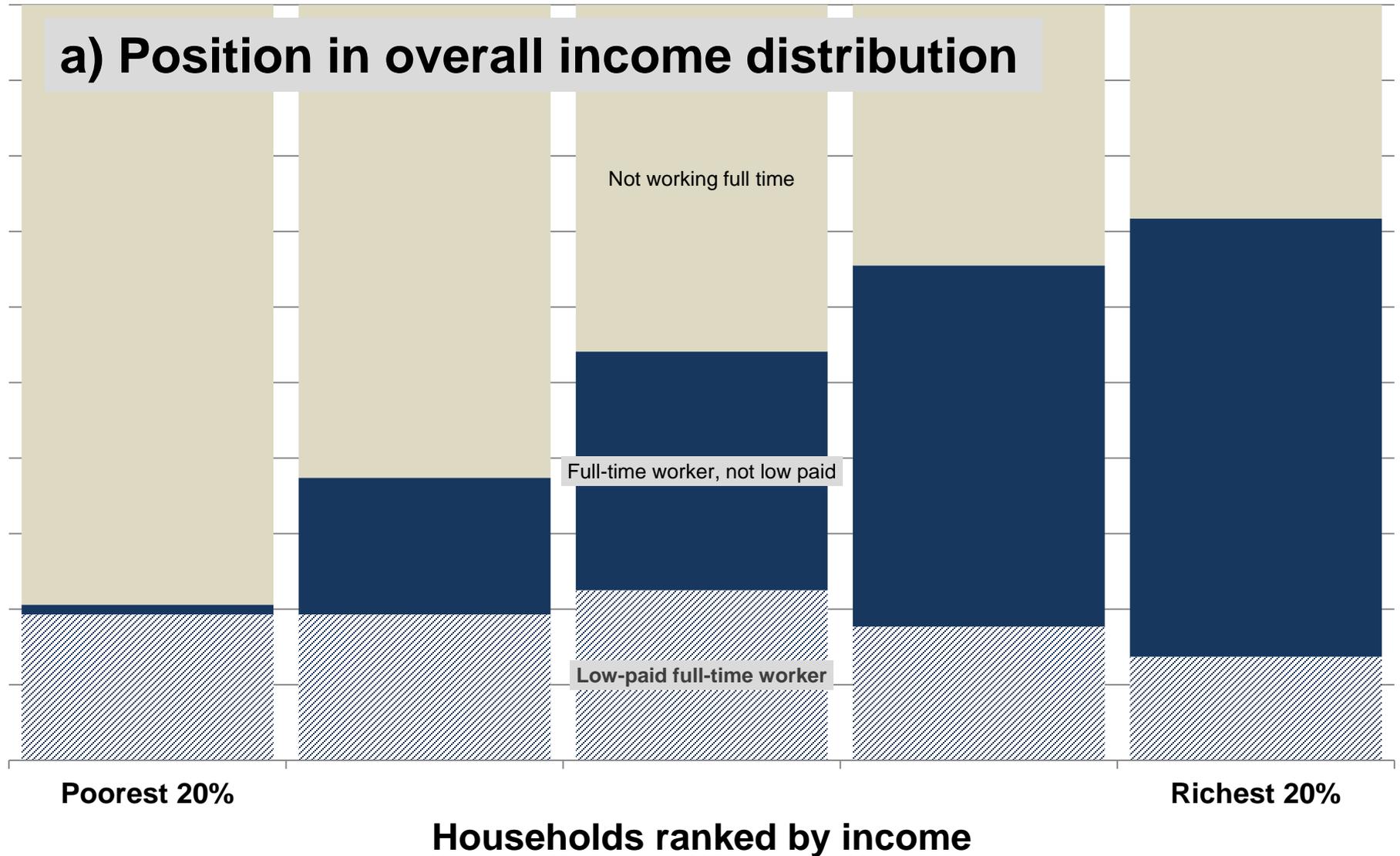
# Moving the goalposts

*'We want to move Britain from a low-wage, high-tax, high-welfare society to a higher-wage, lower-tax, lower-welfare economy'*

*George Osborne (2015), announcing 'national living wage' and cuts to tax credits.*

# Household income status of individuals by work and pay status

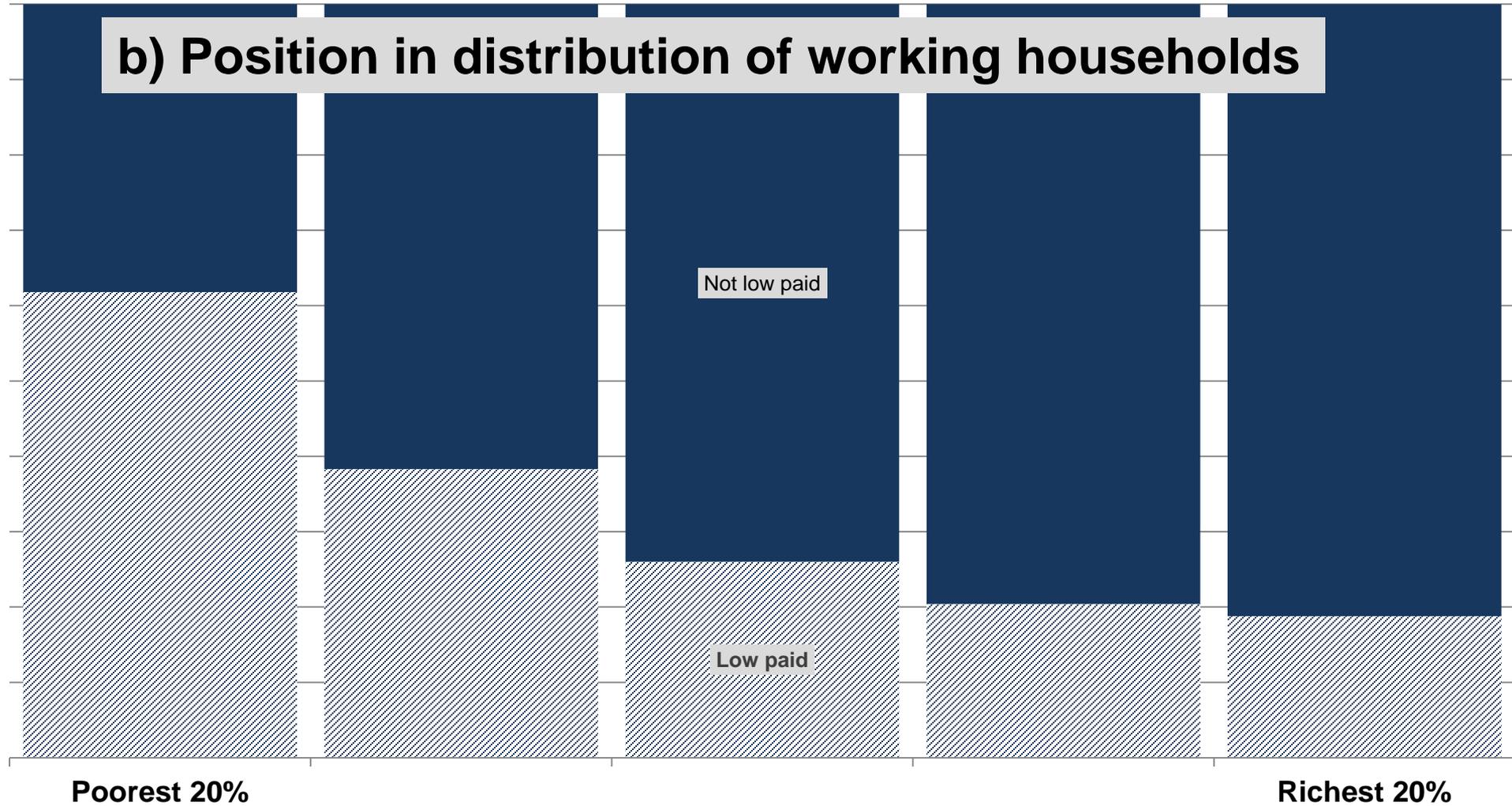
Working age adults 2014/15



# Household income status of individuals by work and pay status

Working age adults 2014/15

## b) Position in distribution of working households



Poorest 20%

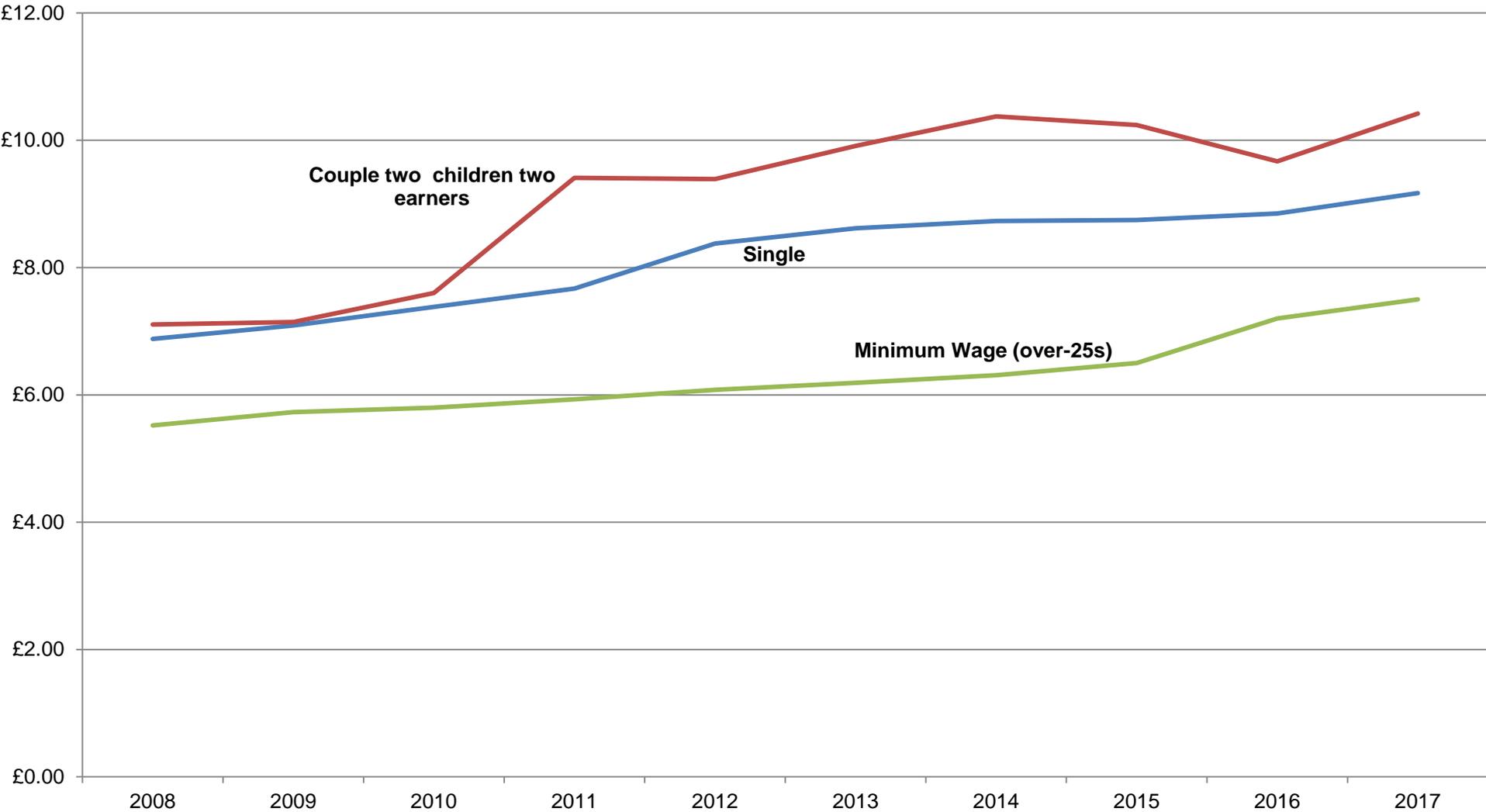
Richest 20%

Full-time workers ranked by their household's income

Source: FRS

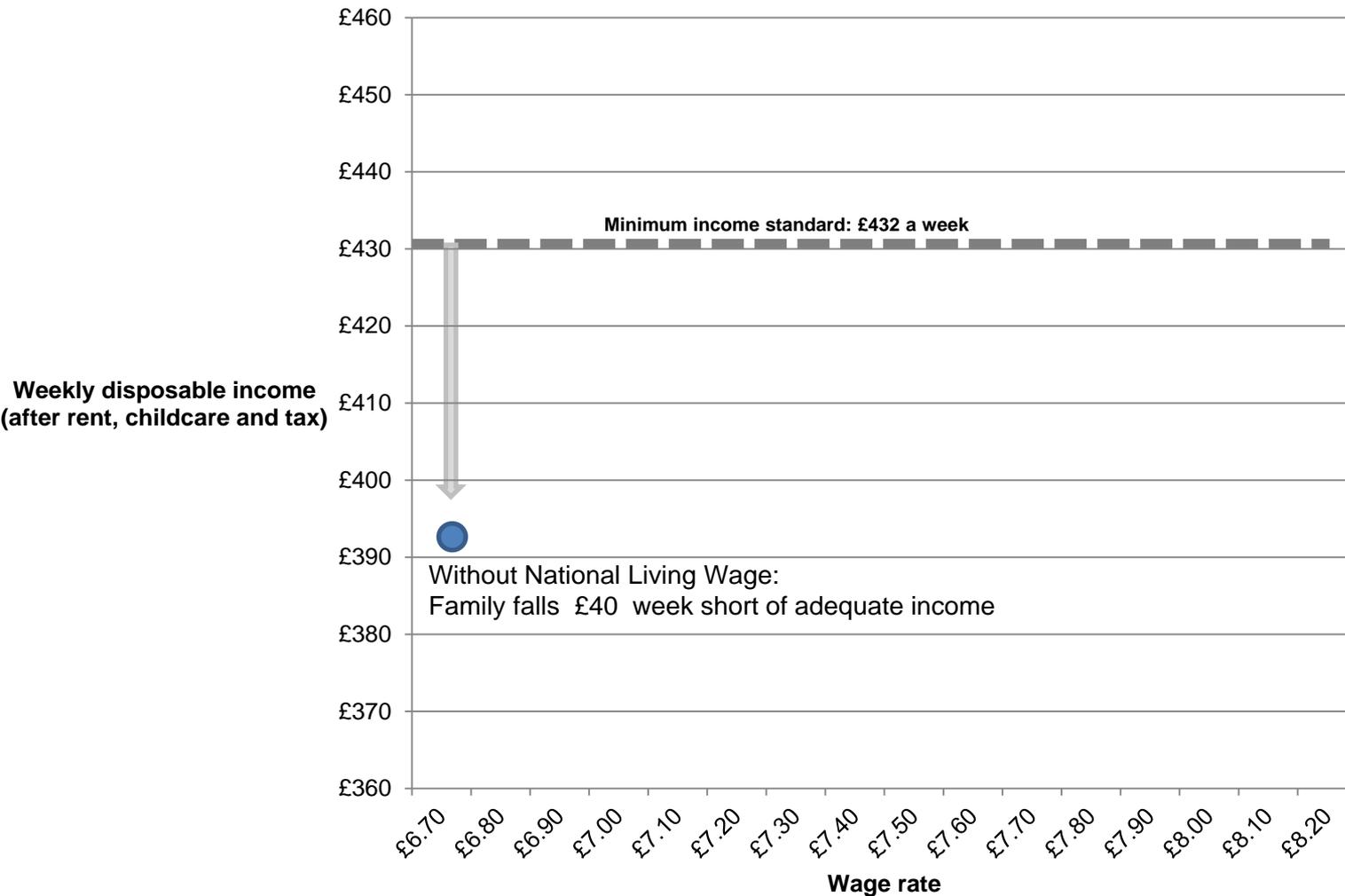
# The equivalisation moment has passed

Hourly earnings needed for minimum income standard, compared to National Minimum Wage



# Making ends meet: wages and tax credits

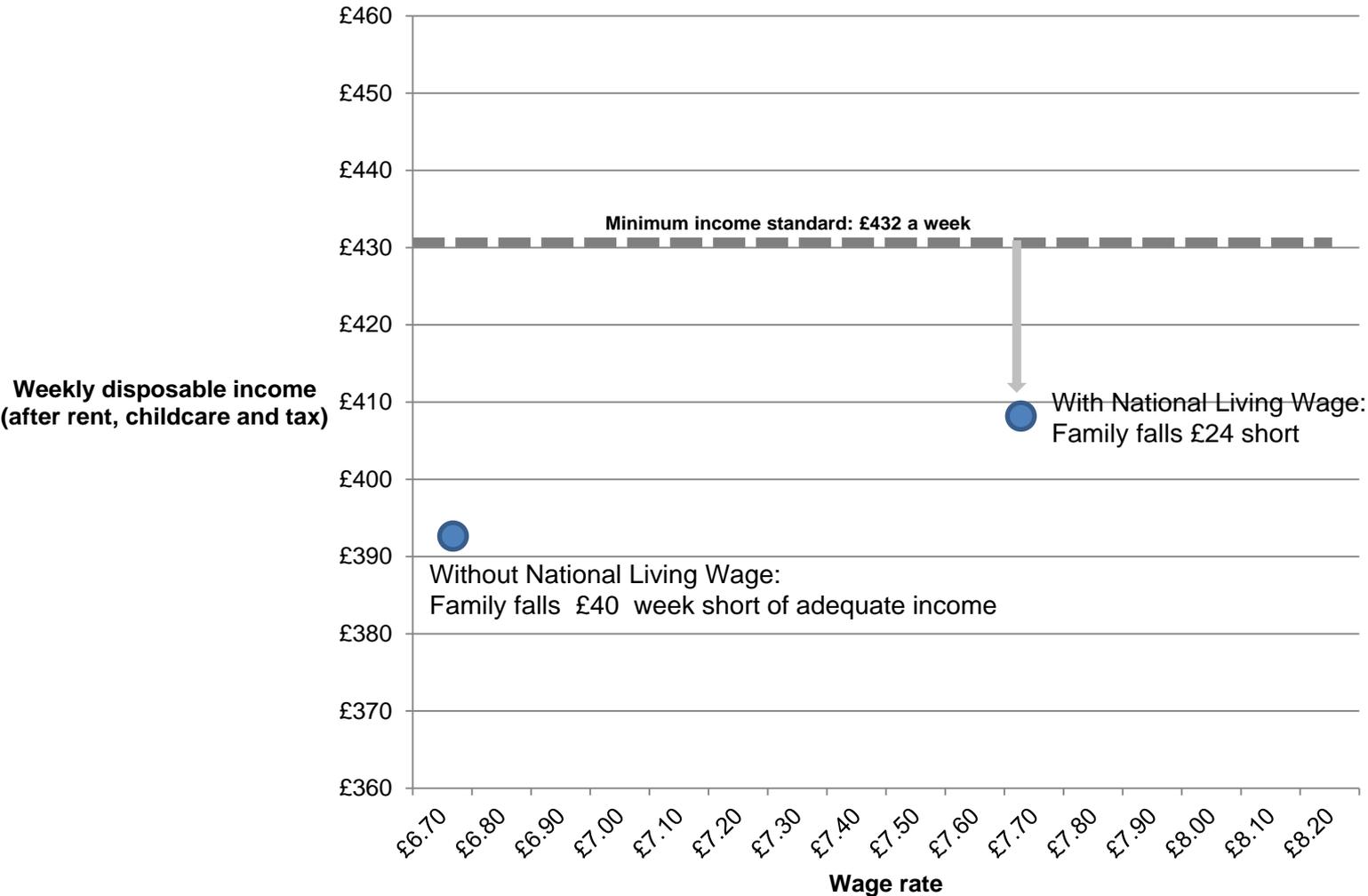
Couple + 2, parents work ft and pt, 2016



Note: assumptions include 30 hours a week of free childcare for 4 year old, being introduced in 2017

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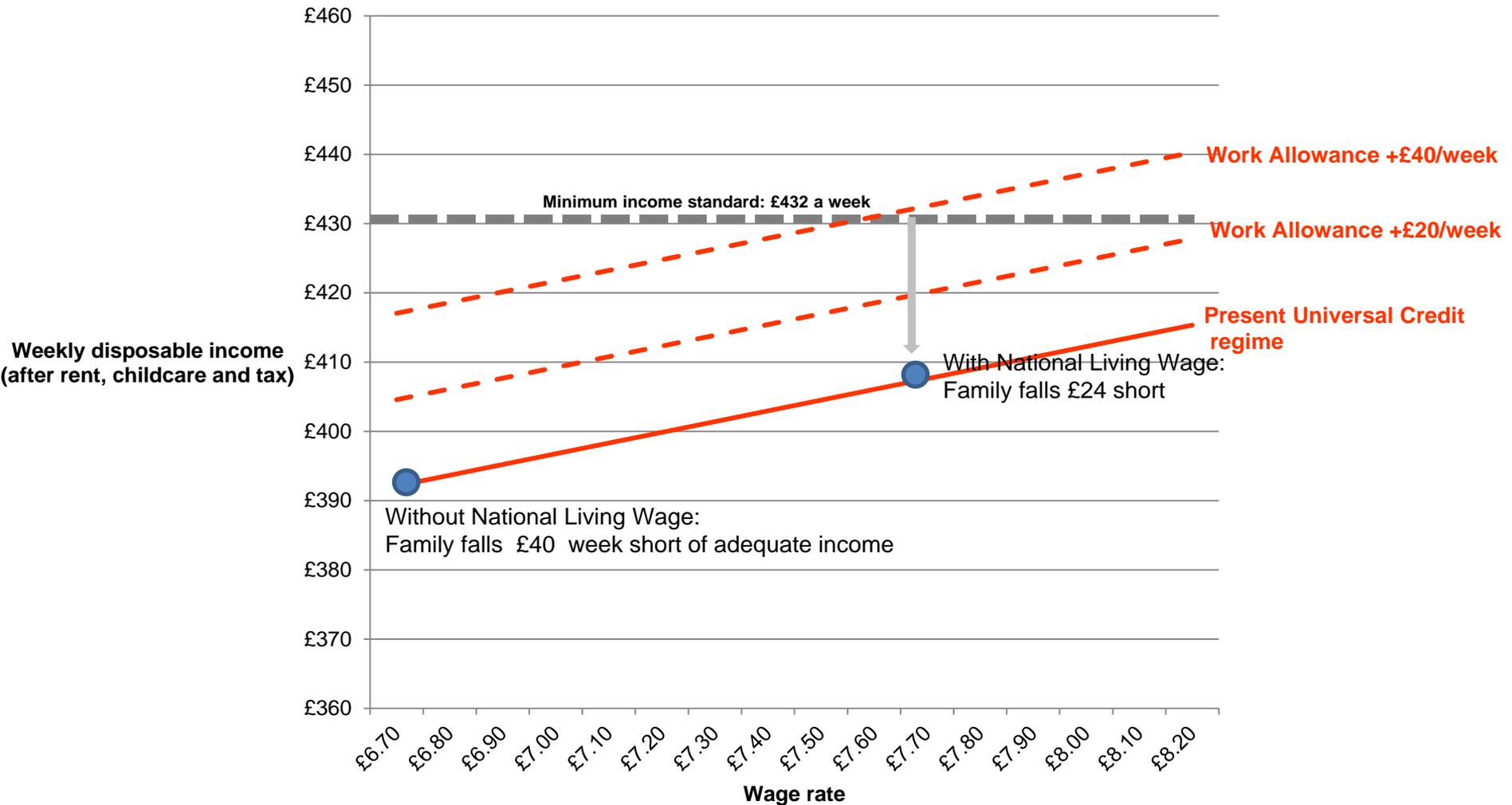
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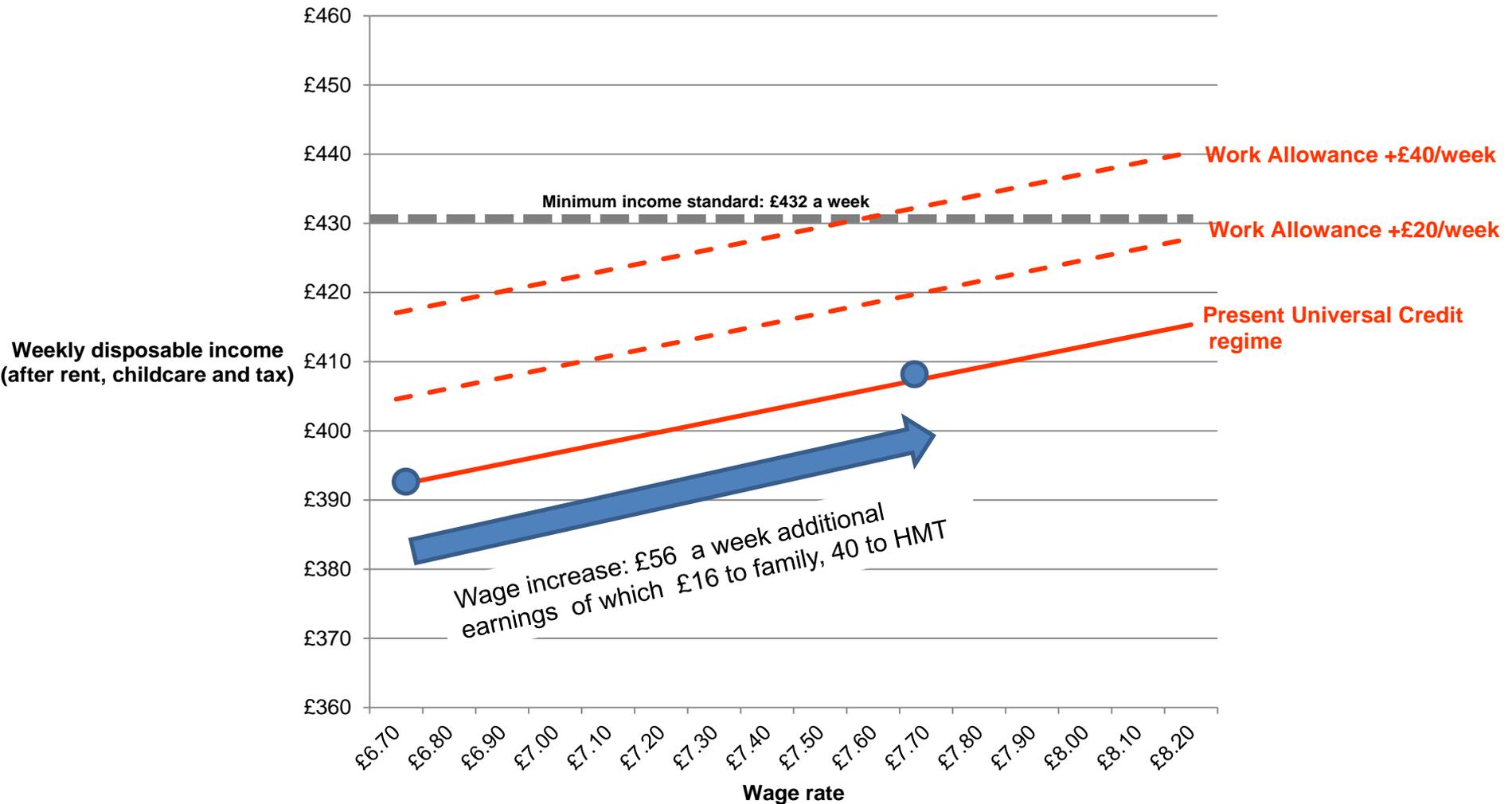
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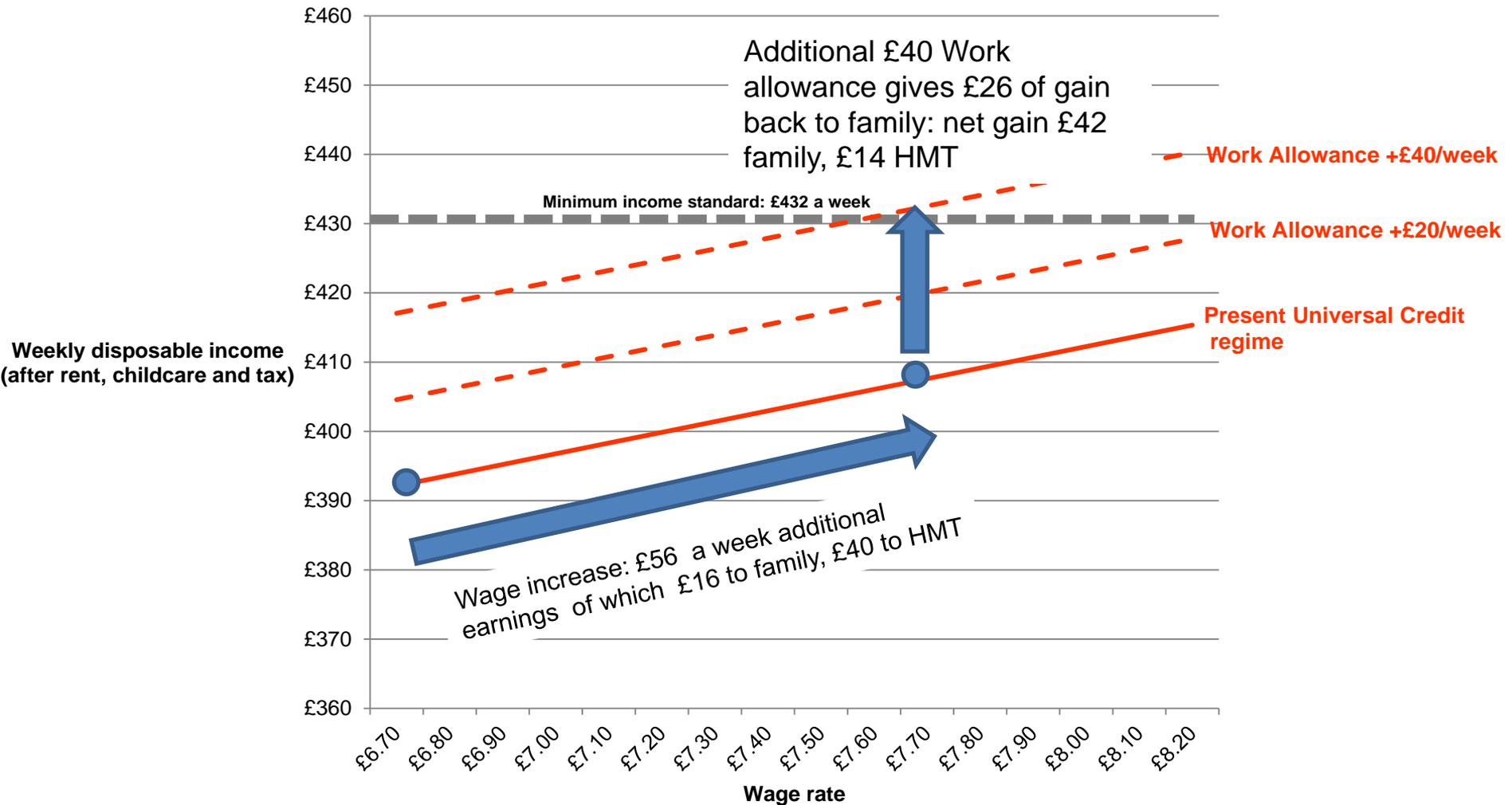
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Of course it's not that simple.

# Five conclusions

- A living wage is not an equation
- Yet benchmarks based on living standards are useful
- Most useful as part of a multi-faceted strategy
- Must include both subsidy and quantity of work
- Ignoring pay in policies to enhance working incomes is not an option.