

In-work poverty and the living wage in the United Kingdom: A geographical perspective

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ABSTRACT

Drawing on new empirical data from the UK this paper takes a geographical perspective on the living wage. It highlights the extent to which the living wage is a geographical intervention to tackle in-work poverty that reflects the cost of living and social reproduction in a particular geographical area, aiming to set a new minimum across the labour market. The paper further argues that there is a scalar geography to understanding the impact of the campaign and the arguments made to defend it. Whereas the living wage has major cost implications for the particular employers and clients affected – increasing wages by approximately 30% above the National Minimum Wage – it also has the potential to reduce costs across the wider society. There is thus a scalar dimension to making the argument for a living wage that can help to inform the future direction of the campaign. The paper concludes by raising some wider questions about the contribution that Geographers can make to the study and alleviation of poverty.

KEYWORDS: in-work poverty, working poverty, living wage, wage distribution, pre-distribution, the geography of poverty

Introduction

Servants, labourers, workmen of different kinds, make up the far greater part of every great political society. But what improves the circumstances of the greater part can never be regarded as an inconveniency to the whole. No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable. It is but equity, besides, that they who feed, clothe and lodge the whole body of people, should have such a share of the produce of their own labour as to be themselves tolerably well fed, clothed and lodged.

Adam Smith in *An Inquiry into the Nature and Causes of the Wealth of Nations* (cited in Clary, 2009, 1067; originally published 1776)

The disposition to admire and almost worship, the rich and powerful, and to despise, or at least, to neglect persons of poor and mean condition, though necessary to establish and to maintain the distinction of ranks and order of society, is, at the same time, the great and

most universal cause of corruption of our moral sentiments. That wealth and greatness are often regarded with the respect and admiration which are due only to wisdom and virtue; and that the contempt of which vice and folly are the only proper objects, is often most unjustly bestowed upon poverty and weakness.

Adam Smith in *The Theory of Moral Sentiments* (cited in O'Neil, 2010, 17; originally published 1759)

We are increasingly likely to live in societies where large parts of the population fail to earn the income required to sustain a decent standard of living. In the United Kingdom (UK) as many as 1 in 5 workers or 5 million people earn less than the living wage and these rates rise to over a quarter of women workers, 42% of part-timers and more than half of all those without qualifications (Savage, 2011, see Figure 1). In London alone, more than half of all poor children live in a household where at least one adult works, and the latest data indicate that this involves as many as 330,000 dependent children (MacInnes et al., 2012). As Adam Smith suggested more than 200 years ago, these levels of working poverty reflect and exacerbate the 'corruption of moral sentiment' with consequences for us all.

[INSERT Figure 1: The characteristics of those earning less than the National Minimum Wage (NMW) and the Living Wage (LW), UK, 2010

Source: Savage, 2011, 5. Based on estimates of Annual Survey of Hours and Earnings (ASHE) data, 2010.]

While there are obviously very high costs for the workers receiving poverty pay as well as their children, there are a further set of challenges that are posed to the commons. The high rate of in-work poverty makes it harder to move people off benefits into work, it increases the need for additional welfare support and has well-documented implications for employee morale, absenteeism, labour turnover and productivity (Greenwald and Stiglitz, 1988). Firms that don't pay the full cost of social reproduction generate costs (or 'externalities') that have to be borne by the community and/or the wider society (Prasch and Sheth, 1999; Ciscel, 2000). There are also major implications for levels of consumer demand. In their recent pronouncements on the causes of the current economic malaise, a number of leading economists have highlighted the problem of low rates of pay, and the associated growth in levels of inequality, in the failure to stimulate adequate levels of economic demand (Krugman, 2012; Reich, 2011; Skidelsky, 2012).

In this regard, it is important to recognise how much the prevalence of in-work poverty has varied over time. Rates reflect the balance of power between capital and labour and the related impact of shifts in the structure of the economy, unemployment levels, labour

organisation, labour migration and the willingness of Government to intervene. Over the past thirty years, the combination of political-economic reforms and developments associated with neo-liberal globalisation, the increased prevalence of subcontracting in low waged employment, increased labour supply and the erosion of trade union organisation have been particularly important in driving down wages at the bottom end of the labour market in countries like the UK (ILO, 2008; OECD, 2011). Whereas work used to be the primary route out of poverty, the majority of Northern economies now have more poor people in work than out of work (Brady et al, 2010). Furthermore, Governments have increasingly had to intervene to 'top up' wages in order to strengthen work incentives and ameliorate the impact of poverty pay on children and families. In the UK, Government spending on in-work tax credits now costs as much as £31 billion a year and this spending can further entrench the problem of poverty pay by reducing incentives for workers to campaign for pay rises (as the increase in pay is largely clawed back from benefit payments) and easing the pressure on employers to increase pay in order to entice people into employment (BBC, 2012; Hirsch and Beckhelling, 2011).

This paper explores an alternative measure for tackling in-work poverty – the living wage - that appears to be having ever-greater purchase in many parts of the world. A living wage is designed to reflect the local cost of living and the real cost of life. Rather than leaving wage setting to the laws of supply and demand, a living wage is designed to re-balance the moral economy, setting an ethical minimum that reflects and supports the real costs of living. Moreover, rather than using the mechanisms of the state to redistribute wealth as a means of alleviating in-work poverty, the living wage is an instrument of *pre-distribution*. Rather like collective bargaining and state-sponsored wages councils, living wage campaigns can adjust “the way in which the market distributes its rewards, before Government gets involved” (Coats et al, 2012, 8). This makes the living wage particularly salient at a time when there is little enthusiasm, for both ideological and pragmatic reasons, for increasing the role of the state. Indeed, in championing the role of the institutions of pre-distribution rather than those of redistribution, Coats and his collaborators cite the work of American scholar Jacob Hacker to make the case that:

[E]xcessive reliance on redistribution fosters backlash, making taxes more salient and feeding into conservative critique that government simply 'meddles' with 'natural' market rewards ... The regulation of markets to limit extremes and give the middle class more voice is hardly easy ... but it is more popular and effective than after-the-fact mopping up. (Hacker cited in Coats et al, 2012, 14)

Given the likely continued downward trajectory of trade union organisation, and the economic and political difficulties of increasing the level of the National Minimum Wage

(NMW), the demand for a living wage looks set to be one of the principal mechanisms to engage in the politics of pre-distribution in countries like the UK.

Living wage campaigns are now active in Australia, Canada, the USA, New Zealand and the UK and are also mobilising activists in relation to ethical trade across the developing world in particular industrial sectors (Harcourt, 1997; Luce, 2004; Hale and Wills, 2007). While the demand first surfaced on the coalfields of industrial Britain in the 1870s, and was subsequently deployed in political campaigns for a national minimum wage and the establishment of official institutions for wage setting in the early years of the twentieth century, the call for a living wage largely disappeared in tandem with the rise of the welfare state after the Second World War (Glickman, 1997; Wills, 2009). It is only since the early 1990s that the demand for a living wage has resurfaced again.

This more recent manifestation of what is actually a long-running movement to reconfigure the distribution of wealth can be traced back to the success of a community-union organising effort in Baltimore, USA, in 1994. Here, civic leaders were encountering increasing numbers of workers in their soup kitchens and community outreach facilities and they launched a campaign to establish a living wage for all those employed on local Government contracts (Fine, 2006; Schoenberger, 2000; Walsh, 2000). The success and profile of this campaign, and its subsequent adoption by the Association of Community Organizations for Reform Now (ACORN), facilitated its transmission across the cities and counties of the USA, covering as many as 140 different jurisdictions by 2010 (Swarts and Vasi, 2011). In most of these cases, the demand for a living wage focused on ensuring that the workers employed to conduct publicly-funded duties were not paid poverty wages and as a result, the ordinances have covered relatively small numbers of workers. However, the campaign has also had a much broader impact by reframing “wages as a moral and social justice issue” (Swarts and Vasi, 2011, 766) thereby opening up the issue of low pay to social justice campaigners far beyond the traditional trade union movement. The demand has helped to stimulate a wider desire to address economic injustice that was recently exemplified by the Occupy movement. Indeed, in anticipation of these developments, two of the leading academic proponents of the living wage signalled these wider implications in the very early days of the movement:

The living wage movement ... is not simply concerned with improving wages for workers employed by businesses holding municipal contracts, even though this is the immediate target of their efforts. The living wage movement is committed to reversing the economy-wide wage squeeze, stopping tax giveaways to big business, re-energizing the labor movement, and ending the war on the poor. (Pollin and Luce, 1998, 8)

Furthermore, as the campaign has spread beyond the shores of the USA, it is interesting to see how much its focus has shifted. In the UK, the campaign has targeted private sector employers as much as those reliant on public-sector contracts. In anti-sweatshop campaigning, the demand for a living wage has allowed workers in different countries to develop a common demand despite local differences in the cost of living, and to identify targets-in-common across national borders. As has been documented in relation to the spatial transmission of political ideology and policy tools (Peck and Theodore, 2010), the living wage has been translated across space, being reconfigured wherever it lands and takes root.

This paper takes a geographical perspective on the living wage, drawing upon original empirical data in relation to the UK. After outlining the challenge of in-work poverty, the paper provides a brief history and overview of the living wage campaign that started in London in 2001 before subsequently spreading to other parts of the country. The paper then makes a series of explicitly geographical arguments about the campaign for a living wage. First, it highlights the extent to which these campaigns are geographical interventions, seeking to address low wages in a particular labour market, maximising the political impact of the institutional resources available in that geographical area. Second, the paper draws on new empirical research data that highlights the extent to which the balance of costs and benefits of the living wage are dependent upon scale. The data illuminates the way in which the balance of costs and benefits varies between the scale of the workplace (where employers and/or clients have to bear or manage the costs of increased wages) and the wider society (whereby tax payers provide less welfare to low paid workers). Thus the paper argues that there is a scalar geography to making the case for the living wage: the arguments in its defence, and the outcomes secured, will depend upon the target audience and their geographical reach.

Finally, the paper uses these arguments to say something about the discipline of geography itself. Historically, geographers have debated the extent to which place makes a contribution to poverty. In countries like the UK the focus has been on poor places and poor communities – and the combined effect of low levels of skills, limited employment prospects and inadequate service provision in entrenching the map of poverty (Dorling et al, 2007; Glasmeier, 2002; Glasmeier et al., 2008; Peet, 1972; Philo, 1995). More recently, geographers have also analysed the area-based policy interventions designed to tackle this entrenched geography of poverty (Lawless, 2006; Lawless et al., 2011). However, studying the living wage campaign buttresses another way of looking at the geography of poverty. Most poor people do not live in poor places nor are all the people living in poor places poor. This poses a conundrum for geographers who are seeking to make the case for space.

While there is always an uneven distribution of wealth and prosperity across any territory, this cartography is unlikely to be changed by focusing only on the places with least. The living wage campaign has highlighted the role of wage setting in generating poverty in every location – rich as well as poor - and the campaign itself tends to have greatest salience in richer areas where prices are inflated. The campaign has also exposed the importance of fostering and building institutions and relationships that are able to recalibrate the moral economy in every location. Thus it is possible to make a geographical argument about the causes of and solutions to poverty that advocates attention to the structural processes that are driving the uneven allocation of resources alongside the importance of developing a political challenge that will necessarily reflect the institutions and traditions of organising in any locale (Nicholls, 2008; Wills, 2012). The paper suggests that efforts to paint on this broader canvas will give the discipline greater impact in helping to develop solutions to poverty while also celebrating a place-based approach. Indeed, this geographical perspective on poverty bolsters a place-making agenda that is able to challenge the dominant narrative that social and spatial mobility are the only way out (Imbroscio, 2011; Williamson et al, 2002).

In-work poverty in the UK

As intimated in the introduction, the prevalence of in-work poverty in the UK has shifted dramatically over time. As the institutions of pre-distribution became more firmly established during the nineteenth and twentieth centuries, the balance of wealth going to labour increased and particular groups of workers were able to increase their earnings and put themselves above the poverty line. In addition, the developing welfare state helped to undermine poverty rates by providing better and more affordable housing, health care and education. This ‘social wage’ helped to reduce the costs of living and facilitate more widespread social improvement. Thus the causes of poverty have changed dramatically over time and it is only recently that low wages have resurfaced as a major contributor to poverty rates (see Table 1; Glennester et al., 2004; Lawton and Cooke, 2008; Tripney et al 2009).

Table 1: Poverty in Britain, by cause (%), 1899-2001/2

	1899	1936	1950	2001/2
Death of wage earner	16	n/a	n/a	6
Illness or old age	5	19	90	26
Unemployment	2	29	-	7
Low wages	55	38*	1	31
Large family (5+ children)	22	5*	3	2
Other	-	8	6	27

Source: Piachaud and Webb (2004, 49) for 1899 and 2001/2; Atkinson (1973, 103) for 1936 and 1950; * indicates an estimated figure

There are a number of reasons for the increased role of low wages in the causes of poverty but the political assault on the institutions of pre-distribution launched by the Thatcher Governments after 1979 certainly bears a good part of the blame. In addition to anti-trade union legislation, these Governments abolished the Fair Wages clause (1983) and the Wages Councils (1986 and 1993) (Coats et al, 2012). These provisions had helped to protect wages in public procurement and in a number of very low paying sectors. Furthermore, in the absence of a National Minimum Wage (NMW) which was not introduced until the Labour administration took over in the late 1990s, it meant that non-unionised British workers had no statutory protection in relation to pay for a decade or more. In addition, public bodies were encouraged to out-source their low waged employment to reduce costs, particularly in the NHS and Local Government, and despite the introduction of TUPE protection, wages and benefits were dramatically cut for any new staff (Reimer, 1998).

When they came into power in 1997, the New Labour Government recognized the need to tackle low pay. The 1998 National Minimum Wage Act provided for the establishment of a Low Pay Commission that now sets Britain's first ever NMW. The first rate, set in April 1999, was £3.60 an hour for adults aged over 22, covering as many as 1.2 million adults, who had an average pay rise of 10%. There is evidence that the NMW has reversed about half the increase in inequality of the Thatcher era without any detrimental impact on employment, with some evidence for greater productivity, some reductions in hours, some price increases and some falls in profits (Metcalf, 2007, 3; Manning, 2012). Compliance appears to have been remarkably high.

But while the NMW has clearly had a very positive impact on the incidence of low pay and income inequality in the UK since 1999, it has not been set at a high enough rate to stem the rising tide of in-work poverty. As indicated in Table 2, the country's poverty statistics now indicate that there are more poor people who work than who are out-of-work (Lawton and Cooke, 2008). To respond to this problem, the New Labour Governments introduced means-tested in-work benefits determined on the basis of household income and circumstances. This included the provision of Working Tax Credit and Child Tax Credit and while this has increased the household incomes of as many as 3.3 million households, sometimes by hundreds of pounds every week, it has done nothing to prevent the causes and growth of low pay.¹ Moreover, as outlined in the introduction, in-work benefits can have the unintended consequence of reducing the pressure for any increase in pay. There is also no

certainty that future Governments will continue this policy, leaving low paid workers and their families vulnerable to changes in the rules and the allocation of funds (Whittaker and Bailey, 2012).

Table 2: Households, work and poverty status, UK, 1996/7 and 2005/6

	Poor		Not poor	
	1996/7	2005/6	1996/7	2005/6
Working	2 million	2.5 million	12.1 million	13.8 million
Workless	2.2 million	1.8 million	0.9 million	0.9 million
Total	4.3 million	4.3 million	13 million	14.7 million

Source: Lawton and Cooke (2008, 34)

Thus while the New Labour Governments sought to set an agreed minimum for levels of pay and to ameliorate the impact of low pay on workers and their families via redistribution, few attempts were made to alter the processes that caused low pay in the first place. Indeed, anti-poverty measures focused on the increased provision of higher and other education to ensure that children and young people from poorer backgrounds could advance into better paid work through increased levels of training. And although money was directed towards the poorest neighbourhoods of the country via the New Deal for Communities programme, much of this funding was also spent on the provision of training (Lawless, 2006; Lawless et al, 2010). For New Labour, poverty was to be tackled by getting people into work or training, but not by shifting the balance of wealth or by fostering the institutions (unions, campaigning groups or new government bodies) that could increase the level of pay.

In their overview of New Labour's record, Coats and colleagues highlight the extent to which those years exposed the limits of Government and the need for new actors to tackle low levels of pay:

The record shows that, while the state can make a difference, the state can't do *everything* itself. Intermediate institutions and civil society remain important by allowing entrenched corporate power to be held intelligently to account (by trade unions, investors and NGOs) and by establishing social norms about fairness in pay distribution and what constitutes an acceptable reward for the highest earners. (Coats et al, 2012, 119)

This focus on the strength of the institutions that are able to shape pre-distribution is particularly salient in relation to understanding the role of living wage campaigns. The living wage has been championed by a broad-base of civil society organisations, and in London these have included churches, mosques, synagogues, community organisations and trade union branches (Wills, 2009, 2012). Moreover, they have been working with and against the state and the market in order to recalibrate the moral economy, challenging injustice but also

celebrating those who do the right thing. As Pollin and Luce (1998) suggested in relation to the living wage campaigns in the USA, it is this kind of politics that may be able to mount a wider challenge to the uneven distribution of wealth in the nation-at-large. And there is a similar need to mount the same challenge within the UK.

The Resolution Foundation has recently published a series of research reports that document the extent to which the wages of those in the bottom half of the income hierarchy – what they call workers on low-to-middle incomes or the ‘squeezed middle’ – have failed to keep up with increases in economic growth since the 1970s. Their data indicates that whereas 16p of every £1 generated in the UK went to workers in the bottom 50% of the wages distribution in 1977, this had fallen to just 10p of every £1 (if bonuses are included in the calculations) by 2010 (Bailey et al., 2011; Whittaker and Savage, 2011). Moreover, they find that although the share of national wealth allocated to labour had fallen over this period, most of the fall in wages for lower paid workers was due to increased inequality in the distribution of wages between workers themselves. During the period between 1977 and 2010, wage inequality increased in all economic sectors and this worsened the problem for those at the bottom. By sector, inequality was relatively benign in public administration and education where collective bargaining remained strong, to very high rates in finance. Moreover, whereas some sectors had very low rates of annual wage increases during the last decade – retail for example, having an annual increase of just 1.1% in hourly wages between 1999 and 2008 – finance had very high rates of overall wage increases, rising by 4% a year over this time (see Figure 2). Given that the finance sector increased in both absolute (in relation to its wealth generation and employment numbers) and relative terms (increasing its share of national employment relative to sectors such as manufacturing) during this period, it has had a particularly strong impact on patterns of wage and wealth distribution in the UK (Whittaker and Savage, 2011).

[INSERT Figure 2: Average annual growth in average earnings, by sector, UK, 1999-2008

Source: Whittaker and Savage, 2011, 29]

Such analysis highlights the wider significance of efforts to improve pay at the bottom end of the income hierarchy via the living wage. Not only should it benefit the workers concerned, but it may help to strengthen the political institutions of pre-distribution that have been weakened and are currently unable to rebalance the distribution of wealth across the country-at-large (Machin, 1997). Indeed, international analysis exposes the role of this kind of institutional infrastructure in different national economies. Even though all major economies are similarly confronted with globalisation and the pressures of international competition and restructuring, shifts in the share of wealth going to labour and the degree of

income inequality vary greatly across different national jurisdictions (Bailey et al, 2011; Brady et al, 2010). As shown in Figure 3, the incidence of low pay by country is markedly different as a result, varying from a low of 4% of employees in Belgium to a high of 25% in the USA.

[INSERT Figure 3: Share of employees in low paid work, by selected countries

Source: Pennycook, 2012, 4. Based on 2009 data except for France and the Netherlands for which 2005 data was used and the OECD definition of low pay as those earning less than two-thirds of the national gross median hourly wage.]

In their analysis of trends in 10 different countries, for example, Bailey and colleagues (2011) distinguish ‘mild’ cases where the share of wealth going to labour has not necessarily decreased since the 1970s and where wage inequality is much less pronounced, from those countries they describe as ‘acute’ and ‘chronic’ cases. Trends vary greatly between countries like Finland, Japan and Denmark (examples of the ‘mild’ group) to the US, Australia and Canada which are described as ‘chronic’ (see Table 3). While the UK is put in the ‘acute’ camp somewhere in the middle of the table, the prevailing trends look set to continue, and become increasingly ‘chronic’, unless a political challenge gains the pace and power to secure major change.

Table 3: Changes in unadjusted labour share of income in a selection of countries: 1970-2007

Profile of country	Country	Labour share 1970	Labour share 2007	Percentage point change
Chronic cases	USA	64	60	-3.1
	Australia	60	53	-7.1
	Canada	59	55	-3.8
Acute cases	France	56	57	0.9
	UK	65	60	-5.3
	Germany	59	55	-3.7
Mild cases	Japan	41	49	8.2
	Finland	55	56	1
	Denmark	59	65	6.1
	Sweden	66	61	-4.9

Source: Bailey et al., 2011, 13

In their work to map the inter-relationships between inequality and well-being in a whole host of areas (trust, mental health, obesity, life expectancy, educational performance, teenage births, homicides, rates of imprisonment and social mobility) across different national economies and the states of the USA, Wilkinson and Pickett (2010) further highlight the value of reducing levels of inequality for the whole society. They find the incidence of social

problems to be much lower in the countries classified as 'mild' than in those classified as 'acute' and 'chronic' (see Table 3). Rather than spending billions of pounds in welfare projects and initiatives that aim to 'mop-up' after the party, and largely basing their approach on "the belief that the poor need to be taught to be more sensible", they argue that Governments would be better advised to reduce the production of inequality in the first place (Wilkinson and Pickett, 2010, 239). While recognising that this will require massive political will and a popular movement to make it happen, efforts to develop new mechanisms of pre-distribution that increase the independence and dignity of workers, and remove state subsidies from them and their employers, are likely to find widespread support. In the context of a Conservative-led coalition Government, along with on-going economic malaise and a weak trade union movement, the demand for a living wage probably represents the best route to reducing the extent and impact of in-work poverty, and ultimately, the degree of inequality within the UK.

The UK living wage campaign

The UK living wage campaign began in east London in 2001. The inspiration of a broad-based community alliance called The East London Communities Organisation (TELCO) which has subsequently spread to other parts of the city and collectively organises as London Citizens, the living wage campaign was designed to tackle the twin problems of in-work poverty and the wider impact of this on family life. The coalition leaders were determined to try and respond to the impact of the labour market on local workers, families and community groups. In so doing, they were also able to draw upon the direct experience of their sister alliance in Baltimore as both are part of the Industrial Areas Foundation.

However, London Citizens did not simply reproduce the living wage campaign as it had developed in the USA. Firstly, London Citizens has used its political influence over the Mayor of London (Ken Livingstone from 2004 and Boris Johnson from 2008) to ensure that economists at the Greater London Authority (GLA) determine the annual living wage that is subsequently announced and endorsed by the Mayor. This has given the wage valuable independence from the campaign. Indeed, while early rates were proposed on the basis of research paid for by the trade union UNISON and conducted by the Family Budget Unit (Parker, 2001), it is widely recognised that Mayoral support has helped to validate the idea of a living wage and its annual increase.

Secondly, the London campaign has not solely focused on Government contracts and aims to set a new benchmark for wages across the city-at-large. While the GLA has now endorsed the living wage and ensured its application across its own supply chain to include the Metropolitan Police Authority, the London Fire Brigade and Transport for London,

comprising more than 3000 workers, the campaign has targeted a much wider range of high-profile companies and organisations. In the early stages, the focus was on the NHS hospital trusts in east London and the finance and related companies based at Canary Wharf. More recently, the focus has shifted to legal firms in the City, the retail sector and Local Government. In almost all cases, the coverage has impacted on the cleaning workers who are employed by specialist firms. Calculations compiled at the end of December 2012 for living wage week indicate that well over 100 employers and 14,000 workers have been involved in the redistribution of approximately £100 million since 2001 in London alone.² It is also important to note that the campaign secured agreements that the contractors appointed to deliver the Olympic Games would recognise the living wage and all 100,000 short-term jobs created during the summer of 2012 were paid at the living wage rate of £8.30 an hour.

Thirdly, and in contrast to the experience in the USA, London Citizens has sought to ensure that the transmission of the demand for a living wage outside London has not resulted in a plethora of different living rates, methods of calculation and processes of application. In May 2011, London Citizens launched a Living Wage Foundation that is responsible for setting a living wage rate for outside the capital and providing intelligence to employers and activists who want to pursue the demand. The Foundation has teamed up with Professor Donald Hirsch, Head of Income Studies at the Centre for Research in Social Policy, Loughborough University, to use his research into Minimum Income Standards, funded by the Joseph Rowntree Foundation, to set the outside-London living wage rate.³ This has been complementary to the process used by the GLA to generate the London living wage and there are on-going talks to align the calculations behind the two rates.

Finally, again in contrast to the experience in the USA, the Living Wage Foundation has sought to involve employers and other stakeholders in the campaign for a living wage. The Foundation has six Principal Partners: the funders Trust for London, the charity Save the Children, the think tank the Resolution Foundation, the first living wage employer in Higher Education, Queen Mary, University of London, and two leading private sector champions, the accounting firm KPMG and the international law firm Linklaters. This effort to embrace a wide coalition of champions has helped to deepen the impact of the campaign. The Foundation is now officially accrediting living wage firms and it controls the use of the official living wage kite-mark. There are plans to hold a living wage week to promote the living wage and the annual increase in the rates of the wage will be announced during this week in November each year from 2012.

In part as a result of the success of the campaign, a growing number of other organisations are also taking up the call for the living wage, in London and across the UK. Since losing the

2010 general election, the Labour Party has started to champion the living wage and some leading politicians have encouraged activists in the *National Union of Students* to agitate for the living wage on their university campuses. In addition, the campaigning charity *FairPensions* has successfully lobbied the managers and trustees of pension funds, large investment companies and shareholders, to put pressure on some of the FTSE100 companies to pay the living wage. Since 2011, their 'Just Pay!' campaign has secured the living wage for several thousand workers contracted to work for Aviva, Barclays and HSBC. As it is taken up by charities and campaigning organisations, the living wage will become less strongly associated with London Citizens, and the role of the Living Wage Foundation will become ever more important as a repository of intelligence about the campaign, accreditation and implementation.

Since its inception, the London living wage has been at least 30% above the NMW, and the newly established rate for the rest of the UK (£7.20 in 2011) is just under 20% higher, assuming full benefit take-up. The methods used to calculate the wage generally involve research into the cost of living, including everyday items, adjusted for household characteristics, such as the presence of a working partner and the number of children. The London rate has been calculated and announced by the Mayor of London since 2005 and the team of economists based at the Greater London Authority use a consistent methodology to calculate the rate incorporating the cost of a basic basket of goods and necessary housing, childcare and transport costs, all calculated making very modest assumptions, as well as some statistical analysis of households below half average income in London (GLA, 2011). These figures are then combined and modelled to reflect the household structure of families in London in order to generate a basic poverty wage that only covers essential items with nothing to spare, a living wage rate that assumes full benefit take up with an additional 15% income for contingency, and the living wage rate without benefit take up (GLA, 2011). The rates set for London since 2003 are shown in relation to the NMW in Table 4.

Table 4: The National Minimum Wage and the London Living Wage rates since 2003

	NMW*	LLW**	Difference	LLW w/o benefits	% Difference
2003	4.50	6.40	1.90	-	42.22
2004	4.85	6.50	1.65	-	34.02
2005	5.05	6.70	1.65	8.10	32.67
2006	5.35	7.05	1.70	9.00	31.77

2007	5.52	7.20	1.68	9.15	30.43
2008	5.73	7.45	1.72	9.60	30.02
2009	5.80	7.60	1.80	9.85	31.03
2010	5.93	7.85	1.92	10.15	32.38
2011	6.08	8.30	2.22	10.40	36.51
2012	6.19	8.55	2.36	10.70	38.3

* set by the Government funded Low Pay Commission⁴

** calculated by the GLA from 2005⁵

Given the success of the campaign and the role of the Foundation in spreading the demand beyond the capital, the progress of the living wage looks set to continue. In what follows we explore the geography of these developments and the impact of the campaign before going on to raise some questions about the way that Geographers study poverty in the final part of the paper.

Taking a geographical view

The living wage is designed to reflect the real cost of living and the nature of social life in particular places. While the NMW is determined by the work of the Low Pay Commission, and reflects their calculations about what the market will bear, the living wage is set at the level that is needed to live. While the former is market-led and applied nationally, the latter is geo-social: it reflects the costs of social reproduction and care in a particular place. Given that the gap between market-led pay and what is required to live for those in lower paid jobs has been particularly acute in the places that have grown fastest in recent years, it is perhaps no surprise that the demand for a living wage first surfaced in London. Prior to the economic recession, London had grown very rapidly and it had simultaneously attracted large numbers of international migrants who were able and willing to work for very low rates of pay. While average wages went up, those at the bottom often went down (and for more details see Wills et al, 2009). A combination of subcontracting, high rates of in-migration and low rates of unionisation conspired to fuel a particularly large gap between wages and the income needed to live. In this context, the living wage represented a geographical intervention – to raise wages across the labour market – and it found a favourable base of support on the ground. The campaign has sought to maximise the political impact of the institutions of civil society that already exist, mobilising a broad coalition in defence of

increased levels of pay. Faith groups, schools, community groups and trade unions have worked together to lobby employers, clients, politicians, the media and think tanks to make the case for the living wage to be paid. As such, the campaign has sought to mobilise the geographically rooted institutional resources of the city for political ends. The living wage is a geographical intervention that reflects the strength of civic capital and the networks between different groups (Wills, 2012).

More than this however, there is also a geography to understanding the impact of the campaign and the arguments made to defend it. Whereas the living wage has major cost implications for the particular employers and clients affected – increasing wages by more than 30% above the NMW – it also has the potential to reduce costs across the wider society. There is thus a scalar dimension to making the argument for a living wage that can help to inform the future direction of the campaign, particularly as it moves to national-level dimensions.

This issue is explored in the rest of this paper by drawing upon some original research data that formed part of a larger project designed to explore the costs and benefits of the London living wage. The research was commissioned by Trust for London, a charity devoted to alleviate poverty in London, as part of their larger investment in the living wage campaign. The work was conducted between 2009 and 2012 and the research design and methods that are particularly pertinent to the data presented in this paper are more fully outlined in the Supporting Information.

In brief, the research involved the recruitment of case study employers who had signed up to the living wage, and in all-but-one of these cases, the fact that they outsourced their low-waged service employment meant that we also had to identify and recruit their contractors to the research. In total, we recruited one case study (a housing association) that had implemented the living wage for their in-house estate cleaners, as well as a further six contractors that were able to share data from 15 different clients in transport services, local authority grounds maintenance, university cleaning and office cleaning. In seven of these examples we were able to explore the impact of the living wage in a pre/post study design comparing data on costs, labour turnover and sickness in the year before with the year after the wage was increased. Where this was not possible, we deployed a comparative research design whereby a contractor identified a living wage contract that could be compared with a non-living wage example where the work was the same but the workers received at least £1 an hour less for every hour of work. These comparative contracts covered clients in transport

services, university cleaning and office cleaning and the findings are reported elsewhere (Wills and Linneker, 2012).

In the rest of this paper we draw upon the data collected at the seven pre/post case study workplaces in order to outline the balance of costs and benefits at the workplace scale. We then contrast this with the potential benefits to the Exchequer from paying the living wage to workers in London. As explained in the Supporting Information, this part of the research involved modelled calculations of the impact of the living wage on the income, tax and benefit systems. These data were generated for different household types and circumstances, looking at changes in welfare entitlements as wages went up. This method allowed us to calculate some of the potential societal benefits (in increased taxation and reduced benefit spending) if all employers in London were to adopt the living wage.

Our analysis of the seven pre/post living wage workplaces revealed that the average increased costs in wages represented 6% of pre-living wage contract costs and on average, overall contract costs increased by 11% (see Table 5). Even though the average wage increase was as much as 26%, and wage costs went up by 21%, the change in overall costs was much lower than this. This illuminates the extent to which managers were able to reduce costs through workplace change and increased productivity. As one procurement officer in the private sector put it during interview: *“If you approach the position sensibly, then you can work to make the cost impact zero.”* But despite this, employers and clients will justifiably remain anxious about the headline increase in costs associated with the living wage and require careful reassurance about their ability to manage those costs.

Table 5: Summary of the impact of the London Living Wage on costs and benefits in the pre/post case study firms

Indicator	Grounds	Housing	Cleaning G	Cleaning H	Cleaning GLN	Cleaning Q	Cleaning S	All LW Implementers
Total contract cost per unit area	-	-	-	-	+	-	-	-
Total contract cost per worker hour (operative)	-	na	-	-	-	-	-	-
Total contract cost per unit of wage cost (operative)	-	na	-	+	+	-	+	=
Recruitment	+	na	+	-	+	+	-	+

cost per worker								
Staff leaving rate	+	+	+	=	+	+	=	+
Staff start rate	+	na	+	-	+	+	-	+
Training costs	+	na	na	na	na	na	na	+
Sickness rate	=	=	na	na	na	na	na	=
Wage rate % change	18	26	21	26	31	31	26	26
Wage cost % change (+)	20	39	1	26	5	31	26	21
Wage cost % of contract cost (-)	7	na	0.2	7.2	1.5	15.4	6.6	6
Labour turnover % change	-4	-6	-45	0	-67	-50	0	-25
Labour turnover benefit % of contract cost (+)	0.2	na	0.4	0	0.2	0.7	0	0.3
Contract cost % change	1	na	33	4	-12	33	4	11

Note: The 'All LW Implementers' column uses a 7 case average where data is available and a 6 case average where data is not available. The use of a negative sign (-) denotes a cost associated with the living wage and a positive sign (+) denotes a benefit, except in the case GLN contract cost % change where the (-) denotes a fall in contract cost. All 'na' entries relate to indicators for which the required data was not available (for full explanations see the Supporting Information).

In contrast, the analysis conducted at the city-wide scale revealed that any costs borne by employers and clients could save money for the wider society. Data to model the implications of moving from the NMW to the London living wage for different household types revealed that shifting the burden of low pay from the tax payer to the employers and clients has the potential to secure significant benefits for the Treasury. Even though the living wage is calculated on the basis of benefit take up – and is not set at a high enough level to avoid all welfare spending - any increase in wages helps to reduce the wider benefit bill. Were all the low paid adults in private rented accommodation and working in London to move to the LLW, assuming that all the adults involved were working on the NMW, the weekly benefit savings would comprise: £25.90 for an adult-only household in a shared room; £49.43 for one-adult working households with children; and £91 for two-adult working

households with children. These individuals would also pay more tax to the Treasury, further increasing the savings being made.

Given the numbers of low paid workers in the UK, these savings are potentially very significant. Although the precise savings to be made will depend upon the extent of wage increases, the hours worked, the taxation and National Insurance rates and thresholds, and the benefit regime, including the extent of entitlement and willingness to claim, the London-wide saving is estimated at £941 million a year. As outlined in the Supporting Information, this figure is an estimate of the savings to be made if all non-living wage employee jobs in London (estimated at 780,000 jobs in 2011) move from the NMW to the living wage and should be read as an indication of the scale of the Treasury savings. As such, campaigning for the living wage at the scale of the national or regional economy can build a broad alliance around opposition to taxpayer subsidies for low waged workers, deploying different arguments to those made at the scale of the workplace. The geography of the balance of costs and savings to be made from the living wage will impact on the arguments made in its defence. The wider lessons of this campaign for understanding the geography of poverty and policy are further examined in the final section below.

The geography of poverty

During the last 40 years there have been a number of emotive calls for geographers to take to the battlements in the fight against poverty. As long ago as the early 1970s, the early editions of the journal *Antipode* made much of the argument that Geographers needed to understand the causes of poverty and to identify effective solutions (Peet, 1972). A similar plea resurfaced in the mid-1990s in relation to the UK (Leyshon, 1995; Philo, 1995) and a decade later in relation to the USA (Glasmeier, 2002). However, with a few notable exceptions (such as Dorling, 2011), geographers have not developed a particularly coherent approach to the study or alleviation of poverty.

As an obvious starting point, a number of geographers have mapped the distribution of poverty (Dorling et al., 1997; Fahmy et al, 2011; Glasmeier, 2002; Glasmeier et al., 2008) and focused on the challenges facing particular local communities (Goodwin, 1995; Hanson and Pratt, 1991), as well as the impact of Government-led area-focused responses (Lawless et al, 2010). Yet while the map of poverty clearly reflects the uneven distribution of wealth and opportunity, there is less clarity about the extent to which place *causes* poverty. In market-based societies, the distribution of poverty reflects existing distributions of wealth. The richest people tend to be the most mobile and it is no surprise that geographical mobility is a key strategy in social mobility at all spatial scales: from inner city to suburb; rural to

urban; poor country to richer country. The combination of markets (for work, housing, education and environment) and mobility is central to explaining the cartographic distribution of poverty in countries like the UK, and there has been an increasing concentration of those with the most wealth in particular parts of the country (Fahmy et al. 2011). Indeed, given these factors, it is remarkable how many people still live in economically integrated rather than segregated locations. As Peter Townsend remarked in his pioneering work on poverty in the UK during the 1970s: “However we are to define economically or socially deprived areas, unless we include nearly half the areas of the country, there will be more poor persons or poor children living outside than inside them ... [and] within all or nearly all deprived priority areas, there will be more persons who are not deprived than there are deprived” (cited in Goodwin, 1995, 68).

As such, it is difficult to determine the extent to which spatial location causes rather than reflects the uneven distribution of wealth that has its causes elsewhere. As Philo et al (1995, 180) remarked in their overview of the map of poverty: “it must never be forgotten that the roots of poverty are not straightforwardly to be found within the places and regions affected (somehow neatly sealed within their geographical boundaries). Rather, the causes of poverty ‘in place’ derive from many different sources and locations beyond that place, and this must be taken on board in policy.” The example of the living wage campaign and the wider issue of in-work poverty clearly illustrate this position. On the face of it, London is the wealthiest place in the UK and yet partly as a result of that wealth, the plight of its lowest paid workers is particularly acute. Indeed, the production of wealth has simultaneously fuelled the growth of low-paying jobs, and stimulated the supply of workers willing to fill them (Massey, 2007; Wills et al, 2009). In reverse, some of the poorest parts of the country have lower costs that benefit those in better paid work who have chosen to live there. While the map of poverty tells us something about the distribution of poverty, it doesn’t explain the causes of poverty and the experience of studying the living wage campaign would suggest that geographers need to attend to the structural processes that generate poverty and inequality, their spatial implications and the extent to which there are geographically uneven resources available to challenge injustice. A greater proportion of workers are in low paid employment outside London and the South East but there are still very significant problems facing the large numbers of poor workers in these richer areas and this has strengthened the campaign for the living wage.

Moreover, in the present period there are particular dangers in taking a narrow view of the geography of poverty that focuses on the uneven distribution of wealth. Just as we have seen in relation to the introduction of in-work benefits as a solution to in-work poverty, there is a danger in developing area-based policy as a solution to poverty. Particular places can all

too easily be pathologised as failing communities, dependent upon benevolent policy interventions led by people who know what's best for the poor, reinforcing their exclusion from the wider society. Such arguments can lay the groundwork for large scale redevelopment that displaces the poor and brings in new more professional residents (Slater, 2009; Smith, 1996). Rather than focusing on mobilising the resources that already exist in any location to tackle the structural injustices that cause poverty, geographers can be vulnerable to mis-diagnosing the problem and mis-prescribing solutions.

Rather than promoting the mobility of money in and/or people out as a solution to poverty, the success of the living wage highlights the potential to mobilise the community-based resources of a place to tackle the structural injustices of the economy, much as the trade union movement has done in the past. As such, the geography of institutional resources, relationships and organisation becomes critical to finding solutions to poverty.

The same argument has been strongly made by Imbroscio (2011; and with colleagues published as Williamson et al. 2002). He argues that liberal policy making has emphasised geographic, social and political mobility as the dominant solutions to poverty, unintentionally making things worse for the poor. Increased mobility undermines the strength and connectedness of existing communities, eroding the scope for a place-making solution to poverty. It is significant that Imbroscio (2011) emphasises the ways in which a procurement policy that focuses on increasing wages and putting local people at the front of hiring queues can help to improve the opportunities for local people without them having to move. If the living wage were to be adopted by all publicly-funded bodies and all the leading private sector employers in any locality, London's experience suggests that this can change the market for low waged employment, improving the opportunities for local people and their families. As the living wage moves out to the rest of the UK – having already been adopted in Scotland and across local government in Birmingham – there is tremendous scope for ensuring the NHS, Local Government and Higher Education Institutions pioneer improvements in pay, alongside huge private sector employers like Asda, Sainsburys, Morrisons and Tesco, helping to secure the long-term viability of communities.

Conclusions

This paper has explored the problem of in-work poverty and the way in which the UK campaign for a living wage seeks to alter the distribution of wealth. As such, the living wage is designed to intervene in the pre-distribution of wealth rather like a trade union or the tripartite wage setting mechanisms established by many Governments within the EU. The paper has highlighted the way in which the living wage is a spatial intervention – attempting to set a new moral minimum for wages across a labour market in a particular locality. It has

also presented original empirical data to highlight the scaled impact and outcomes of the campaign – contrasting the scale of the workplace with that of the wider community. The impact of the living wage at one scale is very different to that experienced at other dimensions, shaping the arguments to be used in its defence.

More than this, however, the UK living wage also raises some interesting issues for geographers who seek to explain poverty and to develop solutions. It highlights the importance of attending to the processes that generate low pay and the role of civic resources in mobilising to generate responses wherever they are. It represents a geographically-rooted popular response to the ‘corruption of moral sentiments’ that arises from poverty and inequality, as described by Adam Smith more than 200 years ago. The living wage has the potential to put the scourge of economic injustice and inequality at the heart of political campaigning at all spatial scales.

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¹ These figures on people in low income households are taken from 'In receipt of tax credits' published at poverty.org.uk and last accessed on 30.1.2012.

² Regular updates on the number of employers and workers covered, and estimates of the redistributed income, are posted on the website:

<http://www.geog.qmul.ac.uk/livingwage/numbersandmoney.html>

³ See <http://www.minimumincomestandard.org/>

⁴ See <http://www.lowpay.gov.uk>

⁵ See http://www.london.gov.uk/mayor/economic_unit/workstreams/living-wage.jsp