

# WHAT IS FAIR PAY? EMPLOYER MOTIVATIONS FOR ADOPTING THE LIVING WAGE

STUART HILL

A thesis submitted in partial fulfilment  
of the requirements of the  
University of Brighton  
for the degree of  
Doctor of Philosophy

May 2019

## **Abstract**

This thesis examines the influence employer conceptualisations of fair pay have on their decisions to adopt the ethical assurance scheme of the Living Wage in a context of statutory compliance. This study addresses a gap in knowledge because research to date has only gone as far as asking participant employers why they decided to adopt the voluntary Living Wage. Uniquely then, this research examines the conceptual bases of the UK National Minimum Wage and its extension of the National Living Wage and the voluntary Living Wage to compare these to employer conceptualisations of fair pay.

Qualitative interviews were conducted with ten smaller employers operating in the Brighton and Hove locale. Employers signed up to the voluntary Brighton and Hove Living Wage were compared to employers who were not signed up to identify similarities and differences in the way they conceptualised fair pay. Moreover, given employers in higher-paid industries sign up to this ethical assurance scheme, despite it being targeted at lower-paid workers, employers in both a high-paid industry and low-paid industry were therefore also compared.

Thematic analysis of interviewees' responses revealed employer conceptualisations of fair pay appear to influence their decisions to sign up to the ethical assurance scheme of the Brighton and Hove Living Wage in a context of statutory compliance. Furthermore, echoing existing research, employers were also motivated to sign up to this ethical assurance scheme because it was in the best interests of their organisations to do so, because they felt it was the right thing to do, and because of the closer, more interdependent relationship that typically exists between employer and employee in such smaller organisations.

This thesis therefore makes a unique contribution to the body of knowledge. It extends our understanding of why employers are motivated to adopt the ethical assurance scheme of the Living Wage in a context of statutory compliance. They are motivated to do so because the conceptual basis of this voluntary minimum wage intervention aligns with their conceptualisations of fair pay.

# Contents

Contents .....	iii
Abbreviations .....	viii
Acknowledgements.....	x
Declaration.....	xi
1.0 Introduction .....	1
1.1 Structure of thesis.....	4
2.0 A literature review .....	9
2.1 Fairness.....	9
2.1.1 The socially just distribution of goods.....	9
2.1.2 Organisational justice .....	10
2.1.3 Norms of distribution: equity, equality and need.....	12
2.2 Pay .....	16
2.2.1 Concepts of pay .....	17
2.2.2 Pay fairness.....	19
2.2.3 Statutory interventions.....	20
2.3 Responsible business.....	23
2.3.1 What is responsible business? .....	23
2.3.2 Smaller and larger organisations.....	26
2.3.3 Voluntary interventions .....	29
2.4 Chapter summary .....	32
3.0 Methodology .....	36
3.1 Research approach .....	36
3.2 Research design.....	38
3.3 Scope .....	40
3.4 Sample .....	41
3.5 Interview procedures .....	48

3.6 Data analysis .....	50
3.7 Ethical considerations.....	51
3.8 Limitations of the study.....	52
4.0 The institutional context .....	55
4.1 The statutory National Minimum Wage in the United Kingdom.....	55
4.1.1 The non-statutory Low Pay Commission .....	55
4.1.2 Introduction of the National Minimum Wage .....	58
4.1.3 Impact of the National Minimum Wage.....	61
4.1.4 Emerging themes since implementation of the National Minimum Wage.....	63
4.2 The Living Wage.....	64
4.2.1 Resurgence of a Living Wage in the United Kingdom .....	64
4.2.2 The contested concept of a Living Wage.....	68
4.2.3 The Brighton and Hove Living Wage .....	71
4.3 The statutory National Living Wage in the United Kingdom.....	73
4.3.1 Introduction of the National Living Wage .....	73
4.3.2 Impact of the National Living Wage .....	76
4.4 Chapter summary .....	78
5.0 Ethical assurance.....	84
5.1 What is ethical assurance? .....	85
5.2 Why do organisations adopt ethical assurance? .....	88
5.3 Sampling of ethical assurance schemes.....	94
5.4 Qualitative analysis of ethical assurance schemes in sample .....	96
5.5 Uptake of ethical assurance schemes in sample .....	99
5.6 Types of organisation that participated in ethical assurance schemes in sample .....	102
5.7 Chapter summary .....	103
6.0 Employer conceptualisations of fair pay.....	106

6.1 How employers were expected to conceptualise fair pay .....	108
6.2 How employers conceptualised fair pay .....	110
6.2.1 Expectation 1.....	111
6.2.2 Expectation 2.....	114
6.2.3 Expectations 3 and 4 .....	116
6.3 Chapter summary .....	118
7.0 Employer adoption of the Brighton and Hove Living Wage.....	121
7.1 Reasons employers were expected to give for signing up to the Brighton and Hove Living Wage.....	123
7.2 Reasons employers gave for signing up to the Brighton and Hove Living Wage .....	126
7.2.1 Expectation 1.....	127
7.2.2 Expectation 2.....	129
7.2.3 Expectation 3.....	130
7.2.4 Expectation 4.....	130
7.4.5 Section summary.....	132
7.3 Influence of the statutory National Minimum Wage and National Living Wage on employers' decisions to sign up to the Brighton and Hove Living Wage .....	134
7.4 Impact sign up to the Brighton and Hove Living Wage has had on employer organisations.....	134
7.4.1 Employer evaluations of their sign up to the Brighton and Hove Living Wage.....	135
7.4.2 Effect sign up to the Brighton and Hove Living Wage has had on employer organisations .....	135
7.5 Impact sign up to the Brighton and Hove Living Wage has had on the way pay is set in employer organisations.....	137
7.6 Chapter summary .....	138
8.0 Conceptualising fairness and pay: motivations for action .....	142

8.1 Concepts of fairness and pay in minimum wage interventions .....	142
8.1.1 The statutory National Minimum Wage.....	143
8.1.2 The statutory National Living Wage.....	145
8.1.3 The voluntary Living Wage .....	146
8.2 Employer rationales for participating in a Living Wage ethical assurance scheme .....	148
8.2.1 Self-interest .....	148
8.2.2 Rectitude .....	151
8.2.3 Leadership.....	154
8.3 Influences encouraging employers to move from statutory compliance to ethical assurance.....	155
8.3.1 Conceptual .....	156
8.3.2 Legislative .....	158
8.3.3 Relational .....	161
8.4 Chapter summary .....	164
9.0 Conclusions .....	166
9.1 Main findings, conclusions and unique contribution to the body of knowledge .....	166
9.2 Suggestions for further research.....	171

## **Tables**

T.1	A taxonomy of justice classes (Greenberg, 1993, p. 83)	11
T.2	Comparison of organisational qualities of employers signed up to the Brighton and Hove Living Wage and ethical assurance schemes more widely	43
T.3	Composition of final sample of participant Brighton and Hove employers	47
T.4	Brief description of each ethical assurance scheme included in the sample	94
T.5	Approaches used to identify organisations participant in ethical assurance schemes sampled	100
T.6	How employers were expected to primarily conceptualise fair pay	110
T.7	How employers primarily conceptualised fair pay	119
T.8	Expectations regarding the reasons employers would give for signing up to the Brighton and Hove Living Wage	126
T.9	Reasons employers gave for signing up to the Brighton and Hove Living Wage	133

## **References**

## **Appendices**

A	Profiles of participant organisations	
---	---------------------------------------	--

# Abbreviations

<b>Abbreviation</b>	<b>Meaning</b>
BBC	British Broadcasting Corporation
BCC	British Chambers of Commerce
BHCC	Brighton and Hove City Council
BHLW	Brighton and Hove Living Wage
BHLWC	Brighton and Hove Living Wage Commission
BITC	Business in the Community
CBI	Confederation of British Industry
CIPD	Chartered Institute of Personnel and Development
CRSP	Centre for Research in Social Policy
CSR	Corporate social responsibility
DBEIS	Department for Business, Energy and Industrial Strategy
DBIS	Department for Business, Innovation and Skills
EIRIS	Ethical Investment Research and Information Service
ESG	Environmental, social and governance
ETI	Ethical Trading Initiative
FRC	Financial Reporting Council
FSB	Federation of Small Businesses
FTSE	Financial Times Stock Exchange
HM	Her Majesty's
HPC	High Pay Commission
IBE	Institute of Business Ethics
ILO	International Labour Organization
LPC	Low Pay Commission
LWF	Living Wage Foundation
MIS	Minimum Income Standard
NASUWT	National Association of Schoolmasters Union of Women Teachers
NCSRA	National Corporate Social Responsibility Awards
NUS	National Union of Students
ONS	Office of National Statistics
SAI	Social Accountability International



<b>Abbreviation</b>	<b>Meaning</b>
TELCO	The East London Community Organisation
TGWU	Transport and General Workers' Union
TUC	Trades Union Congress
TSB	Trustees Saving Bank (plc.)
UK	United Kingdom
US	United States (of America)
UN	United Nations

## **Acknowledgements**

My first thanks go to my supervisors – Professor Jacqueline O’Reilly, Dr David Lain, and Dr Luke Fletcher – without whom I could not have completed this thesis. Thank you each.

My second thanks go to the ten employers and their representatives who kindly and most generously gave of their time to participate in this research. Your contributions were vital to this research and the completion of my thesis. Thank you all.

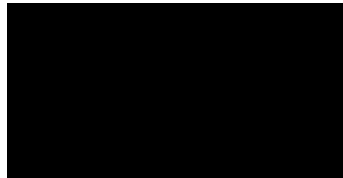
My third, but absolutely by no means least, thanks go to those around me who have been so supportive and understanding whilst I made, and often stumbled, my way through this latest journey. Thank you and with my love.

And at risk of offending those I don’t mention, which is certainly not my intention, my particular thanks go to Mum, Dad, Sharon, and Karl. Thank you so much for helping me throughout and for the contributions each of you has made, the full extent of which you will probably never be aware.

## Declaration

I declare that the research contained in this thesis, unless otherwise formally indicated within the text, is the original work of the author. The thesis has not been previously submitted to this or any other university for a degree and does not incorporate any material already submitted for a degree.

Signed:



Dated: 18<sup>th</sup> May 2019

# 1.0 Introduction

Recent decades have witnessed a vast growth in pay inequality in the United Kingdom (The High Pay Commission, 2011). By 2015 the annual average pay of chief executives of FTSE 100 companies was just short of five and a half million pounds (HPC, 2016) compared to a national average fulltime wage of around twenty-eight thousand pounds (ONS, 2016). In 2015 this meant a worker at the top of the national pay scale received approaching two hundred times as much pay as a worker receiving the national average wage. Atop this growth in pay inequality, the period also saw the persistence of a low-pay economy in the UK. An economy in 2016 that saw one-in-five employees earning less than two-thirds the national average (Clarke and D'Arcy, 2016).

The growth in pay inequality and persistence of low pay in the United Kingdom have prompted statutory responses from both Labour and Conservative governments. Responding to the continuance of low pay in the country, a Labour government introduced the first national minimum wage in April 1999 further to the National Minimum Wage Act 1998. This was extended in April 2016 by a Conservative government that introduced the National Living Wage – essentially a higher rate of the National Minimum Wage payable to workers aged twenty-five years or older. Both interventions remain in force today. Furthermore, in response to the growth in pay inequality in the country, the current Conservative government is bringing forward new legislation that will require listed companies with more than two hundred and fifty employees to publish, amongst other things, the ratio between the pay of their chief executive officer and the average pay of their employees.

However, against this backdrop, the period also saw a major expansion in the availability and uptake of mechanisms designed to assure organisations' ethical performance, particularly with respect to the environment, society, and their corporate governance (IBE, 2013). Indeed, many of these approaches to ethical assurance include, and are in some instances exclusively comprise, measures relating to pay fairness. Where fairness is interpreted as the just allocation of rewards (CIPD, 2013) – in this case, pay – there appears then a disconnect between the vast growth in pay inequality, the continuance of low pay, and the

uptake in participation by employers in schemes intent on assuring their ethical – fair – behaviour.

One voluntary response to the issue of low pay in particular has been the adoption of the ethical assurance scheme of the Living Wage by employers. A living wage aims to provide workers with a minimum rate of pay that ensures a quality of life beyond mere subsistence. Unlike statutory national minimum wage interventions in the UK, the voluntary Living Wage therefore prioritises the needs of workers in its calculation of a minimum wage. In the United Kingdom campaigning for the payment of a living wage to workers has been led by the charitable (now-named) Living Wage Foundation for over fifteen years. This organisation calculates an annual Living Wage rate for the country based on the needs of workers and accredits employers who adopt this scheme of ethical assurance in their organisations. To date the rate of the Living Wage Foundation's Living Wage has been above those prescribed by both the National Minimum Wage and its extension of the National Living Wage. By 2018, its scheme had almost four and a half thousand Accredited Living Wage Employers (LWF, 2018a).

However, despite its longevity and deep scholarly roots (e.g. Ryan, 1906; Stabile, 2008; Waltman, 2004), empirical research into the ethical assurance scheme of the Living Wage in the United Kingdom is limited – with wider calls for further research being heard (e.g. Coulson and Bonner, 2015; Pennycook, 2012; Prowse and Fells, 2016; Werner and Lim, 2016b; Werner and Lim, 2017). Nonetheless, two major studies have recently been completed. One examined small and medium-sized accredited employers (Werner and Lim, 2016a) and the other all accredited employers (Heery et al., 2017). These studies primarily investigated why employers adopted the voluntary Living Wage scheme, the adjustments they had to make, and the impact participation had on their organisations. Both also asked participant employers what effect the recently introduced statutory National Living Wage had had on their adoption of the Living Wage.

Findings of the two studies resonated strongly. They found employers typically adopted the Living Wage because they felt it was the right thing to do morally and because it also provided operational and strategic benefit to their organisations. Despite causing some confusion around the naming of different living wage interventions, introduction of the statutory National Living Wage was found to have had minimal impact on employers' adoption of the voluntary Living Wage scheme.

Empirical research into the living wage has also been conducted in other countries. Amongst developed countries this has largely focused on economic analyses of living wages in the United States (Wills and Linneker, 2012). However, these living wage schemes are not comparable to the voluntary schemes found in the United Kingdom. This is because living wage schemes in the United States are not voluntary but are brought about through local legal ordinances. Unlike the voluntary Living Wage scheme in the UK, employers within these jurisdictions are required to adhere to these local living wage schemes by law. There is then a paucity of research into the Living Wage that specifically relates to its voluntary adoption in the UK.

This research therefore addresses this gap in the body of knowledge by examining a yet unexplored aspect of the ethical assurance scheme of the Living Wage in the United Kingdom. Where previous research asked employers why they adopted the voluntary Living Wage, this study goes further by examining employer motivations for participation at a conceptual level. Moreover, it locates this examination in a context of statutory compliance in the UK that requires employers to pay their employees the National Minimum Wage and its extension of the National Living Wage by law. To do this employers were asked the question, *What is fair pay?* Uniquely then, their responses were analysed at a conceptual level to understand how their interpretations of fair pay might motivate them to adopt this ethical assurance scheme of the voluntary Living Wage in a context of statutory compliance.

The objectives of this research were threefold: (1) to make a unique contribution to the body of knowledge; (2) to develop and demonstrate the researcher's

competence in undertaking and delivering research at a doctoral level; and, (3) to present a thesis in partial fulfilment of the requirements of the University of Brighton for the degree of Doctor of Philosophy.

## **1.1 Structure of thesis**

The remainder of this thesis is structured as follows:

Chapter 2 presents a literature review on fairness, pay, and responsible business. It undertakes a conceptual analysis of both fairness and pay and locates these within the practical settings of the organisation and society. The concept of fairness is examined in terms of the socially just distribution of goods, organisational justice, and norms of distribution. The idea of pay is explored through its conceptualisation as a contribution to production, a living, the result of social processes, and as an efficiency wage. Perceptions of pay fairness are examined from both an organisational and societal perspective with statutory responses being identified in an evolving policy, legislative, and regulatory context. This chapter closes by examining responsible business. Two dominant positions – shareholder primacy and stakeholder theory – are explored within the UK legal context to find that the Companies Act 2006 might be interpreted as placing a duty on companies to ensure their employees receive fair pay. Differences in responsible business with respect to smaller and larger organisations are examined and a range of voluntary interventions explored that enable them to demonstrate that their (pay) practices go beyond statutory compliance.

The methodology employed in this research is detailed in chapter 3. This chapter discusses how social research has traditionally adopted one of two polar ontological and epistemological positions. One being an objectivist, positivist position and the other being a social constructivist, interpretivist position. It finds some social researchers have adopted a technical approach to these positions by using research methods traditionally associated with each of these positions in the other. This research employs this mixed methods approach by using both quantitative and qualitative research methods. A range of research methods are reviewed and justifications given for those selected:

desktop survey and semi-structured qualitative interviews. This chapter continues to explain why the scope of the study was set as it was and how and why the sample was constructed in the way that it was. Interview procedures are detailed and the thematic analysis approach used to analyse the data explained. Given subjects of the study were human, this chapter explores ethical considerations of the research and its responses. The chapter closes by examining limitations of the study.

Chapter 4 presents an analysis of the institutional context in which this research takes place. It begins with an historical analysis of the statutory National Minimum Wage in the United Kingdom that was introduced in 1999 further to the National Minimum Wage Act 1998. Responses of business and workers' advocates are examined along with the impact this statutory national minimum wage has had. This chapter then explores the living wage. It provides a brief history of the idea of a living wage and its resurgence in the United Kingdom that has been seen from the early 2000s – being primarily driven by the increasing popularity of the voluntary national Living Wage Campaign led by the Living Wage Foundation. The contested nature of the idea of a living wage is then explored together with some of the difficulties associated with its definition and application. Concomitant with the scope of this study, an overview of the local Brighton and Hove Living Wage is presented. Finally, this chapter provides a history of the National Living Wage in the United Kingdom – an extension to the statutory National Minimum Wage introduced in 2016. It closes by examining the responses of business and workers' advocates and the impact this further statutory intervention on minimum rates of pay has had.

An examination of ethical assurance is made in chapter 5. This chapter first explores what is meant by ethical assurance and why organisations adopt it. Ethical assurance is found to be a voluntary component of corporate governance that intends to ensure an organisation is behaving ethically – where ethical behaviour is behaviour that is expected of business but which sits beyond compliance. This chapter then conducts a desktop survey of pay-related ethical assurance schemes operating in the UK. Some twenty-two schemes are identified and a further desktop survey carried out to measure levels of



participation in each scheme. The most popular ethical assurance scheme by far was the Accredited Living Wage Employer scheme led by the Living Wage Foundation. Qualitative analysis of participant organisations showed most were smaller, younger companies limited by shares or guarantee. Most were not UK registered charities and most were in the industries of administrative and support service activities; professional, scientific and technical activities; and, wholesale and retail trade, repair of motor vehicles and motorcycles. These findings informed the scope of the remaining research which therefore chose to examine further the adoption of the voluntary Living Wage in smaller organisations.

Chapter 6 examines employer conceptualisations of fair pay. It uses the concept of organisational justice and the idea of norms of distribution as a basis of enquiry to explore whether employers conceptualise fair pay similarly or differently. Given the Living Wage is aimed at lower-paid workers but is adopted by employers in low-paid and higher-paid industries, employers in both these sectors are compared. Employers signed up to the Living Wage and those not signed up to the Living Wage are also compared to increase our understanding of whether employer conceptualisations of fair pay influence their decisions to adopt this ethical assurance scheme. Employers were found to conceptualise fair pay similarly *and* differently. Similarly, employers generally conceptualised fair pay as procedural justice. Differently, employers in the higher-paid industry who were signed up to the Living Wage also conceptualised fair pay as distributive justice where those in this industry who were not signed up did not. However, unlike employers in the higher-paid industry, employers in the low-paid industry who were signed up to the Living Wage did not conceptualise fair pay differently – as distributive justice – to those in this industry who were not signed up.

In chapter 7 employer adoption of the local Brighton and Hove Living Wage is investigated. It examines why employers signed up to this ethical assurance scheme, the influence the statutory National Minimum Wage and its extension of the National Living Wage had on these employers' decisions to sign up, and the impact sign up has had on these employers' organisations and approaches

to pay setting. Employers in a low-paid industry and in a higher-paid industry were again compared given employers in both have signed up to the scheme despite it being aimed at lower-paid employees. Employers typically signed up to the Brighton and Hove Living Wage because they considered it to be the morally right thing to do and because it was in the interests of their organisations to do so. Employers reported that the statutory National Minimum Wage and its extension of the National Living Wage had had no influence on their decisions to sign up because their employees were typically already paid at rates above that prescribed by the scheme. Despite a lack of formal evaluation of their sign up to the scheme, employers nonetheless reported benefits with respect to recruitment and retention and employee and public relations inside and outside their organisations. All employers reported that the Brighton and Hove Living Wage acted as a pay floor in their organisations which ensured all employees received the rate of pay it prescribed as a minimum.

Chapter 8 discusses conceptualisations of fairness and pay with respect to employer motivations for action. Conceptual bases of the statutory National Minimum Wage and its extension of the National Living Wage and the voluntary Living Wage interventions are examined. The statutory minimum wage interventions are found to similarly conceptualise pay as a contribution to production and a living but do not, however, prioritise the latter in their calculation. On the other hand, the voluntary Living Wage conceptualises and prioritises pay as a living for workers. Directly affecting the allocation of outcome, all three interventions are seen to be instances of distributive justice. Where adoption is voluntary rather than compulsory – in this case, with regard to the voluntary Living Wage, alignment of an employer’s conceptualisation of fair pay as distributive justice generally appears to positively influence their decision to sign up to this voluntary ethical assurance scheme. However, employer moves from statutory compliance to ethical assurance also appeared to be influenced by the prevailing legislative environment and the closer, more interdependent relationship that tends to exist between employer and employee in smaller organisations.

Finally, chapter 9 presents the main findings of this study, draws conclusions with respect to the research question, and sets out this research's unique contribution to the body of knowledge. This chapter closes by offering suggestions for further areas and approaches to future research within this field of enquiry.

## **2.0 A literature review**

This chapter presents a review of literature on fairness, pay, and responsible business. It provides a conceptual analysis of both fairness and pay and orientates these within the practical settings of the organisation and society. It further examines the idea of responsible business, its theoretical positions, and how this is realised in smaller and larger organisations.

### **2.1 Fairness**

This section examines the concept of fairness through the idea of the socially just distribution of goods. Recognising pay as a social good, it then looks at the conceptualisation of fairness as organisational justice. Finally, it considers the role of norms of distribution in the conceptualisation of fairness and the regulation of fair pay.

#### **2.1.1 The socially just distribution of goods**

The problem of fairly distributing benefits and burdens in society is well visited in the literature with scholars having extensively examined the socially just distribution of goods (e.g. Bentham, 2007 [1780]; Mill, 2001 [1863]; Rawls, 1971). Regarding pay, the problem manifests at two levels: at the level of the organisation and at the level of society. Were organisations to operate independent of wider society the problem of fairly distributing pay might simply be considered an issue for organisations alone. However, given organisations are organs of society, this is not the case (FRC, 2018; Freeman, 1984). Consequently, the actions of organisations impact society and in doing so become of relevance and importance to it (The High Pay Commission, 2011). That the pay practices of organisations influence society beyond organisations themselves means they, therefore, also become of interest to those concerned with the socially just distribution of goods in wider society (e.g. New Economics Foundation, 2011).

Responses to the problem of fairly distributing benefits and burdens in society broadly subscribe to one of two arguments. The teleological position argues distribution should be determined by outcome – that the desired end state should dictate the calculus of allocation (Blackburn, 2008). Originally advanced

in 1780 by Bentham (2007), utilitarianism, for example, regards the socially just distribution of goods to be that which provides the greatest amount of utility (benefit) to the most number of people. This argument does not concern itself with the rationale of allocation nor any judgements that might be made about this – any allocation process is acceptable and deemed fair so long as utility is maximised.

On the other hand, the deontological position argues distribution should be determined by rules – that end state should be dictated by a calculus of allocation (Blackburn, 2008). Public goods, for example, are defined as goods which are both non-rivalrous and non-excludable; that one individual's benefit of the good does not prevent another's benefit of the good and that no individual can be excluded from benefiting from the good (Black et al., 2009). This argument does not concern itself with the outcome nor any judgements that might be made about this – any outcome is acceptable and deemed fair so long as the rules are obeyed. Given pay is a social good (e.g. Milkovich et al., 2014), these arguments become central then to the interpretation of fairness at both organisational and societal levels.

### **2.1.2 Organisational justice**

Offering a conceptualisation of fairness that accords with the teleological and deontological arguments regarding the socially just distribution of goods, organisational justice features widely in the literature (Colquitt et al., 2013). Organisational justice conceptualises fairness as a product of, essentially, two components: distributive justice and procedural justice (CIPD, 2013). Distributive justice concerns perceptions of fairness about the end state of the allocation of outcome. It is concerned with the problem of *who ultimately receives what*. It corresponds to the teleological argument regarding the socially just distribution of goods. On the other hand, procedural justice concerns perceptions of fairness about the process employed in the allocation of outcome. It is concerned with the problem of *enacting who will get what*. It corresponds to the deontological argument regarding the socially just distribution of goods. The two components are essentially inextricably linked as it is impossible to reach an end state of allocation (distributive justice) without

having gone through some process of allocation (procedural justice). Indeed, Greenberg (1993, p. 100) cautions that the two components may not be separable and should this be necessary that this should be a 'most delicate operation'.

Nonetheless, Greenberg (1993) contends distributive justice and procedural justice can be further categorised according to a decision's structural and social focus to give four justice classes (table T.1). According to Greenberg (1993), *systemic justice* refers to the evaluation of fairness of allocation processes and the level of control the subjects have with respect to these. *Configural justice* refers to the evaluation of fairness of the pattern of resource allocation, typically to some social norm (e.g. equality) or instrumentally toward some goal (e.g. increased performance). *Informational justice* refers to the social determinants of procedural justice typically demonstrated by the provision of knowledge about the processes to subjects. *Interpersonal justice* refers to the social determinants of distributive justice typically demonstrated by the show of genuine concern for subjects regarding the outcome of the decision.

	Category of justice	
Focal determinant	Procedural	Distributive
Structural	Systemic justice	Configural justice
Social	Informational justice	Interpersonal justice

Table T.1: A taxonomy of justice classes (Greenberg, 1993, p. 83)

However, despite their prevalence in the literature today, existence of the latter two theoretical justice classes has been contested (Mikula et al., 1990). Furthermore, practice often sees the social focus of procedural justice and distributive justice conflated and referred to as *interactional justice* to give three classes of justice in common, though not exclusive, use today: distributive justice, procedural justice, and interactional justice (Beugré and Baron, 2001; Ghosh et al., 2014). Given such variation in classifying the social determinants of the categories of justice, the widely accepted structural classes of distributive justice and procedural justice appear to offer, for now at least, a more consistent conceptual basis of enquiry.

### **2.1.3 Norms of distribution: equity, equality and need**

Norms of distribution regulate what is considered to be fair allocation of social goods (Elster, 1989). Although a debate continues regarding the range of norms that exists, three core norms of distribution are evident in the literature: the equity norm, equality norm, and need norm (Reeskens and van Oorschot, 2013). The *equity norm* asserts that an individual's share of outcome be proportional to the magnitude of their contribution (Schroeder, 1995). The *equality norm* requires share of outcome to be the same for all qualifying individuals (Blackburn, 2008). And the *need norm* prescribes that an individual's share of outcome be determined by the degree of requirement they have in order to resolve some state of deprivation (Leventhal, 1976). Moreover, given these norms of distribution influence the process and outcome of allocating social goods (in this case, pay), they have congruency with the concept of organisational justice and its essential components of procedural justice and distributive justice respectively.

The *equity norm of distribution* calculates allocation of pay in accordance with a rule of proportionality: that the quantity of pay awarded to an individual is proportional to their personal contribution (Schroeder, 1995). Here, a greater personal contribution reaps a greater amount of pay for the individual. Being rule-based, the equity norm aligns with the deontological argument regarding the socially just distribution of goods and provides an example of procedural justice in the exercise of allocating outcome. Use of the equity norm is exemplified in pay systems that seek to incentivise individual performance or merit by coupling scale of individual reward to scale of individual contribution (Adams, 1965; Hammer, 2009). However, Carrell and Dittrich (1978) contend the equity norm of distribution can cause co-workers to make social comparisons regarding their individual input:output ratios. Where these are considered less favourable individuals may go about redressing the actual or perceived imbalance by distorting their contribution; for example, by withdrawing expertise, slowing their work rate or reducing the quality of the work (Carrell and Dittrich, 1978).

The equity norm of distribution is further challenged by a problem of attribution. This is the problem of whether, and to what degree of accuracy if it is possible, any one individual's contribution can be associated with outcome that is achieved collectively. It is a key argument in the ongoing debate about excessive top pay which sees senior executives paid relatively (very) large rewards for achieving organisational performance targets whilst comparable rewards are not made to other employees of the organisation. The contention being, to what extent can the performance of an entire organisation be attributed to the explicit contribution of one or more of these senior employees (High Pay Centre, 2014). One response to this attribution problem is the use of gain-sharing or profit-sharing schemes – as recommended by High Pay Centre (2014) as a means to manage the growth in senior executive pay. These schemes use various calculi to allocate a pool of reward or profit to qualifying employees (Blackburn, 2008). However, recursively, calculus selection again invokes the debate about the fair distribution of the available pool as outcome.

Nonetheless, a number of organisations have endeavoured to control the relative distribution of pay in their organisations by calculating and managing their pay ratios. These ratios typically measure the relative difference between the pay of the highest paid in an organisation and the pay of the average or lowest paid in that organisation. The constitution of the John Lewis Partnership (2015), for example, sets a maximum permissible ratio of the pay of its senior staff to that of the remainder of its staff (John Lewis Partnership, 2015). However, opponents argue that the value of such a pay ratio is arbitrarily set so has no justifiable basis (e.g. FDA, 2010). Indeed, in response to being asked to consider the prescription of a maximum pay ratio of one to twenty (that being the ratio of the pay of the lowest paid to that of the highest paid) in the public sector as part of his review of fair pay in the public sector, Hutton (2011) rejected this proposal. He argued such a cap would impact as few as seventy senior managers across public services, would unfairly hit some organisations more than others, could create perverse incentives such as the outsourcing of lower paid jobs or could become an acceptable target where ratios were below the one to twenty value (Hutton, 2011). However, 'to allow the public to hold them to account', Hutton (2011, p. 8) did recommend that public sector



organisations be required to publish their pay ratios annually. Proponents similarly argue for such public pay ratio disclosure across the economy as a means of measuring, publicising and comparing organisational pay allocations (Coyle, 2015).

The equity norm of distribution is also challenged from a power perspective. In his capability theory, Sen (1999) argues an individual's ability to realise their potential is dependent upon their innate capabilities and the level of access they have to resources that enable them to convert these capabilities in ways which they can utilise. He contends that an individual's level of access to resources, and so their ability to convert their innate capabilities to utility, is a function of power – where an individual's power is at least determined by their starting position in life. Allocating outcome proportional to individual contribution, as per the equity norm of distribution, does not, however, account for the asymmetry of individuals' starting positions in life and the advantages or disadvantages these may attract which were or consequently remain outside an individual's sphere of influence. It is those of a higher socioeconomic position at birth, with the exponentially increasing degree of power and associated advantage this offers, who will typically find their way then to the top end of the pay spectrum (Wilkinson and Pickett, 2010).

The *equality norm of distribution* requires that all qualifying individuals receive the same amount of pay irrespective of individual contribution or performance (Blackburn, 2008). Being determined by the pattern of final allocation, the equality norm aligns with the teleological argument regarding the socially just distribution of goods and provides an example of distributive justice in the exercise of allocating outcome. The equality norm of distribution might typically be employed where group cohesion and harmony are sought. Here the notion of equivalent status of all members is promoted by allocating the same amount of pay to each individual based solely on their membership of the group in question (Grandey, 2001). However, as Grandey (2001) notes, application of the equality norm may conflict with and potentially distort the functioning of an equity norm of distribution where this is in operation. For example, the share of pay allocated to an individual according to a prevailing equality norm may be

greater than that which would be allocated to them according to a concurrently operating equity norm. Such a compromise of the equity norm in order to satisfy the equality norm (assuming the latter has the priority of the two norms) may then invoke the input:output comparison by individuals observed by Carrell and Dittrich (1978) together with the potentially negative consequential reactions.

The equality norm of distribution may also manifest the free-rider problem. The free-rider problem describes the situation where the equality norm of distribution is operating and an individual elects to withhold effort on their part in the knowing this will not prevent them from receiving the same amount of outcome (pay) as all other qualifying individuals (Olson, 1965). Again, where other members of the group make a social comparison of their input:output ratios negative responses may result (Carrell and Dittrich, 1978) – potentially disrupting the group harmony that may have been sought (Grandey, 2001). As Olson (1965) further observes, the group as a whole may fail to achieve any collective, and therefore individual, outcome (pay) if all its members act as free riders. Countermeasures to the free-rider problem typically focus on inputs. For instance, the use of compulsory trade union membership to ensure all group members contribute to the cost of the union securing gains that will be applicable to all group members (McLean and McMillan, 2009).

The *need norm of distribution* prescribes that pay be allocated according to the requirement an individual has in order to resolve some state of deprivation (Blackburn, 2008). Being concerned with the pattern of final allocation, the need norm of distribution again aligns with the teleological argument regarding the socially just distribution of goods and provides a further example of distributive justice. The need norm of distribution underpins many universal safeguarding schemes. The Living Wage, for example, employs the need norm of distribution in its endeavour to ensure all employees receive a level of pay that, as a minimum, meets their needs and so enables them to live a decent life. Application of the need norm is also seen in arguments regarding the top end of the pay spectrum. Monbiot (2012), for example, contends that, as there is a statutory national minimum wage to prevent workers from being under paid, there should be a maximum wage to prevent workers from being over paid. The

rationale here being that whilst a statutory minimum wage ensures workers receive pay sufficient to meet the cost of living, a statutory maximum wage would ensure workers do not receive a level of pay that goes beyond that required to meet a need-free life. Workers seeking income beyond this upper threshold, he argues, should do so through other means that privatise the risk and benefit such endeavours are likely to attract.

However, as observed previously, the need norm of distribution may conflict with or distort other norms of distribution that may be operating (Grandey, 2001). As seen in the interaction of the equity norm of distribution and the equality norm of distribution, the need norm disregards the relationship between individual contribution and share of outcome (pay) that is required by the equity norm of distribution. Again, this may provoke negative responses from other individuals who compare their input:output ratios unfavourably (Carrell and Dittrich, 1978). The need norm of distribution may also compromise the equality norm of distribution. This can occur when differences in individual requirement to satisfy some particular deprivation result in individuals being allocated different shares of outcome (pay). For example, where employees may be offered different volumes of hours or amounts of overtime that reflect their perceived or actual individual levels of need. Examination of these three norms of distribution – equity, equality and need – alone quickly demonstrates then the complexity and challenge of achieving a pay system that might be considered by all to be fair in its operation and outcome (Deutsch, 1975).

## **2.2 Pay**

This section explores the concept of pay. It identifies four common conceptualisations of pay: as a contribution to production, a living, the translation of social values and prejudices into differential rewards, and as an efficiency wage. The perception of pay fairness is examined from both an organisational and societal perspective. Statutory responses are then identified within an evolving policy, legislative, and regulatory context.

### **2.2.1 Concepts of pay**

Pay may be conceptualised in a number of ways: as a contribution to production, a living, or the translation of social values or prejudices into differential rewards (Figart et al., 2002). The conceptualisation of pay as a contribution to production features as marginal product theory in neoclassical economics. This theory states that the cost of additional labour cannot exceed the marginal value that it adds. The price to be paid for labour (the pay of workers) is then determined by the forces of supply and demand in a free market. Alternatively, social economics conceptualises pay as being in the service of people as workers. Workers are considered ends in themselves rather than inputs to the impersonal machinery of the marketplace. Here, the price to be paid for labour is determined by what workers need to live – not by what the market dictates. However, neither of these mechanisms operate independent of a social world. Conceptualising pay as the translation of social values into differential rewards recognises then that these apparatus for determining pay are inescapably influenced by a myriad of social structures, practices, norms, and prejudices which in themselves generate different levels of pay.

The existence and co-existence of all three of these conceptualisations of pay are demonstrated by their realisation through UK legislation. The existence of legislation that protects workers, their pay, and their conditions of work demonstrates the presence and operation of a liberalised labour market in the UK and, so, the conceptualisation of pay as a contribution to production. Recognising this, the Transfer of Undertakings (Protection of Employment) Regulations 2006, for example, aim to ensure employees being transferred to a new employer are protected against dismissal and the degradation of terms and conditions of employment and are informed and consulted throughout the process. On the other hand, passing of the National Minimum Wage Act 1998 demonstrates realisation of the conceptualisation of pay in terms of social economics. Although not based upon the specific needs of workers, the Act does however recognise there is a minimum level of pay to which a worker should be entitled and should receive. And demonstrating realisation of the conceptualisation of pay as the translation of social values or prejudices into

differential rewards, the Equal Pay Act 1970, largely superseded today by the Equality Act 2010, prohibits less favourable treatment between men and women in terms of their pay and conditions of employment.

However, a further notion of pay exists that does not readily align with any of these three conceptualisations. This is known as efficiency wage theory. Efficiency wage theory contends that increases in pay can lead to increased worker productivity – where any increase in pay bill is at least offset by the corresponding increase in worker productivity and retention (Akerlof and Yellen, 1986). In practice, adoption of an efficiency wage typically sees employers pay their employees above market clearing rates – the point of equilibrium reached by the forces of supply and demand in a free market. Given this, the notion of an efficiency wage does not adhere to classical neoliberal economic theory because the amount paid for labour is above the marginal product rate. Nor does it adhere to a social economic approach – because it does not prioritise worker need when determining rates of pay. And it does not align with the conceptualisation of pay as a translation of social values or prejudices into differential awards because it has not been arrived at through a process of social evolution. Explanations of efficiency wage theory have, nonetheless, been offered.

The *shirking model* contends that workers paid an efficiency wage will be more productive because they will not avoid the work they might otherwise have avoided if they had been paid less. Employees will not shirk because they have more (too much) to lose should they become unemployed (Shapiro and Stiglitz, 1984). Payment of an efficiency wage may encourage employee loyalty or *gift exchange* – seeing employees expend discretionary effort in recognition of the better pay provided by employers (Akerlof, 1982). The higher pay rate of an efficiency wage attracts higher quality workers and reduces the need for supervision as workers are more motivated (Rebitzer, 1995). And, in developing economies with very low rates of pay, nutritional theories assert payment of an efficiency wage reduces absolute poverty to provide a healthier supply of labour (Bose, 1997). However, the benefits of paying an efficiency wage may be limited if all employers pay workers at this rate because this will, in effect,

become the market clearing rate for labour. Factors other than pay may deteriorate to such an extent that the higher rate of an efficiency wage is insufficient to maintain worker productivity and retain employees. And in the asymmetrical relationship of monopsonies – where a single buyer effectively controls the market, employers may not need to pay the higher rates of pay associated with an efficiency wage in order to attract and retain labour.

### **2.2.2 Pay fairness**

As seen in the earlier discussion on the social just distribution of goods, perceptions of fairness regarding pay are of interest to both the organisation and wider society. From an organisational perspective, Wiley (2011) reports that a quarter of employees say fair pay is the single most important thing they want from their organisation. Rasch and Szytko (2013) found employees who believe they are fairly paid are more engaged, less likely to leave their organisation, experience less stress at work, and feel healthier physically and psychologically. Colquitt et al. (2013) observe a positive relationship between perceived organisational fairness and the constructive behaviour of employees. The Chartered Institute of Personnel and Development (2015a) found almost half of employees think their CEO's pay is too high and that sixty percent think that CEO pay levels in the United Kingdom demotivate employees. The High Pay Centre (2014) found that as the pay gap increases in workplaces so too does the likelihood of workplace conflict, increased staff turnover, and work-related illness. And, early research by Mohan et al. (2015) showed consumers prefer to buy from employers they consider pay fair.

From a more societal perspective, in its annual British Social Attitudes 30 survey, NatCen Social Research (2013) found more than eighty percent of people thought the pay gap between the highest paid and other employees in the United Kingdom is excessive. Five years later, its British Attitudes 35 survey (NatCen Social Research, 2018) found seventy-seven percent of the British public thought employers should pay wages that cover the cost of living and that seventy-one percent supported an increase in the national minimum wage. The High Pay Centre (2015) found two thirds of people thought there should be a maximum permissible pay gap between the pay of top and average employees.

And, longitudinal research by the Institute of Business Ethics (2013b) found executive remuneration continued to be one of the highest public concerns about business over the last ten years. In research commissioned by Oxfam (2016), around sixty percent of people said business has a responsibility to reduce poverty and inequality, three-quarters said it has a responsibility to close the pay gap between the highest and lowest or average wage, and sixty-four percent said they would support legislation that stopped the highest paid in a company earning more than twenty times the company's average employee salary.

Representing investors, in July 2016 the independent Executive Remuneration Working Group (2016, p. 3) proposed a series of reforms to the setting of executive remuneration, including a recommendation that 'The board should explain why the chosen maximum remuneration level under the remuneration policy is appropriate for the company using both external and internal ... relativities'. The Investment Association (2016) subsequently advised remuneration committees to use reference points in the peer universe and company's workforce to assist shareholders to understand and judge the quantum of executive remuneration being awarded. And in its Fundamentals series, Legal and General Investment Management (Benham, 2016, p. 1) states its belief that 'the inequality faced by many employees has a material impact on society' and, in making a similar call regarding executive pay setting, notes companies 'should not forget that workers are their most valuable asset and success would not be delivered without their effort'. Indeed, concern regarding the growth in executive pay, the increase in pay inequality generated, and the impact these were having on perceptions of fairness became such that in July 2016 incoming Prime Minister Theresa May ordered a review of UK corporate governance. The outcome of which is discussed further in the following section on statutory interventions regarding pay.

### **2.2.3 Statutory interventions**

A number of policy, legislative and regulatory interventions regarding executive remuneration and low pay are evident in the UK today. The following section examines these in three categories: interventions aimed at the higher end of the

pay spectrum, those targeted at the lower end of the pay spectrum, and those directed at the relationship between the lower paid and the higher paid.

At the higher end of the pay spectrum, the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (s 2, s 3) amended the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 to require qualifying companies to include a single total figure of remuneration for each director in their remuneration report. The Business Enterprise and Regulatory Reform Act 2013 (s 79) amended the Companies Act 2006 to provide shareholders of qualifying companies with a binding vote to approve the directors' remuneration policy of their companies. And the forthcoming version of the UK Corporate Governance Code (FRC, 2018, p. 13) continues to require that a 'formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration' be established.

At the lower end of the pay spectrum, the National Minimum Wage Act 1998 introduced a statutory national minimum wage from 1999 for qualifying persons and established the independent Low Pay Commission to advise the government on this. The National Minimum Wage (Amendment) Regulations 2016 (s 3) amended the National Minimum Wage Regulations 2015 to introduce from 1<sup>st</sup> April 2016 the National Living Wage – albeit calculated differently from the existing national minimum wage, essentially a higher national minimum wage rate for workers aged twenty-five years and over.

Orientated toward the relationship between the higher paid and lower paid, the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (s 3) amended the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 to require qualifying companies to provide in their remuneration report a statement of how pay and employment conditions of employees (other than directors) of the company, or group, were taken into account when setting the policy for directors' remuneration. And the forthcoming version of the UK Corporate Governance Code (FRC, 2018, p. 15) – applicable to all companies with a



Premium listing of equity shares whether incorporated in the UK or another country – requires remuneration committees to detail in their companies' annual reports the 'reasons why the [executive and senior management] remuneration is appropriate using internal and external measures, including pay ratios and pay gaps'.

Further pay legislation – the Localism Act 2011 – requires relevant local authorities of England and Wales to annually publish a pay policy statement. This must include an authority's policies regarding the remuneration of their chief officers, the remuneration of their lowest-paid employees and the relationship between the remuneration of their chief officers and that of their other employees. Subsequent guidance recommends in Wales (Local Government Finance and Performance, 2014) and requires in England (Department for Communities and Local Government, 2015) that authorities publish their pay multiple (the ratio of the remuneration of their highest paid officer to the median remuneration across the whole workforce) annually. Similarly, the Government requires organisations handling public funds to publish their pay multiple annually (HM Treasury, 2015), as does the Department of Health (2014) and Monitor for NHS Foundation Trusts (Monitor, 2015).

More recently, introduction of the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 now require private and voluntary sector employers in England, Scotland and Wales with at least two-hundred and fifty employees to report their gender pay gap annually. And most recently, following the review of UK corporate governance initiated by incoming Prime Minister Theresa May, new pay-related legislation is currently being brought forward. Regarding pay, this new legislation – The Companies (Miscellaneous Reporting) Regulations 2018 – will require quoted companies with more than two-hundred and fifty UK employees to publish the ratio of their chief executive officer's total remuneration to the median fulltime equivalent remuneration of their UK employees in their directors' remuneration report. This must be supported by relevant information that explains year-on-year variation in this figure and how it relates to the company's wider policies on employee pay,

reward and progression. All quoted companies will also be required to illustrate the effect future share price increases on executive pay outcomes together with any discretion that has been exercised on executive remuneration outcomes reported that year in respect of share price appreciation or depreciation (DBEIS, 2018).

## **2.3 Responsible business**

This section examines the idea of responsible business. It identifies two dominant schools of thought on responsible business: shareholder primacy theory and stakeholder theory. These are explored within the context of UK legislation to find that the UK Companies Act 2006 might be interpreted as placing a statutory duty on directors and their companies to ensure their employees receive fair pay. Differences in responsible business in smaller and larger organisations are examined. The range of voluntary interventions that are available to organisations to help them demonstrate their practices go beyond legal compliance and respond to societal expectations are further explored. Such schemes are found to exist that can assist smaller and larger organisations promote and realise fair pay.

### **2.3.1 What is responsible business?**

Two schools of thought have dominated the modern discourse with respect to what might be considered responsible business. Shareholder primacy theory, articulation of which is frequently attributed to Milton Friedman (2002), contends that the interests of shareholders (the owners of businesses) should be assigned the highest priority in the execution of the business. This is widely interpreted as meaning the primary objective of a business is to maximise the profits of its owners (shareholders) whilst operating within the bounds of the law. However, this position is challenged by stakeholder theory. Popularised in the 1980s by Freeman (1984), this theory contends that a business has obligations not only to its owners (shareholders) but also to other parties that it may affect by way of its operation. Having *stakes* in the business's operation, Freeman labelled these parties *stakeholders* and, subsequently, *stakeholder theory* emerged. Unlike shareholder primacy theory, according to stakeholder theory, it is then the responsibility of the business to consider and manage its

impact on all its stakeholders rather than to prioritise the maximisation of profits for its owners (shareholders) alone.

In practice, shareholder primacy theory has often been cited as a means to legitimise business behaviours that, although legal, may be considered by some stakeholders to be unacceptable. The claim being that a business must behave in ways that maximise the profit of its owners (shareholders), even if this is at cost to other stakeholders, because it has a fiduciary duty to this (Hart and Zingales, 2017). However, in UK law, for instance, there is no legal requirement for a business to maximise the profits of its owners (shareholders) (Murphy, 2013). Instead, in the UK, the Companies Act 2006 (s 172(1)) places a duty on directors to promote the success of their company. Indeed, appearing to echo the position forwarded by stakeholder theory, the Act requires directors to act in a way that they consider most likely to promote the success of the company *for the benefit of all its members as a whole*. In doing so the Act requires them to have regard, amongst other things, to the likely consequences of any decision in the long term; the interests of the company's employees; the need to foster the company's business relationships with suppliers, customers and others; the impact of the company's operations on the community and the environment; the desirability of the company maintaining a reputation for high standards of business conduct; and, the need to act fairly between members of the company.

Where *members as a whole* is taken to include a company's employees, section 172(1) of the Companies Act 2006 might then be interpreted as transforming the payment of *fair pay* to employees from a voluntary behaviour on the part of the company into a statutory requirement because the Act requires directors to act fairly between all company members. Given the pay of employees affects workers' lives and those of their families, this responsibility to pay fairly could be interpreted as being reinforced by the Act where it requires company directors to also act with regard to the impact of their company's operations on the community (and environment). Indeed, the importance attributed to these statutory obligations placed upon directors and their companies is seen to be increasing as the Companies (Miscellaneous Reporting) Regulations 2018 are introduced as an outcome of the UK Corporate

Governance Reform White Paper 2018. These regulations will place a new requirement on qualifying companies (large private and public companies) to include as part of their annual report 'how their directors have had regard to the matters in sections 172(1)(a) to (f) of the Companies Act 2006' (DBEIS, 2018).

However, the mandate afforded by section 172(1) of the Companies Act 2006 is questioned. For example, as Lim (2018) observes, despite widespread recognition of their recklessness and lack of oversight, none of the directors of financial institutions in receipt of bailout by the UK Government following the Financial Crisis of 2008 have been held liable for breaching their duties under section 172(1) of the Act. And with particular relevance to the inclusion of employees as members of a company – as in '... promote the success of the company for the benefit of its members as a whole ...' at section 172(1) of the Act, the likes of Tate (2012) contend employees are only likely to be considered members of the company where they are also shareholders. Such an interpretation sees *members as a whole* to mean shareholders, whether they be employees or not. Despite reference to other stakeholders in the Act, acceptance of this interpretation of member effectively establishes shareholder primacy as a director of a company *must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole* – where members as a whole would then mean shareholders.

Scholars widely conclude then that the legal weakness of section 172(1) lies in the subjective interpretation of its wording and the lack of any objective measures. Essentially, this is because any behaviour of a director with respect to s 172(1) is defensible so long as, according to the director, they acted in good faith and that they had regard to, amongst others, those matters laid out in the section. The absence of any objective criteria by which to assess whether a director did or did not act in good faith or whether they did or did not have regard to these matters – to whatever extent and irrespective of the outcome of their action, essentially renders these clauses unenforceable (Keay, 2007). In so doing, section 172(1) may have created a right without a remedy – a position the law abhors (Fischer 2009).

Indeed, at its extreme, section 172(1) may support the reverse of its intended objective of ensuring directors promote their companies for the benefit of all members and with regard to wider matters. This is because directors might choose to use section 172(1) to demonstrate and defend that they have considered their members and such wider matters where, in fact, such consideration might have been minimal and essentially immaterial in order to swiftly dispose of this legal requirement. Nonetheless, although the mandate afforded by section 172(1) of the Companies Act 2006 may have its limitations, it does, for the first time, codify some of the expectations wider society has of directors and their companies which have, to date, resided in a purely discretionary realm. As Fisher (2009, p.16) concludes, 'While s.172(1) cannot guarantee directors will consider third party interests, it must be seen as a normative measure which, combined with stakeholder pressure, the prevailing commercial climate and a few enlightened shareholders, will firmly encourage a more inclusive, longer-term view of what will promote success.'

### **2.3.2 Smaller and larger organisations**

Policy responses often differ for smaller and larger companies. The incoming Companies (Miscellaneous Reporting) Regulations 2018 and the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017, for example, only apply to large companies – generally considered to be those having more than two hundred and fifty employees. The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 only apply to large and medium-sized companies and groups – generally considered to be those having more than fifty employees. And the underlying Companies Act 2006 itself differentiates between micro-entities, small companies, medium-sized companies, and large companies. These variations in the application of policy indicate then that policymakers consider there to be differences between smaller and larger organisations and that these differences are sufficiently significant that each group requires individual consideration.

That there is a difference between smaller and larger enterprises is also recognised more widely. Nonetheless, attempts to reliably define each group and the differences between them remain elusive. The Companies Act 2006

and dependent legislation essentially demarks micro, small, medium, and large sized companies according to three quantitative measures: turnover, balance sheet total, and number of employees. European Union (2015) guidance adopts similar quantitative measures but also factors in the nature of an enterprise's ownership – whether it is autonomous, partnered or a linked enterprise. Moreover, the scope of its definition goes beyond that of the likes of the UK Companies Act 2006, which only concerns companies incorporated in the United Kingdom, because it includes 'any entity engaged in an economic activity, irrespective of its legal form' as an enterprise (European Union, 2015, p. 9). In practice, this means the self-employed, family firms, partnerships, associations and any other entity regularly engaged in economic activity are considered to be enterprises.

However, some scholars have endeavoured to differentiate smaller and larger organisations by more qualitative approaches – with these definitions often prefaced by the assertion that, 'Small firms are not little big firms' (Tilley, 2000). Instead, and recognising these characteristics may change across countries and cultures, smaller organisations have been described as generally independent, multi-tasking, cash-limited, based on personal relationships, actively managed by their owners, highly personalised, largely local in area of operation, and largely dependent on internal sources of finance for growth (Perrini et al., 2007). The differences between smaller and larger organisations are important when it comes to responsible business because they affect the way such responsibility is conceptualised, enacted and reported. And, given smaller firms (those with fewer than fifty employees) alone account for over ninety-nine percent of all businesses in the UK and employ thirty percent of employees nationally (DBIS, 2015a), their role in the economy is significant and their presence warranting of research (e.g. Spence, 2016; Werner and Lim, 2016a).

Earlier research regarding responsible business was then dominated by its study within larger, typically corporate, enterprises. This led to the now familiar label of *corporate social responsibility* – or *CSR*. In these organisations, responsible business has typically meant a growth and formalisation of

measuring, reporting, auditing, and evaluating business operations in line with standards that are deemed socially acceptable. Organisations require mission statements, codes of conduct, CSR strategies, stakeholder management, and systems of assurance. The underlying logic being that if an organisation needs to obtain and retain its social licence to operate it must participate in such activities to demonstrate it is a responsible business (Soundararajan and Spence, 2016). However, as Tilley (2000) observes, these mechanisms do not readily transfer to smaller organisations as these organisations do not have the same level of resources available for a CSR function, are likely to be run in a much more personalised manner, and are simply too small to justify such a scale of approach.

Therefore, in smaller organisations the realisation of responsible business is likely to be much less formalised than in larger organisations. Smaller organisations are less likely to report their performance regarding responsible business and are instead more likely to simply conceptualise such behaviour as a way of doing things (Murillo and Lozano, 2006). Jargon and terminology used in more formal approaches to responsible business – such as *business ethics*, *sustainability* and *CSR* – are replaced by an everyday vernacular that uses words like *fairness*, *integrity* and *excellence in management* (Vyakarnam et al., 1997). In smaller organisations the boundary between the organisation and the owner-manager is small so the organisation's activities and modus operandi are likely to be a much closer reflection of the owner-manager's characteristics, personality, beliefs and values (Spence, 2014). The organisation's range of stakeholders is likely to be smaller with these relationships often being reciprocal, co-dependent and co-operative in nature. Smaller organisations are typically highly dependent on their employees because the organisation's survival is disproportionately reliant on these human assets that cannot readily be replaced (Murillo and Lozano, 2006). Consequently, owner-managers often adopt a more paternalistic or familial position towards their employees which creates a flatter organisational hierarchy and one that can facilitate the mutual exchange required between owner-manager and employee (Soundararajan and Spence, 2016).

### **2.3.3 Voluntary interventions**

Organisations may then adopt standards of practice that go beyond those prescribed by statute. In his now well-known model of corporate social responsibility, Carroll (1979) conceptualised such behaviour of organisations as ethical and discretionary. For Carroll (1979), firms (organisations) have four social responsibilities: economic, legal, ethical, and discretionary. The first two social responsibilities – economic and legal – were considered essential. Foremost, a firm has a social responsibility to be an economic unit: to produce goods and/or services society wants and to sell these at a profit. Alongside this, a firm has a social responsibility to fulfil its economic responsibility within the prevailing legal framework. Thirdly, a firm has a social responsibility to be ethical: to meet the behaviours expected of business by society's members but which may not be codified or clearly defined. He notes these are, therefore, 'among the most difficult for business to deal with', but that, 'suffice to say that society has expectations of business over and above legal requirements' (Carroll, 1979, p. 500). And fourthly, that a firm has a discretionary social responsibility. In describing this fourth and final social responsibility of business he does question whether such a discretionary requirement can indeed be considered a responsibility. However, he resolves this by accepting that society can and does place an expectation on business to go beyond behaving legally and ethically to act philanthropically.

Voluntary interventions regarding responsible business, therefore, see organisations adopt practices that respond to some perceived expectation of society that are beyond statutory compliance. To do this organisations may participate in the large range of schemes that exists which are designed to provide external assurance that particular standards of such practice have been, or are being, achieved or pursued by the organisation. These schemes typically consider organisations with respect to their environmental, social, and governance (ESG) performance and may measure organisational performance across multiple dimensions or in a specific area of business operation. However, the applicability and workability of these schemes is typically a function of organisational size with many being aimed at larger organisations. Due to the very different nature of conceptualising and operationalising



responsible business in larger and smaller organisations, this can have the effect of precluding smaller organisations from participating in these schemes (Soundararajan and Spence, 2016).

The United Nations Global Compact, for example, is the largest voluntary corporate sustainability (responsibility) initiative today. It has more than twelve thousand organisational signatories in almost all sectors and of almost all sizes from over one hundred and sixty developed and developing countries. Participants commit to the implementation, disclosure and promotion of ten universal principles which comprise dimensions on human rights, labour, environment and anti-corruption. In committing to the UN Global Compact, participants are also expected to support the goals and issues of the United Nations, including the Sustainable Development Goals (UN Global Compact Office, 2012). The Sustainable Development Goals are seventeen goals agreed by nations, business and other leading organisations that set out an agreed vision for the world to be achieved by 2030. These follow on from the Millennium Goals, which applied to developing countries alone, to set a vision for all countries of the world. They include, amongst other things, the eradication of poverty and hunger, gender equality, decent work and economic growth, sustainable cities and communities, climate action, and reduced inequalities within and between countries (United Nations, 2018).

On the other hand, Ethisphere (2018) provides a range of commercial services to companies regarding ethical business. These include benchmarking and certifications, global events and programs, and its Ethisphere magazine and publications. Annually, it uses its Ethic Quotient® rating system to determine the businesses to be honoured in its World's Most Ethical Companies® initiative. This system collects and assesses an organisation's performance across five key ethical dimensions of Ethics and Compliance Program; Corporate Citizenship and Responsibility; Culture of Ethics; Governance; and, Leadership, Innovation and Reputation. Similar approaches are used by other ethical assurance schemes and initiatives, e.g. Standard Ethics Rating (Standard Ethics Ltd, 2018), Ethibel Pioneer and Excellence Label (Forum Ethibel, 2018) and EthicalQuote (Covalence SA, 2018). However, perhaps more accessible to

smaller organisations, some schemes focus on an organisation's performance with respect to a single ethical dimension. The Fair Tax Mark (2018b, p. 1), for example, assesses a business's performance regarding its tax practices specifically with an intention to assure that 'a business with the Fair Tax Mark is certified as paying the right amount of tax in the right place at the right time and applying the gold standard of tax transparency'.

A number of schemes focus on or incorporate a pay dimension. Best Companies (2018), for instance, offers a scheme that measures an organisation's level of employee engagement across eight factors. These measures are intended to provide organisational insight and identify areas for potential organisational improvement. Participants can also seek Best Companies Accreditation. Accreditation sees an organisation's eight factor scores combined to produce a Best Companies Index score. Depending upon this score, organisations are awarded *One to Watch* or *One, Two* or *Three* star status which they can market internally and externally. Participant organisations can elect to be included in the Best Companies to Work For lists published annually. Specifically, the scheme's methodology includes a Fair Deal factor that measures how happy employees are with pay and benefits.

However, some organisations have gone further in their voluntary regulation of pay. The Trustees Saving Bank (2014), for instance, has set itself a maximum organisational pay ratio – currently sixty-five times the average pay of its non-managerial staff – and regularly reports its performance against this. As an additional voluntary intervention, it reports its pay ratio at the Pay Compare website and in doing so has been awarded the Pay Compare Mark for disclosure (Pay Compare, 2016). As a single voluntary action on the part of employers, free pay ratio disclosure at the Pay Compare website offers a scheme that any employer-organisation can participate in irrespective of size. And recent years have seen a growth in the number of employers that have committed to paying a higher minimum wage in their organisations by becoming Living Wage employers. Typically signing up to a local or national Living Wage scheme, these employers have voluntarily introduced a minimum wage in their organisations that endeavours to represent the cost of living faced by workers.

To date, rates of pay of such Living Wage schemes have been higher than those prescribed by the statutory National Minimum Wage and its extension of the National Living Wage (e.g. LWF, 2018d).

## **2.4 Chapter summary**

This chapter presented a literature review on fairness, pay, and responsible business. It found that the concept of fairness is well visited in the literature through the study of the socially just distribution of goods, and, as a social good, that pay is relevant to this area of enquiry. Broadly, responses to the socially just distribution of goods assume either a deontological or teleological position. The deontological position concerns the process of allocation whereas the teleological position concerns the pattern of outcome of allocation. These positions were found to align with the conceptualisation of fairness as organisational justice. In the conceptualisation of fairness as organisational justice, perceived fairness is a product of, essentially, two components: procedural justice and distributive justice. Procedural justice is concerned with perceptions of fairness regarding the process of allocation, and, so, aligns with the deontological argument regarding the socially just distribution of goods. Distributive justice, on the other hand, is concerned with perceptions of fairness regarding the outcome of allocation and, so, aligns with the teleological argument regarding the socially just distribution of goods.

Norms of distribution also feature in the conceptualisation of fairness as these regulate the fair distribution of goods. Three core norms of distribution were identified. The equity norm dictates that an individual's share of collective outcome (pay) be proportional to their personal contribution. The equality norm of distribution prescribes that the share of collective outcome (pay) is the same for all qualifying individuals irrespective of their personal contribution. And the need norm of distribution requires individuals to receive an amount of collective outcome that resolves some state of deprivation, again, irrespective of personal contribution. As means of enacting or defining the end state of allocation, these norms of distribution align with the components of procedural justice and distributive justice and the corresponding deontological and teleological positions regarding the socially just distribution of goods. However, the conflict

generated in the concurrent operation of two or more of these norms of distribution quickly reveals the difficulty that exists in trying to design a pay system that is considered by all to be fair in both its operation and outcome.

The chapter went on to explore the concept of pay. It found pay could be conceptualised as a contribution to production – where neoliberal economics regards workers as inputs and pay as an outcome of the impersonal workings of the (free) market. A living – where social economics considers workers as ends in themselves and determines pay according to their needs rather the diktats of the market, and as the translation of social values or prejudices into differential rewards – where pay is determined by prevailing and persistent social structures, practices and norms. Current legislation pertaining to each demonstrated the modern-day realisation of all three conceptualisations. However, a further notion of pay was also identified that did not fit with these three conceptualisations of pay. This is the efficiency wage theory that sees employers pay above the market clearing rate for labour on the premise that the advantages this is expected to bring – such as reduced staff turnover, lower rates of absenteeism, and increased worker output – will at least offset the increased price paid.

Perceptions of fairness regarding pay were found to be of interest to both the organisation and wider society. From an organisational perspective, employees reported that they are concerned about pay fairness, perceptions of fairness regarding pay had beneficial outcomes for organisations, and perceptions of overall organisational fairness promoted constructive employee behaviour. Society is also sensitive to pay fairness with the public wanting to see a smaller gap between the higher and lower paid and for employers to pay wages that meet the cost of living. Investors and consumers are also looking for greater disclosure around (particularly, executive) pay and are beginning to favour employers who they consider pay fairly. Statutory responses have seen the introduction of new legislation to increase corporate and public sector transparency, updating of the Corporate Governance Code, and extension of the National Minimum Wage to include a National Living Wage. Further

changes are expected following the Corporate Governance White paper of 2018.

Finally, this chapter examined the idea of responsible business. It found that two schools of thought have dominated the modern discourse on responsible business. Shareholder primacy theory contends that the responsibility of business is to prioritise the maximisation of profits of its owners (shareholders) whilst operating legally. This is countered by stakeholder theory which asserts that the responsibility of business is to meet its obligations to all its stakeholders – those parties affected by the operation of the business – as well as those it has to its owners (shareholders). Despite it being argued that shareholder primacy theory demands that the interests of owners (shareholders) be prioritised over those of other stakeholders in the business in order to maximise their profits, no legislation currently exists in the UK that supports this position legally. On the contrary, reflecting the stakeholder theory approach to responsible business, section 172(1) of the Companies Act 2006 places a duty on directors to act in a way that promotes the success of their company for the benefit of all its members. Indeed, by way of this section, that the Act might be interpreted as placing a statutory duty on directors and their companies to ensure their employees receive fair pay. Nonetheless, enforceability of such an interpretation is questioned given employees may not be regarded as members of a company. Indeed, the mandate afforded by section 172(1) generally has been questioned given the lack of objective criteria that exist with which to assess compliance.

The differences between smaller and larger organisations were then explored given policy responses often vary across these groups. Beyond a limited set of quantitative measures used by such instruments, more qualitative measures have been employed in an attempt to define the small(er) organisation. This is important because it reveals smaller organisations are not miniaturised large organisations. Instead they are structured and operate in the ways particular to them. In turn these affect how their owner-managers conceptualise, articulate and enact responsible business. A smaller organisation's approach to responsible business is likely then to be less formalised and more personalised

than that found in larger organisations. A range of voluntary interventions was found that seek to assist organisations in demonstrating they have adopted practices that go beyond legal compliance and respond to some ethical expectation laid down by members of society. These schemes may tend to have a large-organisation or corporate bias but they nonetheless include interventions in which any organisation could likely participate. Moreover, a number of these schemes aim to promote or realise fair pay.

## **3.0 Methodology**

This chapter presents the methodology employed in this research. First it presents the research approach adopted in this study. Next it describes the research design and explains why this was constructed in the way that it was. The scope of the study is then presented followed by an explanation of the sample used. The qualitative interview procedures used are then laid out and the approach to data analysis presented. Ethical considerations of the study and actions taken to mitigate risks pertaining to these are subsequently discussed. This chapter closes with an examination of the limitations of the study.

### **3.1 Research approach**

Traditionally, social researchers have adopted an ontological and epistemological position at the outset of their research. Two polar positions are typically advanced. The objectivist ontological position considers social phenomena and their meanings to have independent existence. They are facts that exist independent of social actors. Akin to the natural sciences, a positivist approach is then used to study these social facts to objectively test theories, establish cause and effect, and to reveal scientific laws. On the other hand, the constructionist ontological position considers social phenomena to be in a constant state of change. The social world and its subjective meanings are created in the instant as a result of the human interaction taking place. Existence of the social world is dependent on these social actors. Here then, an interpretivist epistemological approach is typically employed to reveal the interpretations and understandings social actors place on these phenomena.

A researcher's adoption of one of these ontological and epistemological positions then informed and shaped their research strategy. Quantitative research focuses on quantifiable observations – those aspects that can be counted. This strategy therefore lent itself to an objectivist ontological position and a positivist epistemological position that adopt a deductive approach of theory testing. Alternatively, qualitative research focuses on the observation of qualities – those aspects that are described rather than counted. This strategy therefore lent itself to a constructivist ontological position and an interpretivist

epistemological position that adopt an inductive approach of theory building (Walliman 2006).

More recently, however, some social researchers have combined quantitative and qualitative research strategies to produce and employ a mixed methods approach in their studies. This has produced two general positions. A paradigmatic argument contends that quantitative and qualitative research strategies cannot be amalgamated because they are grounded in incompatible ontological and epistemological positions. Whereas, a technical argument gives greater prominence to the data-collection and data-analysis techniques these research strategies use. It recognises that quantitative and qualitative research are connected with distinct ontological and epistemological positions but that these are not, however, viewed as fixed. Research methods from one research strategy can be put to work in the other. Moreover, depending upon the nature of the research, that this can strengthen the research approach (Bryman 2012).

This research adopted such a mixed methods research approach and rationale to answer the research question. An initial quantitative research strategy was used to identify pay-related ethical assurance schemes operating in the United Kingdom, measure participation rates of these, and to conduct an analysis of the types of organisations that adopt these schemes. This quantitative research informed subsequent research – particularly its scope and the design of its purposive sample. This latter research continues to draw on an objectivist and positivist position as it tests how employers were expected to conceptualise fair pay and the reasons they were expected to give for adopting the ethical assurance scheme of the Living Wage.

However, this latter research also drew on a constructionist and interpretivist position as it used semi-structured qualitative interviews to explore and interrogate employer descriptions of fair pay and the reasons they gave for adopting the Living Wage ethical assurance scheme. This mixed methods approach contributed to the uniqueness of the research methodology employed by this study which, without it, would not have yielded its particular findings,



richness or conclusions. In terms of this study then, the use of a mixed methods approach and rationale was both successful and, indeed, essential.

### **3.2 Research design**

The design of a study is typically constrained by the financial funds that are available to support the research and the time that is available to complete it. This research faced these common constraints because it was part of a time-limited doctoral programme delivered through a *bona fide* university in the United Kingdom and because it was supported by the limited financial resources of its self-funding researcher. Therefore, design of the study had to ensure the research could be completed within the time limits of the university's doctoral programme, within the financial limits of the self-funding researcher, and to a standard that would meet the examination requirements of the associated qualification. As a fulltime student on the university's doctoral programme the researcher was expected to complete their research within thirty-six months. Given this requirement, a cross-sectional study was chosen over a longitudinal study because the latter would likely have taken longer than the time available to complete the programme (Thomas, 2007).

Within the overall research approach, a range of research methods that are available to collect data were reviewed. The experiment research method typically tests a theoretical hypothesis using samples from known populations where different conditions are applied in order to measure resultant behaviour. Use of experiment was dismissed because this research did not seek to test a particular theoretical hypothesis through the control of its subjects but instead sought to explore their descriptions of the world and their explanations of their behaviour. The research method of ethnography requires the researcher to embed themselves in the environment under enquiry for an extended period of time in an attempt to interpret the social world in the way its subjects interpret it. This research method was also dismissed given the project's time constraint and the difficulties that were likely to manifest in securing this level of access to subject organisations. The research method of action research was dismissed because this study did not adhere to the criteria that might typically define such an approach. These can be described as: (a) the purpose of the research being

to bring about change; (b) the close collaboration of practitioners and researchers to address a problem that is of genuine concern for the organisation or body under study; and, (c) the research having application beyond its immediate field of enquiry (Saunders et al., 2000). The purpose of this research was not to bring about immediate change but to extend our understanding of how the social world works. This research did not address a problem that had been raised by an organisation or body that would form the basis of the enquiry. And although this research may have application beyond its immediate field of enquiry, this was not a reason for undertaking the study.

Further, the focus group research method was dismissed because this approach seeks to understand how and why participants feel the way they do about a given subject in conjunction with one another. Although this method could have provided insights into how employers' conceptualisations of fair pay might have influenced their decisions to adopt ethical assurance, it may have been less amenable to comparing their individual positions. This then would have undermined the objective of this study which was to add to our understanding of how *different* employers' conceptualisations of fair pay might influence their decisions to adopt ethical assurance in a context of statutory compliance. The case study research method was similarly dismissed because it is used to investigate a single subject in great depth. Although this method could have been employed to understand how fair pay is conceptualised by different people within one organisation, it would not have enabled the comparison of such conceptualisations across a number of organisations as was sought by this study (Bryman, 2012).

Having reviewed a range of research methods, the mixed research methods of desktop survey and qualitative interview were finally chosen. The desktop survey research method was selected for the initial phase of the study which collected and analysed data on pay-related ethical assurance schemes operating in the United Kingdom. This research method was chosen because it provided an effective and efficient way of collecting the required data about these schemes – particularly given all such *bona fide* schemes now have a searchable presence on the freely accessible World Wide Web.

Semi-structured qualitative interviews were used for the latter phase of the study which explored employers' conceptualisations of fair pay and their reasons for adopting the ethical assurance scheme of the Living Wage. This research method was selected because it enabled the researcher to collect qualitative data from individual subjects for subsequent analysis and comparison. Specifically, the semi-structured interview data collection method provided an overall framework for interviews whilst allowing opportunity for the interviewer to explore areas of interest that surfaced which could not have been addressed if a structured interview approach had been taken.

Nonetheless, unlike an unstructured interview approach, the overall framework of a semi-structured interview helped guide the interviewer through the interview, ensuring all interviewees were asked the same key questions to provide some consistency in the data collected, and helped in preventing the interviewer in probing and exploring too far such that there was insufficient time to ask all the required key questions. Use of the interview approach more generally also offered practical advantage because subjects did not have to be brought together to be interviewed, could choose a medium they preferred (face-to-face, telephone, etc.), and could be interviewed at a time and location that was mutually convenient with the interviewer but which suited them individually (Bryman, 2012).

### **3.3 Scope**

A population of enquiry was identified for the latter phase of the research by setting the initial scope of the qualitative research to the ethical assurance scheme of the voluntary Living Wage and by choosing to examine smaller employers in particular (see chapter 5: Ethical assurance for more detail). However, recognising the time and funding limits of this project, a further boundary was applied to this initial scope to bring the scale of the study to one that was considered achievable within these constraints. Accordingly, the scope of the study was set as the Brighton and Hove Living Wage scheme. This scope was chosen because this Living Wage scheme has a smaller number of participants than the national voluntary Living Wage scheme led by the Living Wage Foundation, it has a clearly defined operational boundary of the City of

Brighton and Hove, this scheme has a single point of leadership in the Brighton and Hove Chamber of Commerce, and because it is well established – having been running since 2012. Considered practically, focus on the Brighton and Hove Living Wage scheme provided logistical and cost advantages as it was both physically close to the researcher and their university campus and meant subjects would not be widely dispersed geographically (Thomas, 2007).

### **3.4 Sample**

As research employing an interpretivist epistemological position as part of its mixed methods approach, this study did not aim to be able to generalise from its findings. Instead, it examined a sample of subjects to illustrate how employer conceptualisations of fair pay might influence their decisions to adopt ethical assurance in a context of statutory compliance. Although the sample was not considered to be statistically representative of the general population, a rationale did however underpin its design (Mukherjee and Wuyts, 2007).

The 306 employers participant in the Brighton and Hove Living Wage scheme were examined to identify the types of organisation that signed up. Fifteen organisations were excluded from further analysis because these were, for example, found to have ceased trading or were part of a parent organisation that was already signed up to the scheme. This left a total population of 291 employers who were signed up to the Brighton and Hove Living Wage scheme. Consistent with the approach taken to identify qualities of organisations participant in ethical assurance schemes generally (see chapter 5: Ethical assurance), the qualities of size, UK registered charity, corporate form, age (as at 2017), and industry were researched for each employer signed up to the scheme.

The 291 employers were made up of 87.90% small, 8.06% medium and 4.03% large organisations; 92.11% were aged 0-25 years old, 6.77% were aged 26-50 years old and 1.13% were aged over fifty years old; 12.71% were UK registered charities; the majority were companies limited by shares (68.27%) and private companies limited by guarantee (18.45%); and, most were in the industries of information and communication (19.59%), professional, scientific and technical

activities (14.43%), administrative and support services (14.09%) and human health and social work activities (9.97%).

As shown in table T.2, the general profile of employers signed up to the Brighton and Hove Living Wage scheme therefore reflected the general profile of organisations that adopted ethical assurance schemes more widely. However, the broad initial system of classification used in the Standard Industrial Classification meant the specific industries in which organisations were in could not be identified. Reflecting the scope of this study, the Standard Industrial Classification codes of small employers signed up to the Brighton and Hove Living Wage scheme were therefore examined at a more granular level to provide this information.

The most prevalent sub-industry classification of small employers signed up to the Brighton and Hove Living Wage scheme, by a substantial margin, was Computer programming, consultancy and related activities (13.40-17.43%), followed by Office administration, office support and other business activities (9.28%-10.55%), and Legal and accounting activities (6.87-8.72%). Sub-industry classifications that also had a higher level of prevalence, but of a smaller order of magnitude, were Retail trade, except of motor vehicles and motorcycles (4.59-7.22%), Education (4.13-5.50%), Human health activities (3.76-5.50%), Other personal service activities (4.47-4.59%), Social work activities without accommodation (4.12-4.59%), and Activities of head offices; management consultancy activities (3.78-4.59%).

As the most prevalent (sub-)industry classification in small employers signed up to the Brighton and Hove Living Wage scheme, organisations within the industry of Computer programming, consultancy and related activities were included in the study's further research. The high prevalence of employers signed up to Brighton and Hove Living Wage in this industry drew particular interest as this industry is not typically associated with low pay in the UK (Clarke and D'Arcy, 2016). This then provoked a line of enquiry that wondered why employers in an industry that was not regarded as low-paid would sign up to an ethical assurance scheme that was aimed at raising the pay of low-paid workers

specifically. Although scope of the further research could have been limited to this single industry, comparison to another industry was pursued as a means to reveal the differences between these cases, generate richer findings, and so to increase our understanding of how employer conceptualisations of fair pay might influence their decisions to adopt ethical assurance in a context of statutory compliance (Ritchie et al., 2014).

<b>Organisational quality</b>	<b>Employers signed up to the Brighton and Hove Living Wage (n = 291)</b>	<b>Employers participant in ethical assurance schemes more widely (n = 3,191)</b>
Size	Small: 87.90% Medium: 8.06% Large: 4.03%	Small: 58.91% Medium: 20.26% Large: 20.73%
Age	0-25 years: 92.11% 26-50 years: 6.77% Over fifty years: 1.13%	0-25 years: 71.77% 26-50 years: 22.11% Over fifty years: 6.12%
UK charity status	Registered: 12.71%	Registered: 17.24%
Corporate form	Private limited by shares: 68.27% Private limited by guarantee: 18.45%	Private limited by shares: 58.88% Private limited by guarantee: 20.39%
Industry	Information and communication: 19.59% Professional, scientific and technical activities: 14.43% Administrative and support services activities: 14.09% Human health and social work activities: 9.97%	Administrative and support services activities: 14.42% Professional, scientific and technical activities: 14.11% Wholesale and retail trade, repair of motor vehicles and motorcycles: 10.34%

Table T.2: Comparison of organisational qualities of employers signed up to the Brighton and Hove Living Wage and ethical assurance schemes more widely.

To contrast the higher-paid industry of computer programming, consultancy and related activities (for brevity, forthwith referred to as computer programming) a low-paid industry was sought as a comparator. The following occupations are

recognised at low-paid in the United Kingdom by the Low Pay Commission (2016): agriculture, childcare, cleaning, food and non-food processing, hairdressing, hospitality, leisure, office work, retail, social care, storage, textiles, and transport. A number of these low-paid occupations are prevalent in the Brighton and Hove economy. At 2015, for instance, 13.4% of employee jobs in the city were in retail and wholesale, 10.4% were in in hospitality (accommodation and food services), 7.5% were in office work (administrative and support service activities), and 3.4% in leisure (arts, entertainment and recreation). However, most employee jobs (17.2% or 23,000 employee jobs) were in human health and social work activities industry (NOMIS, 2017). And within this industry, 8,000 employee jobs (almost 6% of all employee jobs in the city) were in adult social care (Skills for Care, 2016). Given its prevalence in the local economy and its national classification as a low-paid industry, the adult social care industry was therefore shortlisted as a low-paid industry comparator to the higher-paid computer programming industry in Brighton and Hove.

Use of the low-paid industry of adult social care and the higher-paid industry of computer programming as comparative cases was finally decided upon given the importance both these industries have in the Brighton and Hove economy. As well as being a significant employer in the city, and despite being a low pay industry, social care is recognised as a growing sector locally. Reflecting a similar situation seen nationally (DBIS, 2015b; Skills for Care, 2016), the Brighton and Hove City Council Adult Social Care Workforce Strategy (BHCC, 2016b) noted a larger social care workforce would be required in future to meet the increasing demand in the city being driven by an ageing general population and growth in the number of people living with long term conditions. In this respect, the social care industry demonstrates similarity with the computer programming industry as this is also recognised as a growing sector nationally and locally. Nationally, the information economy was the fastest growing sector in the UK over the last two decades and forms a central plank of the UK Government's industrial strategy and growth ambitions (DBIS, 2015b). Locally, in Brighton and Hove, the creative, digital and information technology sector is considered a key employment and growth industry in the city (BHCC, 2016a)

with 8,000 employee jobs (again, almost 6% of all employee jobs in the city) already being in the information and communication sector (NOMIS, 2017).

Employing an approach akin to that utilised by similar research (e.g. Dutton et al., 2014; Simms, 2017; Wills and Linneker, 2012) and that had been approved by the University of Brighton Ethics Panel, target subjects in the two industries of interest were purposively sampled. The first stage identified employers in the low-paid adult social care industry that were signed up to the Brighton and Hove Living Wage scheme. Five of such employers were identified. An equal number of employers in the higher-paid computer programming industry that were signed up to the scheme were then identified. To facilitate like-for-like comparison, employers in the higher-paid computer programming industry were matched as closely as possible to those in the low-paid adult social care industry using the organisational quality of size. Employers signed up to the scheme were identified using the list of participants publicly available at the Brighton and Hove Living Wage website as at January 2017.

To enable comparison between employers signed up to the Brighton and Hove Living Wage scheme and those not signed up, five employers from the low-paid adult social care industry and five employers from the higher-paid computer programming industry were then identified. Again, to facilitate like-for-like comparison these were matched as closely as possible using the organisational quality of size. Employers in the low-paid adult social care industry in Brighton and Hove who were not signed-up to the Brighton and Hove Living Wage scheme were selected from the publicly available directory of registered providers held by the Care Quality Commission – the industry’s regulatory body. Employers from the higher-paid computer programming industry who were not signed-up to the Brighton and Hove Living Wage scheme were identified from a World Wide Web search of such businesses operating in the Brighton and Hove local using the Google UK search engine.

Inclusion of employers not signed-up to the Brighton and Hove Living Wage offered the potential to address further gaps in the body of knowledge – where there is a recognised research opportunity (Werner and Lim, 2016b); where



employers are often reluctant to participate in such research – largely due to their concerns, and the associated political sensitivities, around drawing attention to the fact that they were not paying the Living Wage (e.g. Prowse and Fells, 2016; Wills and Linneker, 2012); and, where included, the number of these employers in such research has been small (e.g. seven (Dutton et al., 2014)).

A letter of invitation to participate in the research and a research information sheet were sent electronically to each employer, or by post where an email address for the employer was unavailable. A follow-up email was sent where no response had been received within four working days. Of these invitations, one employer in the low-paid industry of adult social care employer formally declined to participate citing their unavailability. Three employers in the low-paid adult social care industry agreed to participate. Two of these employers were signed-up to the Brighton and Hove Living Wage and one was not. Two employers in the higher-paid computer programming industry agreed to participate. One of these employers was signed-up to the Brighton and Hove Living Wage and one was not. Of twenty invitations, five employers (25%) had agreed to participate.

Recognising a larger number of subjects would increase validity of the research (Bryman, 2012), the sample size was increased. The increased sample of target employers included a further employer in the low-paid adult social care industry who was signed-up to the Brighton and Hove Living Wage scheme that had not previously been identified. There were no more employers in the low-paid industry of adult social care that were signed up to the scheme. Ten further employers in the low-paid industry of adult social care that were not signed up to the scheme were included. The remaining five employers in the higher-paid industry of computer programming that were signed up to the scheme were included and ten further employers in this industry that were not signed up to the scheme – with the latter ten employers exhausting the list of leading employers in this industry in the city.

Of these additional target subjects, five formally declined participation. One employer in the low-paid adult social care industry who was not signed-up to the

Brighton and Hove Living Wage declined on the basis that, as a UK-wide organisation, pay was set at a national level and another declined due to lack of capacity. However, this latter subject initially appeared keen to participate until the research topic of pay setting was mentioned, at which point the subject declined participation. One employer in the higher-paid computer programming industry who was not signed-up to the Brighton and Hove Living Wage declined as it was in fact a London-based organisation, another declined because it had only one employee, and the third declined without providing a reason. One employer in the low-paid adult social care industry and one employer in the higher-paid computer programming industry who were not signed up to the scheme agreed to participate. As did three employers in the high-paid computer programming industry that were signed up to the scheme. Table T.3 presents the composition of the final sample of participant Brighton and Hove employers. Profiles of participant organisations are detailed further in Appendix A.

		Industry		
		Adult social care	Computer programming	Total participant employers
Brighton and Hove Living Wage status	Not signed-up	2	2	4
	Signed-up	2	4	6
	Total participant employers	4	6	10

Table T.3: Composition of final sample of participant Brighton and Hove employers.

### 3.5 Interview procedures

Employers who agreed to participate in the study were asked to provide a senior member of staff to represent their organisation in the research interview – for example, the organisation’s manager, chief executive or director of human resources. To suit their convenience, interviewees were offered a research interview via telephone or in person – the latter to take place, within reason, at their preferred location. Nine participant employers chose to be interviewed in person at their offices and one choose a telephone interview. An interview time and date were agreed mutually by the researcher and each interviewee and all interviewees were offered the option to re-arrange their interview at any time should the require. All interviews took place at their originally agreed time and date and all but two took place at their originally agreed location. In these two cases the interviewee offered an open-plan office in which to conduct the research interview. Recognising this environment would likely restrict the interview conversation and quality of the associated research data, the researcher suggested to the interviewee that, given the possible sensitivity of some of the interview questions, it would probably be better to conduct the interview off-site if no private spaces were available at their premises. Both interviewees agreed and these interviews instead took place in a quiet local public house and café that the researcher had identified *en route* to these appointments (e.g. Saunders et al., 2000).

Interviews were semi-structured and led and asked by the researcher. A standard interviewer script was used for the interviews which endeavoured to control and minimise variations in the interview that do not form part of interviewees’ responses (Woodhouse, 2007). Before commencement of each interview the researcher provided a brief recap of the research and its purpose to interviewees, reminded interviewees that they could withdraw at any time without explanation, and that they and their organisations would remain anonymous throughout. At this time the interviewer requested that the interviewee complete a consent form – including permission for the interview to be audio recorded and stored digitally – and asked if they had any questions before undertaking the interview. No interviewees raised any such questions at this time. As was explained to each interviewee, audio recording of interviews

was preferred by the researcher as this meant he could engage more with the conversation matter – being distracted less by not having to take copious handwritten notes. All interviewees completed consent forms and agreed to the audio recording and digital storage of their interview. Reflecting the criticality of the interviews and their use as key research data, and that the researcher would not be taking any handwritten notes, each interview was recorded using three independent digital audio recording devices to provide multiple protection against the failure of any. Interviews were planned and agreed with the interviewee to last no more than sixty minutes. All interviews were completed within this timeframe or an extended timeframe where this was agreed with the interviewee during the course of the interview – i.e. where it had become apparent the interview would not complete with the planned sixty minutes (e.g. Saunders et al., 2000).

Two different research questionnaires were developed because the different statuses regarding sign-up to the Brighton and Hove Living Wage scheme required some different questions to be asked of employers in each of these groups. Each employer was interviewed using the relevant questionnaire. Before closing the interview the researcher asked the interviewee whether they had any further questions and fielded these where this was the case. Following closure of the interview, and as added value for participants, the researcher explained that a summary of anonymised findings of this part of his doctoral research would be sent electronically to the interviewee free of charge on its completion and that an electronic copy of his thesis would be available free of charge and on request at its successful completion. An electronic copy of the anonymised summary findings was duly sent to each interviewee in February 2018. The researcher thanked the interviewee for their time and participation and followed this up with an email to this effect shortly after the interview. Audio recordings were checked immediately after each interview to confirm their existence and fidelity and were copied to two further secure storage devices as backups. Recordings for each interview were found to be complete and of adequate quality for transcription (e.g. Saunders et al., 2000).

### 3.6 Data analysis

Audio recordings of all interviews were transcribed to produce a textual recording of each. To experience the process of converting audio recording to a textual recording the researcher transcribed the first interview fully and early in the data gathering schedule so any learning from this could be applied to the study's interview procedures immediately. The transcription revealed some of the challenges inherent in this process, such as overlapping speech, background noise, and the presence of extraneous mutterings. The researcher adjusted his approach accordingly in subsequent interviews (e.g. by minimising overlapping his speaking with that of the interviewee). These adjustments were found to be greatly beneficial in improving the quality of further audio recordings. In the interests of efficiency, audio recordings of remaining interviews, along with the first interview for consistency, were transcribed by a professional provider of this service. A standard *clean* verbatim level of transcription was selected that provided accurate transcripts which omitted stutters, erms and filler words where these were not meaningful as this was deemed sufficient for the intended qualitative analysis. Contractual terms of the provider assured confidentiality of all material exchanged (UK Transcription, 2017).

The interview transcripts were used to qualitatively analyse interviewees' interview responses. The purpose of the qualitative analysis was to go beyond data-driven description of interview data to create more abstract themes that could be used to explain patterns observed within these data. This was achieved by conducting a thematic analysis on the data. This followed a two-phase approach. Phase one: data management and phase 2: abstraction and interpretation (Ritchie et al., 2014). Phase one consisted of the researcher familiarising himself with the data in order to construct an initial thematic framework. Extracts of data were then identified according to this thematic framework. These were indexed and sorted and the extracts of data reviewed in order to adjust and refine the thematic framework. This process was repeated until the thematic framework stabilised and required no further significant adjustment. As a cross-sectional qualitative analysis the same thematic

framework was applied and developed across all, rather than within individual, interview cases.

In phase two the researcher examined each theme to abstract prevalent categories and concepts. Data extracts were labelled according to these categories and concepts in order to form a map of the data terrain. As new categories and concepts were abstracted this process was repeated to ensure all the data had been searched for all the categories and concepts that had emerged throughout the exercise. The patterns of categories and concepts in the data were then examined in order to identify linkages. This was an iterative process that often required labels to be adjusted and reapplied to the data so that a more coherent map of the data could be achieved. In doing so it was often necessary to revisit and revise the linkages that had already been observed. This process was repeated until the labelling of data and the linkages between had again stabilised and required no further significant adjustment. At this point the researcher examined this arrangement of the data and the linkages within in order to account for the patterns that had appeared in these. With this part of the research primarily adopting an inductive approach, these were then compared to existing concepts and theories identified in the literature to inform interpretation of these patterns (Ritchie et al., 2014).

### **3.7 Ethical considerations**

In studying human subjects this research had to address a number of ethical considerations. These were considered and addressed across four dimensions before and during the research process: whether harm might come to participants, whether subjects had given their informed consent to participate, whether there might be any invasion of privacy, and whether any deception might be involved in carrying out the research (Diener and Crandall, 1978).

Harm to research participants can take many forms – for example, physical, emotional, psychological, reputational or economic. These potential harms to participants were considered carefully given it was planned to ask quite sensitive questions about the nature of work, pay, and fairness. To mitigate harm that might come to participants personally or to the organisations they

represented, the research proposal was reviewed and approved in accordance with the University of Brighton Ethics Policy. In accordance with this policy, each participant received a research information sheet detailing the purpose of the study, how it was to be conducted, who the researcher was, and the route of escalation should subjects have any concerns. Participants were informed throughout that they could withdraw from the study at any time without explanation, advised they and their organisations would remain anonymous, and that data collected would be stored securely electronically.

Having provided information on the study and invited any questions about this, each participant was asked to sign a consent form to confirm their agreement with the terms of the research. All participants signed a consent form. Although some potentially sensitive matters were to be explored, participants were not asked questions about their private lives. To prevent deception the researcher was fully transparent about his role in the research, the purpose of the research, and the way in which data collected would be used. To ensure this only data collected with the permission of participants were used in the analysis and final report of the research. As offered in the terms of the research, the researcher provided a copy of the study's summary findings to all participants in February 2018. As also offered, he will further provide an electronic version of his thesis to all subjects on request and after its successful completion.

### **3.8 Limitations of the study**

The mixed methods approach employed by this study did not prevent some of the challenges that can present in social research. This was demonstrated, for example, in the undertaking of the semi-structured qualitative interviews of employers. Here it is recognised that these interviews draw on a social constructionist ontological position as shared meanings are created between interlocutors during their execution. As such it was not possible for the researcher to collect data via qualitative interviews without bringing and applying his own views, beliefs, and understandings to this process. This influence of the interviewer posed a challenge to the reliability of the research because the use of a different interviewer would have created a different social construction of the interview that may have elicited different responses from the

interviewees. This is an intractable problem when conducting interviews. Nonetheless, the influence and variability introduced by the researcher-interviewer was mitigated by using semi-structured interviews and by standardising, as far as practicably possible, the procedure used to interview participants (Woodhouse, 2007).

Second, use of qualitative interviews meant it was difficult to ensure the *trueness* of participants' responses. At its most extreme, participants could lie when responding. This posed a challenge to the validity of the research because the data collected may not have been accurate. The ability to assure validity in qualitative research is debated. One response has been to try to apply methods of validity testing used in quantitative research – such as statistical measures. However, this approach is contested because qualitative data do not lend themselves to the application of such quantitative tools. Alternative positions reject the idea of validity (and reliability) in favour of measures that might be more conducive to qualitative data – for example, authenticity. Considered in terms of this approach then, data collected by this study's qualitative interviews is argued to be valid because they are regarded to be authentic. The data are considered authentic because participant employers had no reason to lie in their responses. This was demonstrated by all subjects volunteering to participate in the research – without being financially incentivised to do so. These were busy businesspeople who were highly unlikely to give up their time in order to derail a relatively small-scale research project by giving false interview responses. All participants engaged fully with the research questions, taking time to think and respond to each. And all asked after the output of the research and showed interest in receiving it in both summary and full thesis forms (Ritchie et al., 2014).

Third, the sampling approach taken in this research meant caution must be applied in generalising the findings of the study. This is because subjects included in the sample were not statistically representative of the whole population. Instead, these were employers who met the sampling criteria of being small organisations, of being within the low-paid adult social care industry or higher-paid computer programming industry, of operating in the Brighton and



Hove locale, and, for part of the sample, of being signed up to the Brighton and Hove Living Wage scheme. Employers meeting these criteria were limited. Moreover, employers participating in the research were self-selecting in that they chose whether to participate having been invited to do so by the researcher. Employers participant in the research were then illustrative of their responses rather than representative of the whole population. However, this did not mean the findings could not be considered in a wider context. Although this study accepts human beings have agency that renders them self-determining, it also recognises that their behaviour is not chaotic. Instead, there are patterns in human behaviour that enable some connections to be made between cause and effect in the social world. In this research then some of these connections have been illustrated. And in illustrating some of these connections they become available for further study and/or application (Bryman, 2012).

## **4.0 The institutional context**

This chapter presents an analysis of the institutional context in which this research takes place. First, it presents a history of the statutory National Minimum Wage in the United Kingdom. Next it examines the Living Wage, its recent resurgence in the UK, and the local Brighton and Hove Living Wage Campaign that was inspired by the national voluntary Living Wage Campaign that is led by the Living Wage Foundation. Finally, it provides a history of the statutory National Living Wage – an extension of the National Living Wage introduced, in part at least, as a response to the re-emergence of the idea of a Living Wage.

### **4.1 The statutory National Minimum Wage in the United Kingdom**

This section presents a history of the statutory National Minimum Wage in the United Kingdom that was introduced in 1999 by the new Labour Government of 1997. It begins with the first report of the then non-statutory Low Pay Commission that was asked by the government to recommend, amongst other aspects, the initial rate of the National Minimum Wage. It then looks at the introduction of the National Minimum Wage itself, the responses of business and workers' advocates, and closes in examining the impact the National Minimum Wage has had.

#### **4.1.1 The non-statutory Low Pay Commission**

The non-statutory Low Pay Commission was appointed during June and July 1997 by a new Labour Government – the first since 1979 – that had won office in the UK General Election that year. Despite strong opposition to its proposal to introduce a national minimum wage from the Conservative Party, appointment of the Commission contributed to the fulfilment of an election manifesto pledge of the new government:

Every modern industrial country has a minimum wage, including the US and Japan. Britain used to have minimum wages through the Wages Councils. Introduced sensibly, the minimum wage will remove the worst excesses of low pay (and be of particular benefit to women), while cutting

some of the massive £4 billion benefits bill by which the taxpayer subsidises companies that pay very low wages.

(Labour Party, 1997)

Adopting a social partnership approach favoured by the new government, the Commission comprised employers, employee representatives, and non-political, expert independent members. Its terms of reference were to 'recommend the initial level at which the national minimum wage might be introduced; make recommendations on lower rates or exemptions for those aged 16-25; and consider and report on any matter referred to it by Ministers' (Lourie, 1997, p. 5). Critically, in making its recommendations the Commission was to 'have regard to the wider economic and social implications; the likely effect on the level of employment and inflation; the impact on competitiveness of business, particularly the small firms sector; and the potential impact on the costs to industry and the Exchequer' (*ibid.*).

The first report of the Low Pay Commission (1998) was presented to Parliament on the 18<sup>th</sup> June 1998 and made twenty-four unanimously agreed recommendations with respect to defining the wage, training and development, choosing the rate and implementing and enforcing the National Minimum Wage. Essentially, the National Minimum Wage would apply to gross earnings – including incentive payments and gratuities received via payroll but exclude premium payments for overtime and the like. Those paid by output rather than time should be paid no less than the National Minimum Wage on average regardless of their output achieved. And the National Minimum Wage should apply to all time that a worker is required to be at or available for work, even if no work is available.

Those aged 16 and 17 years old or on apprenticeships should be exempt from the National Minimum Wage and a Development Rate should be available to 18-20 year olds and those aged 21 years of age or over during the first six months for workers beginning a new job with a new employer and who are receiving accredited training. The National Minimum Wage should be

implemented in April 1999 at an hourly rate of £3.60, rising to £3.70 in June 2000, with an hourly Development Rate of £3.20 from April 1999, rising to £3.30 in June 2000. Employers should display details on payslips so workers could confirm whether they had received the statutory minimum; an existing government agency should take responsibility for employer compliance; employers should be encouraged to display details of the National Minimum Wage prominently in the workplace; and, a review should be conducted within two years of introducing the National Minimum Wage to examine initial impact and to assess future level, definition and possible exceptions.

The Commission concluded introduction of the National Minimum Wage at a sensible level would produce limited and localised pressure to restore pay differentials but would significantly increase costs for low paying, labour-intensive businesses – typically smaller firms and those in sectors such as cleaning, security and social care. However, increases in productivity, competitiveness and performance might be expected where improvements were made within organisations to offset higher costs incurred with the wage's introduction. Some upward pressure on price levels, varying between sectors, was predicted with the immediate impact on inflation expected to be small. In the absence of an annual uplift and any index-linking, any on-going inflationary effect was considered unlikely and the net effect on public sector finances expected to be relatively small and possibly beneficial.

Some reorganisation within sectors and businesses was considered inevitable, although the Commission did not expect its approach to lead to a significant impact on employment. Affecting approximately nine percent of employees and increasing the national wage bill by a little over half of one percent, it predicted, 'around two million people would benefit from the National Minimum Wage immediately when it is introduced' (LPC, 1998, p. 5). Around one and a half million were expected to be women, of whom more than half would be in part-time work. Substantial wage rises were forecast for around three hundred thousand workers in unskilled manual occupations, over six hundred thousand junior non-manual workers, and four hundred thousand personal service workers. Approximately one fifth of working 18-20 year olds would receive a

wage increase as would approximately six hundred thousand skilled and semi-skilled workers.

Impact of the National Minimum Wage would vary geographically. Greatest effect would be in the North East where around one hundred and thirty thousand workers (14% of the locally employed workforce) would receive an increase in rate of pay as the jobs in the service sector that had come to replace those in heavy manufacturing would benefit greatly from the National Minimum Wage. Around one hundred and thirty thousand workers in Wales (13% of the locally employed workforce) - typically in the sectors of hospitality and tourism, approximately eight hundred thousand workers in Northern Ireland (14% of the locally employed workforce), and about 10% of workers in Scotland would receive an increase in the rate of pay. Despite average pay levels being above those elsewhere in the country, around four hundred thousand workers in London and the South East would see an increase in rate of pay. Indeed, one fifth of those benefiting from the introduction of the National Minimum Wage would be in these two regions. However, in concluding, the Commission emphasised the National Minimum Wage should be seen as a pay floor, not a pay policy – that a minimum wage should never be regarded as the *going-rate* for pay. And to ensure the continuing benefits of the National Minimum Wage, that its periodic uprating would be essential.

#### **4.1.2 Introduction of the National Minimum Wage**

The Government's response to the recommendations of the Low Pay Commission was issued by the President of the Board of Trade, the Rt. Hon. Margaret Beckett (Lourie, 1999, p. 13):

The Government welcome the report, and support all the commission's key recommendations, subject to consultation on some of the practical details. In particular, we accept a main rate of £3.60 per hour before deductions, with effect from April 1999.

Stating a determination to proceed with caution at what was described as a critical point in the economic cycle and regards those aged 18 to 21 in

particular, a number of modifications were made to the Commission's recommendations by the Government. In the main, there would be no automatic increase of the single rate to £3.70 per hour in June 2000 – instead, 'future uprating will be considered in the light of LPC's [Low Pay Commission] advice in this report and the economic circumstances of the time' (Lourie, 1999, p. 44); the Development Rate would be applied less favourably than proposed for these workers; there would be no commitment to increase the rate of this to £3.30 per hour in June 2000; and, the Low Pay Commission would be asked to review the position of 21 year olds to consider whether this group might move to the main adult rate in June 2000. Finally, the Commission would be placed on a statutory footing as it continued to monitor and evaluate the impact of the National Minimum Wage – where it would be required to have particular reference to low paying sectors and small firms; certain vulnerable groups of workers; and, pay structures, pay differentials and pay systems.

In Parliament, introduction of the National Minimum Wage was supported by the Liberal Democrats and, maintaining its pre-election stance, opposed by the Conservative Party. In responding, Opposition spokesperson, John Redwood, said (Lourie, 1999, p. 14):

In the election campaign, Labour promised a decent minimum wage for all. Today, the Labour Government tell us that no one under 18 will benefit from these proposals. They tell us that 18 to 21-year-olds will receive only a lower rate. They tell us that their idea of a decent rate is as little as £3 an hour ... We have warned the Government throughout that a minimum wage policy will not work.

Broadly welcoming plans to introduce the National Minimum Wage, a number of trade unions also drew issue around the treatment of younger people and the government's dilution of the Commission's recommendations. John Edmonds, General Secretary of the GMB, referred to the decision as a "slap in the face" for Britain's youngsters and a bad deal for the one million plus young people at work in Britain. John Monks, General Secretary of the Trades Union Congress, said the rate of £3.60 was lower than he would have liked and warned the

Government may be signalling that “low pay is acceptable for young adults”. Rodney Bickerstaffe, General Secretary of UNISON, said “this long-awaited law has been marred by a rate set too low” and that young people should not be singled out for second class treatment (Lourie, 1999, p. 15).

Bill Morris, General Secretary of the TGWU, criticised the £3.60 rate as a “missed opportunity” for Britain’s competitiveness and the working poor, an endorsement of workplace poverty and a green light to the bad employer, and the plan for a lower youth rate as creating “second-class citizens at work”. And, Nigel de Gruchy, General Secretary of the NASUWT, said the union harboured some regret about the low levels set, and, regarding the rate for younger people, “For the sake of 20p the government has spoilt what should have been a good day among its traditional supporters” (Bolger, 1998). The Government’s decision regarding young workers was reported to have come from a concern of the Prime Minister that the £3.20 per hour Development Rate could result in job losses, as well as, as had been widely leaked, the Chancellor’s unease it might undermine the government’s welfare-to-work programme (Taylor and Wighton, 1998).

The Commission’s recommendations were generally well received by business. The British Chamber of Commerce (1998, p. 1) said that ‘£3.60 strikes a reasonable balance for the economy as a whole’ and welcomed the approach taken regards younger workers. Remarking that the £3.60 per hour figure was ‘at the top end of what was acceptable for business’, Adair Turner, Director-General of the Confederation of British Industry (CBI), stated, ‘Overall it should not place too much pressure on inflation or lead to major job losses, but it will inevitably have a significant effect on some industries and in some regions ... The level announced today allows for a reasonable and workable way forward’ (Eurofound, 1998, p. 1). However, the Low Pay Unit – a now defunct charity researching and campaigning around low pay – described the Commission’s approach as ‘overcautious and business-orientated, leaning towards existing discriminatory payment systems, [that] has created a system which is in danger of institutionalising low pay’ (Metcalf, 1999, p. 14). The first statutory national minimum wage became law when the National Minimum Wage Act 1998

received Royal Assent on the 31<sup>st</sup> July 1998 and came into force on 1<sup>st</sup> April 1999. It remains in force today.

#### **4.1.3 Impact of the National Minimum Wage**

Against the revised remit of the Low Pay Commission and its move to permanent status from October 2001, a history of the introduction of the National Minimum Wage can be read through its reports that have been produced at least annually. These reports broadly identify four post-introduction periods of the National Minimum Wage: cautious initial rate increases in the late 1990s; above-inflation increases in the economically-strong early 2000s; increases above average earnings growth but below inflation in the late 2000s and early 2010s following the financial crisis of 2007/8 and subsequent recession; and, higher increases from 2015 with returning economic confidence (LPC, 2015).

In the first of its post-implementation analyses, the Low Pay Commission (2000) reported that by April 1999 the national minimum wage had entitled well over one and a half million workers to higher pay and that the substantial majority of these, in the formal sector at least, were in receipt of their entitlement. This was lower than the predicted 1.9 million workers due to a change in the analytical approach taken in calculating the projection. Two thirds of beneficiaries were working women and, of these, two thirds were part-time workers. Introduction of the National Minimum Wage had increased the national wage bill by around half of one percent, there was no measurable impact on overall employment or significant effects on the economy and, in the absence of general pressures to restore wage differentials and firms' handling of change, resultant additional costs had been manageable for most businesses. Small businesses and sectors with a higher prevalence of low pay had experienced greatest effect, although employment in low-paying sectors continued to grow.

Businesses reported a variety of effects and responses to the introduction of the National Minimum Wage. Almost half of retailers and smaller care homes had experienced an increase in their pay bill with their decisions not to restore pay differentials disincentivising low-paid employees from becoming leaders. Some



employers paying on piecework said the minimum wage had damaged incentives and rewarded less productive staff. And the loss of some jobs and reductions in overall working hours were reported. However, the opportunities to reduce costs using such measures were not available to some smaller businesses due to the already low number of staff they employed. Similar constraints affected childcare where legally prescribed minima of carer to children ratios prevented reductions in levels of staffing. Generally, impacted firms had undertaken some reorganisation, increased their use of technology and improved the quality of service they offered in a bid to improve their competitive advantage.

Some employers raised their prices to cover the increased cost of labour. However, customer sensitivity to price increases and competition from larger businesses restricted scope for such adjustments. Purchasing power of major clients and constraints of fixed-term contracts similarly limited the ability to pass on increased costs to customers. Where costs were passed through, some customers revised their requirements down in order to maintain the same cost envelope.

Tightening control of labour costs saw some employers revising pay structures and converting benefits-in-kind to their cash equivalent. Reductions in levels of sick pay and paid breaks were reported, as were the consolidation of allowances and premia into basic pay.

Further responses included attempts to improve staff recruitment and retention, training staff to be more multiskilled and mechanising where possible. Moving to the recruitment of only qualified staff to avoid the cost of training staff and the release of staff as they approached the full rate of the National Minimum Wage were being considered by some employers. Despite these challenges, the Federation of Small Businesses, for example, reported good compliance with the legislation by small businesses.

#### **4.1.4 Emerging themes since implementation of the National Minimum Wage**

A range of themes has emerged from the implementation of the National Minimum Wage. These include the bite of the National Minimum Wage – defined as the ratio of the adult National Minimum Wage rate to the median hourly wage (LPC, 2007), its impact on pay distribution and wage differentials, and the narrowing of the gender pay gap at the lower end of the pay spectrum. Application of the National Minimum Wage to younger people and those undergoing training, pieceworkers and homeworkers, voluntary workers and interns, those in supported employment programmes and whose work involves sleepovers. The phasing of increases and notifications was to give employers sufficient time to make payroll adjustments. The effectiveness of enforcement and compliance to ensure the National Minimum Wage retains credibility and effectiveness. The adequacy of funding of social care to ensure local authority commissioners can meet the higher cost of provision resulting from the increased pay bill of this typically low-paying sector widely impacted by the introduction of the National Minimum Wage. And the disproportionate effect of the National Minimum Wage on smaller businesses and on sectors with greater numbers of employees paid at or around this level.

By 2010 the National Minimum Wage had become established as a key labour policy in the United Kingdom and won the support of all major political parties. Indeed, shortly after taking office in May 2010, the Coalition Government – comprising the Conservative and Liberal Democrat Parties – declared its support for the National Minimum Wage (HM Government, 2010). In so doing, the greatest former political opponent of the National Minimum Wage, the Conservative Party, reversed its position to now support the policy. However, despite this political consensus, tensions over the rate of the National Minimum Wage remain evident. In its 2010 submission to the Low Pay Commission, for example, the TUC (2010) argued for further rate increases given the improving national economic condition, the need for the National Minimum Wage to at least maintain its value relative to average earnings, and as a means to incentivise labour supply and generate consumer demand. On the contrary, the CBI (2012, p. 1) submission to the Low Pay Commission in 2012, for example,

called for 'an extremely cautious approach' to the 2013 National Minimum Wage rate and the freezing of youth rates given an economy in recession, high unemployment and inactivity rates, and the need to restrain the entry costs in the labour market. Such concerns, differences, and conflicts regarding the National Minimum Wage persist (e.g. CBI, 2014; TUC, 2015).

## **4.2 The Living Wage**

This section examines the Living Wage. First, it provides a brief history of the idea of the Living Wage and its resurgence in the United Kingdom in the early 2000s that has, today, become the popular voluntary national Living Wage Campaign led by the Living Wage Foundation. It then explores some of the difficulties associated with the idea and application of a Living Wage and its contested nature. Finally, it presents an overview of the Brighton and Hove Living Wage – a local Living Wage campaign launched in 2012 that was inspired by the national Living Wage Campaign.

### **4.2.1 Resurgence of a Living Wage in the United Kingdom**

The idea of a *living wage* – providing a level of pay sufficient for an individual to cover the basic cost of living – has surfaced many times. Plato and Aristotle argued for an income based on needs in order to promote the common good on the assertion that the common good required the accumulation of wealth to be moderated. Aristotle further contended that households should become self-sustaining and that the state – effectively the wealthier in society – had a responsibility to provide the means by which the poor could earn an income to achieve such a level of livelihood. In medieval times, the idea of a *just wage* developed from the notion of a just price. A just price was the product of fair bargaining and informed consent so a just wage then was said to be achieved when both employer and employee knowingly and voluntarily agreed to the wage rate. Critically, a wage rate that caused a worker's income to drop below subsistence level was considered unjust because it reduced their chances of being virtuous (Werner and Lim, 2016b).

In *Wealth of Nations*, originally published in 1776, Smith (2012) also argued that the prosperity and wellbeing of all are necessities of a happy and well-

functioning society – contending the achievement of this state requires workers to be assured of earning a livelihood ample to maintain their satisfactory existence. Recognising employers had achieved an excessively powerful position over workers in some industries without organised labour, then President of the Board of Trade, Winston Churchill, called for a living wage for these workers at the Second Reading of the Trades Boards Bill of 1909 (Pyper, 2014). By the end of World War One, the importance of the living wage had become elevated such that it was seen as critical to achieving the social justice necessary to ensure lasting peace. Resultantly, the notion of a living wage for all was embodied in the constitution of the International Labour Organisation (1919) – an organisation still in operation and of which Britain was a founding commissioner and remains a member along with one hundred and eighty-six other countries today – that was formed further to the Treaty of Versailles.

Intended to put more spending money into the pockets of workers to help restart the ailing economy following the General Strike in 1926, a living wage Bill was introduced in the House of Commons by James Maxton MP in 1931. The Bill was, however, defeated (Wills, 2009a). Amid similar economic difficulties of the Great Depression in the United States of America, President Franklin D Roosevelt (The American Presidency Project, 1933, p. 1) mirrored Maxton's approach and signed into law the National Industrial Recovery Act 1933 – saying, 'The law I have just signed was passed to put people back to work, to let them buy more of the products of farms and factories and start our business at a living rate again'. And further to the international reconstruction that followed the end of World War Two in 1945, the principle of the living wage became enshrined as a human right with the signing of the United Nations Declaration of Human Rights 1948:

Article 26(3) Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection.

(UN, 1948)

Despite the launch of the National Minimum Wage in 1999 then, some workers were experiencing deterioration in the terms and conditions of their employment as a result of the continuing implementation of neoliberal policies first introduced during the Thatcher-led government of the 1980s. Marketisation was leading local authorities to outsource many of their operational functions with tighter labour legislation diminishing the strength of workers' unions. The East End of London was booming with commercial development as neoliberalism brought in large-scale financial deregulation. Workers now found themselves working for firms that serviced both the public sector and these wealthy private sector clients.

However, despite working two or more minimum wage jobs, some of these workers were still unable to meet their basic cost of living and had no time for family or community life (LWF, 2016d; Wills and Linneker, 2012). It was against this backdrop then, and with an eye to the success of similar movements in the United States, that The East London Community Organisation (TELCO) launched its Living Wage Campaign in East London in 2001. The campaign called for employers to voluntarily pay a minimum *living wage* rate of £6.30 per hour compared to the prevailing main statutory National Minimum Wage rate of £3.70 per hour (Wills, 2001).

Today the TELCO Living Wage Campaign has become a national movement. The campaign is led by the Living Wage Foundation which is an initiative of Citizens UK – a national community organising charity that emerged from TELCO foundations (LWF, 2016c; LWF, 2016d). It campaigns for a UK Living Wage rate across the country and for a (higher) London Living Wage rate within the capital to reflect the elevated cost of living associated with living in the city. These rates are set annually further to the recommendations of the Living Wage Commission – a panel drawn from employers, trade unions, civil society, and independent experts that oversee their calculation (LWF, 2018a).

Both Living Wage rates are applicable to directly employed and regularly contracted workers aged 18 years old and over and exempt volunteers, apprentices, and interns (LWF, 2018c). The campaign has continued to grow

and has almost four and a half thousand Accredited Living Wage Employers of a range of sizes and sectors (LWF, 2018b). However, the total number of employers paying this Living Wage is unknown given employers may pay their employees at or above the rate prescribed by the campaign without being accredited (Heery et al., 2015). Indeed, some employers have chosen to do so to retain full control of their pay policy (Johnson, 2017).

New research into this voluntary Living Wage has been presented recently in two major academic studies. Specifically examining small and medium-sized enterprises, Werner and Lim (2016a) surveyed two hundred and fifty of such organisations that were Accredited Living Wage Employers. They received sixty responses and conducted twenty-three follow-up interviews from these organisations. With a broader scope, Heery, Nash and Hann (2017) surveyed all Accredited Living Wage Employers. They received eight hundred and forty responses and also included data from interviews with key actors and the database of accredited employers held by the Living Wage Foundation. Findings of the two studies resonate strongly.

Both studies found employers primarily adopted the Voluntary Living Wage for ethical reasons – because they felt it was the *right* thing to do – but also because it was in the interest of their organisations to do so. Some sought accreditation to demonstrate their values and social responsibility, to improve their reputation, to differentiate themselves from competitors or to lead the way in the scheme's adoption in the industry or geographical area. Participation could help obtain public sector contracts, and a significant number thought their participation would improve employee recruitment and retention and lower associated costs. Employers widely reported the realisation of these benefits along with improvements in employee relations, motivation and productivity, and the ability to attract high quality staff.

Most employers introduced the Voluntary Living Wage without major organisational changes. Although some, particularly in the low-paid sector, accepted lower profits, raised prices or adjusted pay systems and looked for other organisational efficiencies. Where challenges were reported, these

typically related to increases in the employer's pay bill, planning for future rate rises, and the maintenance of pay differentials across the organisation. Both studies conclude that the Voluntary Living Wage provides a practice through which employers can express their ethical positions as well as a business case for strategic advantage (Heery et al., 2017; Werner and Lim, 2016a).

#### **4.2.2 The contested concept of a Living Wage**

The apparent simplicity of the living wage – a wage adequate to live on – masks a tangle of conceptual, definitional, and methodological issues and debates (e.g. Bennett, 2014; Parker et al., 2016; Werner and Lim, 2016b). Then Chief Executive Aret van Heerden of the Fair Labor Association, a US-based not-for-profit working to improve working conditions globally, put this as, 'The main problem is how to define the living wage in a consistent way and making sure it is auditable' (Chhabara, 2009, p. 1). And on being asked about living wage measurement methodology, Craig Moss, then Director of Corporate Programs and Training at Social Accountability – another US-based not-for-profit working globally to improve labour standards, similarly commented:

*It is a thorny problem. We put forth methodologies in auditor and supplier training for how it [the living wage] should be calculated. The certifier then verifies the supplier's calculation for their region, using data from local government and other institutional sources, and input from local stakeholders ... So it might be nice in principle if an organization would compute a living wage for every country, but it can vary a lot even within a country.*

(Hitchcock, 2009, p. 3)

Seen in the likes of the Ethical Trading Initiative (2016), in developing countries a living wage is typically conceptualised in terms of the securing of a wage which enables subsistence, possibly provides some discretionary income, and is paid in a manner meeting minimum standards of practice – such as the prohibition of deductions which are not allowed for by national law. However, in more developed economies a living wage is typically conceptualised in a way

that assumes such minima have been met. Here instead a living wage is regarded as pay sufficient to enable recipients to live life beyond subsistence – that is, at a level needed to achieve some better, socially-defined, standard of existence (e.g. Figart et al., 2002). Moreover, current conceptualisation in these economies regularly frames the living wage as a response to in-work poverty, where in-work poverty refers to households deemed to be in poverty and have one or more of their members in work (MacInnes et al., 2015). This prevalent framing is, however, conceptually troublesome as it conflates the two concepts of low pay and poverty where, in fact, there may be no relationship between them:

There is not a straightforward relationship between earning a low wage and living in poverty ... because different family types need different amounts of money to enjoy a similar standard of living and because an individual's own wages are only one source of income on which a household can draw to escape poverty.

(Cooke and Lawton, 2008, p. 42)

Lack of an agreed definition of the living wage further curtails its adoption (Parker et al., 2016; SAI, 2016). In his methodological review of estimating a living wage, Anker (2011) found numerous multinational corporations, some of which were corporate members of Ethical Trading Initiative, that said they did not apply the living wage in practice due to definitional issues or, instead, regarded the payment of legal minimum wage rates as the satisfaction of this requirement due to these difficulties. Methodological differences in measuring the living wage compound its ambiguity as multiple decisions must be made in order to calculate its monetary value. These choices can produce rates that differ wildly, which, for Anker (2011), fundamentally undermines the living wage concept.

Such choices include, for example, whether payment of state welfare subsidies is or is not be included in the calculation (e.g. Ciscel, 2000; King, 2016; Muilenburg and Singh, 2007); different assumptions about the number of



workers in the household, the hours these work and the configurations of household and family types in which they live (Anker, 2011; Bennett, 2014); whether a margin for discretionary spending, saving or emergencies is or is not included (compare, for example, CRSP (2016) and Greater London Authority (2015)); and, different standards of living that may be sought (King, 2016). The variable costs of included elements can further influence the output. The newly adopted single method of calculation for the voluntary living wage in the UK, for instance, produces two rates: a rate applicable to London which is intended to reflect the higher costs associated with living and working in the capital and a wider, lower, rate for the remainder of the country (Living Wage Commission, 2016).

Difficulties also present in applying the living wage. As Rathbone (1924) noted, the use of average household types means a living wage underprovides for all those households above the average and overprovides for all those below it. Only households at the average are provided for as intended – although being a theoretical calculation such households may not exist in actuality. Accordingly, Bennett (2014) observes that those above-average households will not, therefore, be met by proclamations made by the likes of the voluntary Living Wage in the UK that asserts, ‘A Living Wage that means families don’t go short’ (Living Wage Commission, 2016). Moreover, given its average-based method of calculation, Grover (2008) finds the approach to be at odds with the idea that the living wage is responsive to individual need, with its antidote – a living wage rate calculated for each worker – being inherently unworkable. Bennett (2014) further notes that the practice of rate capping, which limits the amount the rate of the Living Wage can rise in a given period, effectively holds the rate of pay at a level below that calculated as necessary to achieve a wage that can meet the basic cost of living.

The apparent simplicity of the idea of a living wage is indeed seen to attract multiple challenges in its realisation and implementation then. Such issues are again observed in more localised initiatives, including that of the Brighton and Hove Living Wage which is examined next.

### **4.2.3 The Brighton and Hove Living Wage**

The London Living Wage movement that grew from 2001 stimulated kindred activism across a range of interest groups and locales. Localised campaigns emerged in the likes of higher education (NUS and UNISON, 2012), Quakers in Britain (2018), Glasgow Living Wage (2018), and Living Wage Wales (Cynnal Cymru, 2018). One such campaign was established in the City of Brighton and Hove as the outcome of the work of the Brighton and Hove Living Wage Commission. The Commission had been set up in 2011 by a new Green-led council in the recognition that in-work poverty, the high cost of living, and the prevalence of low wages in strategically important sectors were threatening the local economy and society (BHLWC, 2011).

The Brighton and Hove Living Wage Campaign was launched in April 2012, is led by the local Brighton and Hove Chamber of Commerce – a unique arrangement in UK living wage campaigns, and has adopted the same Living Wage rate as that set by the national voluntary Living Wage Campaign led by the Living Wage Foundation (BHLWC, 2012). Unlike the national campaign that operates a formal employer accreditation scheme, the Brighton and Hove Living Wage Campaign instead requires participating employers to pledge their adherence to paying the Living Wage to their employees and to work towards ensuring their sub-contractors also do so for their employees (BHLW, 2018). Although, similar to the national campaign, the local Brighton and Hove scheme also requires the Living Wage to be paid to workers aged eighteen years of age and over and allows employers to exclude apprentices and interns (Nicholls, 2018).

Launch of the campaign did not, however, imply consensus amongst stakeholders. Concerns included the campaign's achievability, especially in smaller businesses, given the prevailing – post 2008 Global Economic Crisis – financial climate. Production of an uneven playing field where price advantage could be achieved should larger companies or competitors choose not to participate. Stigmatisation of companies that could not afford to pay the living wage. Its potential to reduce the number of jobs and apprenticeships available and to erode salaries of higher paid staff. And, given the high proportion of

service jobs in the city, its lack of recognition of the additional benefits many of these employers provide that supplement low wages, such as automatic services charges in restaurants, meals for hotel staff, and healthcare and pension contributions in larger employers (BHLWC, 2012).

To champion the Brighton and Hove Living Wage, the Brighton and Hove City Council became an Accredited Living Wage Employer in April 2013. This increased rates of pay for the council's lowest paid employees. Although supported by the GMB and UNISON workers' unions, concern was raised that increases in the Living Wage would start to erode the pay differential between recipients and supervisory staff – noted as a particular issue for some school staff. The council also began to review its contracts to ensure these employers paid their employees the Living Wage as well. However, risks were identified with applying this requirement to contracts as a matter of course. This would likely breach prevailing domestic and European law, may have excluded or disincentivised some contractors – particularly smaller businesses – from tendering, and may have had undue influence on local labour markets (BHCC, 2012).

Nonetheless, exceeding the campaign's targets, by 2015 over two thousand employees had received an increase in pay as a result of the Brighton and Hove Living Wage and by mid-2018 more than four hundred employers had signed up. Regular reviews found it was generally smaller employers – having fewer business constraints – that were able to sign up to the Living Wage more easily and more quickly. The more complex structures of larger or international organisations meant they needed to consider impact across different geographical regions and areas of the workforce coupled with final decision making often being at a non-local level. Certain sectors, digital and legal businesses for example, were found to be able to adopt the Living Wage more easily but others, such as hoteliers, found this more challenging. Wider resistance came from some businesses that said they were fighting for survival and could not afford to increase employee wages. Some said remuneration was a private matter, that changing the bottom line had an effect throughout the business which they could not warrant, and others that paying new talent a

Living Wage at entry level did nothing for those employed for much longer with more experience (e.g. BHLW, 2013; BHLW, 2015).

In its last major survey in 2015 (BHLW, 2015), to which one hundred and five employers responded, the campaign found 68% were already paying at or above the Living Wage; a positive impact on staff was noted by 71%; and, a positive impact on their business by 69%. Staff turnover and retention had improved in 26%, 12% now spent less on recruitment and induction training, and absenteeism and sickness levels had decreased in 19%. Staff morale had improved in 49% and staff productivity and quality of work had improved in 17%. Consumer awareness of the business's commitment to be an ethical employer had increased in 59%, 44% said they promoted their Living Wage status when recruiting staff, 62% encouraged other businesses to sign up to the campaign, and 29% percent had used their Living Wage status to win new business. The Brighton and Hove Living Wage Campaign was included as a project in strategic objective *SO4: To tackle barriers to employment and to create employment opportunities for all* of the Brighton and Hove Economic Strategy 2013-18 (BHCC and BHEP, 2013) and its expansion and adoption promoted in the recommendations of the independent Brighton and Hove Fairness Commission (2016) that reported in 2016.

Having examined the example of the voluntary Brighton and Hove Living Wage initiative, subsequent statutory developments are now explored.

### **4.3 The statutory National Living Wage in the United Kingdom**

This section provides a history of the statutory National Living Wage in the United Kingdom that was announced by a new Conservative Government in 2015. Responses of business and worker advocates are examined together with its impact since being introduced in 2016.

#### **4.3.1 Introduction of the National Living Wage**

In the Conservative Government budget of July 2015, its first in eighteen years, Chancellor of the Exchequer George Osborne announced the introduction of a National Living Wage. As an extension of the statutory National Minimum

Wage, payment of the National Living Wage to working people aged twenty-five years old or over would be compulsory. It would start in April 2016 at a rate of £7.20 per hour – set to reach £9.00 per hour by 2020 and the Low Pay Commission would recommend rises that meant it would achieve the Government’s objective of it being sixty percent of median earnings by 2020 – the minimum level of pay recommended in the 2014 report to the Resolution Foundation by Sir George Bain, first Chair of the Low Pay Commission appointed by the Labour Government of 1997 (BBC, 2015a). Some fifteen years after the introduction of the National Minimum Wage in 1999, the report to the Resolution Foundation – the Bain Review – observed, despite the near eradication of extreme low pay in the UK, that one in five (around five million) workers were still low paid. In the absence of any official assessment, the report had gone about reviewing the National Minimum Wage and Low Pay Commission with a view to how these might be developed in order to reduce the continuing prevalence of low pay (Resolution Foundation, 2014).

The Chancellor’s budget statement (BBC, 2015a) cited analysis by the Office for Budget Responsibility that said introduction of the National Living Wage would have “only a fractional effect on jobs”, would result in sixty thousand fewer jobs by 2020 – against almost one million more jobs in total when taking all the planned policies into account, with the cost to business being one percent of corporate profits. To offset this the Chancellor would cut corporation tax to eighteen percent and to help smaller businesses would cut their National Insurance contributions such that a firm could employ four people fulltime on the National Living Wage without it having to pay any National Insurance. The Chancellor expected two and a half million people to receive a direct pay rise and six million people overall some increase in pay as a result of the National Living Wage. Echoing the 1997 General Election manifesto pledge of the Labour Party that led to the introduction of the National Minimum Wage – opposed by the then Conservative Government, the government’s rationale for the introduction of the National Living Wage stated, ‘... it is important to ensure that work pays, we reduce reliance on the State topping up wages through the benefits system, and that low wage workers take a greater share of the gains from growth’ (DBIS, 2015c).

The government stated it was necessary to limit application of the National Living Wage to employees aged twenty-five years and over in order to protect the employment prospects of younger workers. Firstly, because ‘the priority of younger workers is to secure work and gain experience so they can compete in the labour market’ and, secondly, that ‘those aged 21 to 24 have a marked difference in labour market dynamics when compared to older workers, including those aged 25 to 28’ (DBIS, 2015c, p. 7). The approach concurred with a provision made in the National Minimum Wage Act 1998 (s 3) that permits workers who have not yet reached the age of twenty-six years old to be treated differently with respect to the Act and, it said, aligned with the definition of young person as being aged twenty-five years or younger used by both the International Labour Organisation and European Union. The Low Pay Commission would continue to make recommendations regarding future National Minimum Wage rates but would now also make these for the National Living Wage with a view to the 60% of median earnings by 2020 trajectory and ‘with due regard to the wider state of the economy, employment and unemployment levels, and relevant policy changes’ (DBIS, 2015c, p. 11).

At its commencement, voices for business reiterated their support in principle for the introduction of the National Living Wage but widely cautioned of the potential harmful effects this higher minimum wage rate for twenty-five year olds and over might have for many firms, especially smaller enterprises and those in sectors such as hospitality and retail (BCC, 2016; CBI, 2016; FSB, 2016). Worker advocates contested these claims, arguing similar statements had been presented previously at the introduction of the National Minimum Wage and at each of its rate rises despite such predictions having never come to fruition (e.g. Bates (2016)). They further contended that the National Living Wage, not being based on the cost of living, was not a true living wage but rather a rebranded national minimum wage for those aged twenty-five years old and over; that the policy was unfair to younger workers who could receive lower pay for undertaking the same work as older colleagues; and, that without additional government funding to match the cost of its increased pay bill, public sector services and the workers delivering these would suffer (GMB, 2016; UNISON, 2016; Unite, 2016).

### 4.3.2 Impact of the National Living Wage

As planned, in April 2016 the National Living Wage introduced a new National Minimum Wage rate of £7.20 per hour for workers aged twenty-five years old and over – excluding those in the first year of an apprenticeship. Maintaining a trajectory to reach sixty percent of median earnings by 2020, the rate of the National Living Wage was increased to £7.50 per hour in April 2017 and £7.83 per hour in April 2018 (HM Government, 2018). At its introduction approximately 1.6 million workers (6.7% of the workforce) were covered by the National Living Wage with the number of workers remaining about the same by April 2017 but representing slightly less of the workforce (6.4%) due to a growth in employment. This compared to around 700,000 workers aged twenty-five years old and over (3.3% of the workforce) who had been covered by the National Minimum Wage at its introduction in 1999. Non-compliance with the National Living Wage – the payment of wages at a level below that required to those entitled to receive it – fell slightly over its first year of operation to around 282,000 workers (18% of coverage) by 2017 (LPC, 2017).

The *bite* of the main rate of the National Minimum Wage – defined as the ratio between the National Minimum Wage and the median hourly wage – was 52.5% in April 2015. A step change in this bite to 56.4% came about in April 2016 with the introduction of the National Living Wage for workers aged twenty-five years and over. By April 2017 the bite of the National Living Wage with respect to the median hourly wage had grown to 57.6% with a general growth in wages reducing this to around 56.8% by October 2017. A lower bite was experienced in London and the South East due to the higher rate of median earnings in these regions (e.g. Carter and Swinney, 2018) and, conversely, a greater bite was experienced in smaller organisations due to the lower rate of median earnings in these types of organisations. Jobs paying at or very close to the National Living Wage are concentrated in the private sector and in low-paid industries – those industries with a high proportion or number of jobs paid at the minimum wage. Most are permanent, part-time jobs with a greater proportion being in smaller organisations (LPC, 2017).

Employer reactions to the National Living Wage have been mixed with many reporting difficulties in isolating its effect from a prevailing economic landscape that includes the introduction of pensions auto-enrolment and the Apprenticeship Levy, increases in business rates, and the recent vote for the United Kingdom to leave the European Union. Some said they had coped with this increase in the minimum wage without reducing employment, whilst others had had to make adjustments. Future rate rises, particularly in those where the bite of the National Living Wage is higher, were a concern across employers, as was the narrowing of pay differentials as the rate of the National Living Wage continued to increase steeply compared to the rates of wages for jobs at the next levels up. Introduction of the National Living Wage had tended to result in reduced hours or a slowdown in recruitment rather than redundancies, although some employers had begun restructuring their workforce and reward systems – including the increased use of zero-hours contracts. Employers had typically absorbed pay bill increases through a reduction in profits, raising prices where possible, and, to a lesser extent, improving productivity and, particularly in smaller firms, cutting or delaying investment. A small proportion of employers reported positive effects on employee absenteeism, morale, motivation, recruitment, and retention (LPC, 2017).

The Scottish Government thought the National living Wage had had a positive effect on the pay of older workers, women, and disabled workers as these groups were more likely to be paid at or near this rate. However, it was concerned that the increasing differential between the higher rate of the National Living Wage and that of the National Minimum Wage for those under twenty-five years old risked older workers being replaced by younger workers as employers might try to avoid their higher cost of employment. Despite its general support for the National Living Wage, the Welsh Government was concerned about its impact on those industries that might experience more difficulty in accommodating its higher wage costs, and, in this vein, called for the Low Pay Commission to examine the case of child and adult social care specifically. Indeed, the Association of Directors of Adult Social Services reiterated their concerns about the national shortfall in state and local authority funding for social care with the UK Homecare Association saying that councils



had contracts with providers that both parties knew were financially unviable. Consequently, some providers had handed back contracts, some had closed, and in other cases providers had failed leaving councils to pick operation of the service themselves. Moreover, the limited capacity of providers to raise their prices for private clients was curtailing their ability to cross-subsidise local authority funded clients (LPC, 2017).

#### **4.4 Chapter summary**

This chapter presented a review of the institutional context with respect to the introduction of the National Minimum Wage, its extension of the National Living Wage, and the recent resurgence of the idea of a living wage in the United Kingdom. Introduction of the first statutory national minimum wage was traced to the new Labour Government of 1997 which wanted to reduce the subsidy low-paying employers received through the topping up of workers' low wages with state welfare benefits. It set up the non-statutory Low Pay Commission to recommend, amongst other aspects, the initial rate of the National Minimum Wage. Critically, in doing so the Commission was to 'have regard to the wider economic and social implications; the likely effect on the level of employment and inflation; the impact on competitiveness of business, particularly the small firms sector; and the potential impact on the costs to industry and the Exchequer' (Lourie, 1997, p. 5). The National Minimum Wage would apply to all adult workers with some modifications being made for younger workers and those undertaking programmes of training and development. Limited effect was expected on employment and the wider economy, although smaller businesses and those industries and geographic regions with a higher prevalence of low-paid workers were expected to see greater adjustments at introduction of the National Minimum Wage.

The government accepted all the Commission's key recommendations and its main rate of £3.60 per hour. Some adjustments were made around the proposed annual uplift and regarding rates applicable to workers undertaking training and development programmes. The Low Pay Commission was placed on a statutory footing with a primary remit of monitoring the impact of the National Minimum Wage and in advising government on future rates. In

Parliament, introduction of the National Minimum Wage was supported by the Liberal Democrats and continued to be strongly opposed by the Conservative Party. The National Minimum Wage was generally well received by business and workers' unions – although a number of workers' advocates criticised the initial rate for being too low and for excluding younger workers from its protection. In force today, the National Minimum Wage was introduced on 1<sup>st</sup> April 1999 following Royal Assent of the National Minimum Wage Act 1998 on 31<sup>st</sup> July 1998.

Read through the reports of the statutory Low Pay Commission – published at least annually, in its first year introduction of the National Minimum Wage had entitled over one and a half million workers to higher pay. In the formal sector most were in receipt of this entitlement and two thirds of beneficiaries were working women, of whom two thirds were part-time workers. No overall impact on employment was observed and employers were generally considered to have managed the additional cost of the National Minimum Wage well. However, greatest effect had been experienced in smaller businesses and those with a higher prevalence of pay as expected. Generally, some loss of jobs and a reduction in working hours reported along with the consolidation of some worker benefits and an increase in prices where this was possible. Despite ongoing debates about its rates and application, by 2010, the National Minimum Wage had become a cornerstone of UK labour policy enjoying the support of all mainstream political parties.

This chapter then examined the resurgence of a living wage in the United Kingdom. Re-emergence of the idea of a living wage – a wage sufficient to provide a worker with a decent standard of living – was traced to the East End of London in the early 2000s. Against the outsourcing of many service jobs by local authorities and the weakening of collectivised labour being driven by the widespread government implementation of neoliberal policies, the newly introduced National Minimum Wage was proving insufficient to provide a decent quality of life for many of these workers in the capital. With an eye to successes in the United States, the broad-based community movement of The East London Community Organisation (TELCO) launched a Living Wage Campaign

in East London in 2001 to tackle this issue. Where the prevailing rate of the statutory National Minimum Wage was £3.70 per hour, this Living Wage campaign called for local employers to voluntarily pay its prescribed Living Wage rate of £6.30 per hour to workers as a minimum.

Launch of this local Living Wage campaign had reignited the idea of a living wage in the United Kingdom. An idea previously contemplated and championed by the likes of Plato, Aristotle, Adam Smith, and Winston Churchill. An idea that had been brought to Parliament by James Maxton MP as a response to the General Strike of 1926, called upon by President Roosevelt in the United States of America in trying to restart its economy during the country's period of Great Depression, and as a fundamental principle of the United Nations Declaration of Human Rights that was drawn up in 1948 following the end of the Second World War. Today the TELCO Living Wage has become a national movement led by the Living Wage Foundation – an initiative of the UK charity Citizens UK. The campaign accredits employers who voluntarily pay its Living Wage rate as a minimum to their directly employed and regularly contracted workers. By mid-2018, the campaign had over four and a half thousand Accredited Living Wage Employers. Studies found employers primarily adopted this voluntary Living Wage because they thought it was the right thing to do and because it was in the best interests of their organisations to do so. Many reported reputational benefits, improved employee relations, motivation and productivity, and benefits regarding employee recruitment and retention. Most had accommodated the Living Wage with minimal adjustment with some accepting lower profits, raising prices or compensating with operational efficiencies.

However, the idea of a living wage has been contested because of conceptual, definitional, and methodological difficulties. A single definition of a living wage remains elusive and appears context sensitive. A living wage in a developing country is likely to mean a wage that is sufficient to subsist and is paid in a manner that means minimum standards of practice. Whereas a living wage in a developed country is likely to assume these basics and instead is likely to mean a wage that provides workers with a quality of life beyond mere subsistence. Methodological differences mean approaches to the calculation of a living wage

are inconsistent and can produce widely varying values. For example, whether and how many family members are assumed to be dependent upon the worker, what standard should constitute a decent quality of life, the factoring in or not of state welfare payments, and so on. And the popular framing of a living wage as a means to ameliorate in-work poverty is conceptually troublesome because it conflates the two concepts of low pay and poverty where there may be no relationship between them. In application then a living wage that is based on some weighted average of perceived workers' needs, the typical approach to calculation, fails to respond to individual worker need; overprovides for all those workers below this average and underprovides for all those workers above this average; and, where rate rises are capped to manage their impact on employers, fails to deliver the level of wage workers are considered to need by its own determination.

This chapter went on to look at the Brighton and Hove Living Wage. The Brighton and Hove Living Wage is a local campaign established in 2012 following the success of the national Living Wage campaign led by the Living Wage Foundation and is uniquely led by the city's Chamber of Commerce. The scheme follows the Living Wage rate set by the national Living Wage Campaign but, differently, does not accredit participating employers. Instead, these pledge to pay the Living Wage to their employees and to work to ensure it is paid to the employees of their sub-contractors. The Brighton and Hove Living Wage similarly applied to workers aged eighteen years or over and allows employers to exclude apprentices and interns from receipt. Launch of the campaign drew widespread but not consensus support from the local business community, particularly as many were smaller employers and have a high prevalence of low-paid workers. Nonetheless, smaller employers were found to sign up to the scheme in a greater proportion than larger employers. This was largely because of the complexity facing larger organisations which may have regional or national pay structures and decision making that did not sit at local level. By mid-2018 more than four hundred employers had signed up to the scheme with many reporting similar benefits to those seen accredited by the national Living Wage campaign: including improvements in employee relations and performance, employee recruitment and retention, reputational benefits, and the

ability to win new work. Almost three-quarters reported they had no adjustment to make on signing up the Brighton and Hove Living Wage because they were already paying their staff at or above its rate.

Finally, this chapter examined the introduction of the statutory National Living Wage in the United Kingdom. Against the resurgence of the idea of a living wage and the persistence of low pay in the country, the new Conservative Government of 2015 announced it would introduce a statutory National Living Wage to reduce the subsidy low-paying employers received through the state welfare system, to ensure all workers benefited from the economic gains of the country, and to ensure *work pays*. A rationale echoing that given by the Labour Government when it introduced the National Minimum Wage two decades earlier and that had then been strongly contested by the Conservative Party. However, departing from the notion that a living wage should be determined by the needs of workers, the National Living Wage would have an ambition to reach sixty percent of median earnings by 2020. The National Living Wage would be an extension of the National Minimum Wage and apply to workers aged twenty-five years old or over excluding those in the first year of an apprenticeship. The Low Pay Commission would recommend rate rises based on this trajectory and 'with due regard to the wider state of the economy, employment and unemployment levels, and relevant policy changes' (DBIS, 2015c, p. 11).

Although expected to result in the loss of six thousand jobs by 2020, business offered its support to the announcement in principle but cautioned about the adjustment that may be needed in certain sectors and smaller businesses. Workers' advocates voiced their concern again over the treatment of younger workers and others contested the National Living Wage was not a real living wage as it was not based on the needs of workers. Employers reported impact of the National Living Wage has been difficult to isolate with some having coped with the increased wage costs and others having had to make adjustment. Adjustments have tended to see a reduction of hours and a slowdown in recruitment rather than redundancies. Some employers have restructured their workforce and reward systems including the increased use of zero-hours

contracts. Employers have absorbed their increased costs by reducing their profit and raising prices where possible. A small number of employers have reported positive effects on employee performance and recruitment and retention, although there is concern about worker substitution where employees become eligible for the National Living Wage, its affordability in the low-paid sector of Adult Social Care, and the narrowing of pay differentials at the lower end of the pay spectrum which is making recruitment to next level positions more difficult.

## 5.0 Ethical assurance

This chapter firstly explores what is meant by ethical assurance and why organisations adopt it. Ethical assurance is found to be a voluntary component of corporate governance that aims to ensure an organisation is behaving ethically. Ethical behaviour is expected business behaviour that sits beyond the realm of compliance. To achieve this, ethical assurance measures, monitors and manages organisational performance against internal or external standards and its own code of ethics. Adoption of ethical assurance can present issues and challenges to the organisation and wider marketplace. It may lead to increased costs to consumers and suppliers. Schemes use a range of approaches: rankings, standards, and awards, and may be elective or non-elective – meaning organisations choose to participate or are included by a third party. Organisations typically adopt ethical assurance to reduce corporate risk and consequential loss and to secure benefits that would otherwise be unavailable to them.

Given the focus of this research on pay in the United Kingdom, this chapter then conducts a desktop survey to identify pay-related ethical assurance schemes operating in the UK. Twenty of such schemes were identified. Qualitative analysis of these twenty schemes found most used a standards approach that requires organisations to achieve a particular level of performance in order to qualify for inclusion. These schemes typically used standards that were externally set and some also compared performance of an organisation to its own corporate values or code of ethics. Schemes were provided by for-profit and not-for-profit organisations with a cost of participation applicable to most. All schemes offered a badge or symbol to show an organisation's participation and most provided a public list of participants at no cost. Schemes had a broad range of aims.

A further desktop survey was carried out to measure the levels of participation in each of these twenty schemes. The vast majority of organisations participant in these ethical assurance schemes participated in a single scheme. The most popular of these schemes by far was the Accredited Living Wage Employer scheme led by the Living Wage Foundation. Qualitative analysis showed most

organisations participant in these ethical assurance schemes were smaller in size, younger, and private companies limited by shares or guarantee. Most participant organisations were not UK registered charities and most were in the business of administrative and support service activities; professional, scientific and technical activities; and, wholesale and retail trade, repair of motor vehicles and motorcycles. These findings informed the scope of the remaining research which therefore chose to investigate further adoption of the ethical assurance scheme of the voluntary Living Wage in smaller organisations.

## **5.1 What is ethical assurance?**

The purpose of ethical assurance is to provide a measure of confidence about an organisation's performance regarding its behaviour that is considered to have an ethical dimension (Dando and Raven, 2006). It is a component of corporate governance that aims to assist those accountable to ensure that the organisation is operating ethically – for example, being fair, transparent, and acting with integrity (Webley, 2006). Organisations are not legally required to adopt ethical assurance. Conventionally, ethical assurance measured organisational performance against standards set internally or externally. The Prompt Payment Code, for example, prescribes an externally set standard regarding the timely payment of supplier invoices to which organisations voluntarily commit. Approved signatories to the Code are entitled to display the Prompt Payment Code logo to demonstrate their commitment to this ethical practice. Adherence to the Code is monitored and enforced by the Prompt Payment Code Compliance Board (Chartered Institute of Credit Management, 2015). However, some schemes that use this approach have been criticised for their lack of methodological transparency, measurement design that does not work consistently across different organisations, and corporate bias (IBE, 2013).

Recognising such shortfalls, the Institute of Business Ethics adopted an alternative, organisationally self-referential, definition of ethical assurance. The Institute defines ethical assurance as:

the process leading to the provision of an opinion or conclusion to a specified audience regarding the extent to which an organisation is living



up to its values and the quality of the mechanisms and competencies in place to ensure that it is.

(Dando and Raven, 2006, p. 13)

This approach then assesses an organisation's performance against its own statement of ethical commitment. Determining an organisation's ethical performance therefore requires an understanding of its ethical commitments and its performance with respect to these. This dispenses of the need for fixed scales against which an organisation is to be measured and enables any aspect of the organisation to be compared to its statements of ethical commitment. Implementing ethical assurance in this way enables the performance of organisations to be assessed across dimensions not included in existing assurance schemes. These may include aspects of business practice yet to be identified or which have so far been deemed of insufficient importance to require such assurance. Through joint development by the Institute of Business Ethics and GoodCorporation, this approach to ethical assurance has been formalised and is now offered as a certification service by GoodCorporation (2016). However, this approach of measuring an organisation's performance against its self-prescribed aims alone has been challenged as being insufficiently rigorous and unreliable when it comes to comparing across organisations. As a result, the method now requires assessment of an organisation's performance with respect to its own values across a range of prescribed criteria (IBE, 2013).

Nonetheless, such approaches to assuring ethical performance face a range of challenges. Ethical certification schemes generally can, for example, mislead consumers and other stakeholders into thinking all uncertified organisations must therefore be unethical; the costs of certification may exclude some organisations from participating; and, participation in particular schemes may become a de facto requirement to be able to sell or compete in a given market (Ellis and Keane, 2008). Others observe that the ethical certification process may add cost which may render the end consumer price unattractive or unbearable; that the whole supply chain of a good or service must be assured

to maintain ethical integrity which may give rise to additional overhead and an industry in itself; and, question by what authority certifying entities are able to name ethical qualities and the standards these must meet (Mutersbaugh, 2010). Schemes that consider an organisation's ethical performance with respect to its own code of ethics may be undermined by statements that do not make the organisation's core values explicit or easily understood, are not promoted or supported by continuous training and awareness-raising programmes, do not have employee engagement, are not modelled by top and other levels of management, or that do not have board-level oversight and reporting (Webley and Werner, 2008). Moreover, some contend that such schemes of certification aimed at assuring an organisation's (ethical) performance may not result in changes to underlying practices and structures to the benefit of those they target but instead provide further licence to these organisations to operate (Ellis and Keane, 2008; Hughes, 2010; Mutersbaugh, 2010).

Recent years have witnessed a substantial growth in the availability and uptake by organisations of ethical assurance schemes (IBE, 2013). By 2013 Corporate Citizenship (2013) had catalogued over two hundred and fifty global and local recognition initiatives regarding the closely related field of corporate social responsibility. It categorises these schemes as rankings, standards or awards. Rankings score participants relative to one another – indicating higher ranked constituents have performed better than others in class. Standards certify that awardees have achieved a minimum level of performance against criteria which remain largely static. And awards provide recognition of a recipient's performance at a given moment – typically judged by an expert panel and focusing on headline achievements or specific initiatives. Schemes are either elective or non-elective. Elective participation sees an organisation choose to participate in a particular scheme; for example, the Business in the Community Corporate Responsibility Index (BITC, 2016a). Whereas non-elective participation sees a scheme provider select organisations for inclusion with the organisation having no say in whether or not it is included; for example, the FTSE4Good Index Series (FTSE International Limited, 2014).

Ethical assurance is seen then to be a voluntary aspect of corporate governance that aims to ensure an organisation is operating in a manner which is deemed ethical. An organisation's performance is measured against internally or externally set standards or against its own code of ethics as means to achieve this assurance. However, adoption of ethical assurance can present issues and challenges to organisations and the wider marketplace – some of which may result in additional cost to the supplier and/or consumer. Schemes can be categorised as rankings, standards and awards. Participants are electively or non-electively included depending on the nature of the scheme.

## **5.2 Why do organisations adopt ethical assurance?**

Along with the Global Financial Crisis of 2008, recent years have witnessed the collapse of a number of high-profile UK and international corporations. These failures have often seen errant employee and executive behaviour listed amongst their causes. Collapse of the US corporate giant Enron followed the discovery of accounting irregularities and accusations of fraud (BBC, 2002), Lehman Brothers collapsed against allegations of negligence and malfeasance amidst the US subprime mortgage crisis (BBC, 2010), and the Bank of Credit and Commerce International (BCCI) collapsed having been found to be involved in money laundering and other financial crimes (BBC, 2004). Closer to home, the Maxwell scandal revealed large-scale financial discrepancies in the companies of the late Robert Maxwell and his fraudulent misappropriation of the Mirror Group pension fund (BBC, 2001), with former owners of British Home Stores Sir Philip Green and Dominic Chappell extracting funds from the business to such an extent it collapsed (House of Commons Work and Pensions and Business Innovation and Skills Committees, 2016). Indeed, as if to sum up this widespread issue, reporting on the causes of the Global Financial Crisis of 2008, the Financial Crisis Inquiry Commission (2011, p. xxii) concluded that there had been 'a systemic breakdown in accountability and ethics'.

Such behaviour in business continues to grab headlines today. A number of UK banks have had to compensate millions of customers following the mis-selling of payment protection insurance to them over many years (Treanor, 2016),

fraud and collusion by bank staff were found to be instrumental in the illegal manipulation of Libor (London inter-bank offered rate) (Wallace, 2015), the Volkswagen Group admitted deliberately undermining regulatory emissions testing in a range of its vehicles (BBC, 2015b), and government bodies are currently investigating actions of Carillion's board and the conduct of its directors following the company's collapse in January 2018 (Mor et al., 2018). Such failures result from a mixture of employee behaviours – some of which were legal and some of which were illegal. In many cases failures in compliance with the law and regulation were identified, as too were failures of those charged with the policing of these laws and regulations (e.g. the FSA). However, also in this mixture were behaviours that, although legal, might be considered inappropriate or unacceptable ways of doing business. It is these behaviours, which sit outside compliance, that mark out the realm of ethical behaviour in business (Webley, 1993). As one FTSE Chair puts it, 'You have to ask yourself three questions about the business model. One, is it legal, two is it profitable, and three is it right' (Montagnon, 2014, p. 13).

In this vein, (Harris, 2011) offers three justifications for ethical behaviour by business. The first justification is that acting ethically is the only morally right way for an organisation to behave. This perspective accords with deontological theory which considers there are inherently right and wrong actions morally, where right actions should be chosen over wrong actions regardless of possible outcome (Blackburn, 2008). The second justification is that doing what is right, fair and just is expected of an organisation. This perspective accords with normative theory that these behaviours are prevailing social norms which all societal actors should adopt (*ibid.*). The third justification is that it is in an organisation's best interests to behave ethically. This perspective accords with teleological theory that behaviour is determined by its likely outcome, where beneficial outcome is sought so action will be taken that is most likely to produce this result (*ibid.*).

Ethical assurance may then assist organisations in the management and reduction of such corporate risk and consequential costs (Montagnon, 2014). Economic costs of the materialisation of ethical risks may come in the form of

reduced profits, fines for improper behaviour or payments of compensation for the provision of substandard goods or services (e.g. Treanor, 2016). Regulation and mandatory reporting may be more demanding and time consuming (Clarke, 1995). Investment may be withheld or withdrawn as investors have less confidence in the organisation (e.g. Cuff, 2015). Staff and expertise may leave the organisation or be difficult to recruit as they consider the organisation less stable or no longer aligned to their values (PwC, 2009). The price of borrowing and transactional costs may increase as lenders and suppliers perceive greater risk in working with the organisation (Moore and de Bruin, 2004). Customers may abandon the organisation as its reputation diminishes or it is seen as increasingly undesirable (e.g. Heritage, 2015). And, ultimately, the organisation may lose its legitimacy and the societal franchise it requires to operate (Montagnon, 2014).

To maintain its social licence to operate, an organisation may then use ethical assurance to help meet the expectations and requirements of wider society and to demonstrate its performance in this respect. Formal, legalised, expectations and requirements of society in the UK are set out in legislation and regulation. The Companies Act 2006 (s 172(1)), for example, requires company directors to act in good faith in a way that promotes the success of the company whilst giving regard to consequences in the long term, the interests of the company's employees, the company's relationships with suppliers, customers and others, the impact of the company's operations on the community and the environment, the desirability of the company and maintenance of high standards of business conduct, and the need to act fairly between members of the company. Applying to all companies with a Premium listing, whether incorporated in the United Kingdom or elsewhere, the UK Corporate Governance Code (FRC, 2016, p. 2) explicitly states:

One of the key roles for the board includes establishing the culture, values and ethics of the company ... directors should lead by example and ensure that good standards of behaviour permeate throughout all levels of the organisation. This will help prevent misconduct, unethical practices and support the delivery of long-term success.

Organisations may too consider the use of ethical assurance as more initiatives have become established that independently monitor and report on the ethicality of businesses and their operations. Corporate Watch (2016), for example, provides information on the social and environmental impacts of corporations and capitalism; CorpWatch (2016) works to promote environmental, social and human rights at local, national and global levels by holding multinational corporations to account over their actions; and, Ethical Consumer (2016) works to make businesses more sustainable through consumer pressure. Such initiatives and the unprecedented speed and reach of communication made possible by the Internet, World Wide Web, and social media mean news about organisations reaches audiences quicker and more widely than ever. Ethical assurance may support organisations by reducing the likelihood or severity of ethical lapses which might become the stories of such news (Dando and Raven, 2006). That an organisation has in place ethical assurance, and the information this might provide, may also support them in their responses where they do become the subject of such news (Greysier, 2009).

Considered from a value-added rather than a risk-management perspective, recognition as an organisation that operates ethically offers a range of opportunities to businesses and may provide competitive advantage (Chartered Institute of Internal Auditors, 2015). The ethical marketplace is diverse, seeing consumers favour suppliers of ethically sourced and produced goods and services including food and drink, home energy, cars and banking; shopping locally and buying from charities; and, boycotting particular brands or organisations in their purchasing decisions (e.g. Ethical Consumer, n.d.). In the United Kingdom, for example, ethical consumption has risen from a little over £13 billion in 1999 to more than £80 billion in 2014 – a six-fold increase in this fifteen-year period. In 2014 the value of ethical consumption in the UK rose by eight percent against an annual inflation rate of around half of one percent (Ethical Consumer, 2015). Despite being a modest fraction of the overall UK economy, this substantial increase in ethical consumerism indicates consumers' growing sensitivity and appetite to source their products and services from organisations that they identify as ethical. Critically, this shift in the pattern of

ethical consumption is recognised as resulting not only from a change in consumer behaviour but also in that of business:

Ethical consumers are still a vitally important agent of change; however, the actions of progressive business are now a significant contributor to sales growth.

(The Co-operative Group, 2012, Foreword)

Businesses have the opportunity then to access this growing market by being able to demonstrate their ethical credentials. The use of ethical assurance may assist organisations develop and maintain these credentials by helping them to show they consider ethical business important and that they monitor and respond to this as part of their regular operations (Dando and Raven, 2006).

Ethical assurance may similarly open up new opportunities for organisational investment. The Ethical Investment Research and Information Service (2015) estimates the UK's green and ethical retail funds grew from £199 million in 1989 to more than £15 billion in 2015, a seventy-five fold increase in a period of just over twenty-five years. Access to this investment market is typically achieved by an organisation's inclusion in relevant specialist ethical indices or portfolios. Initiatives and service providers exist that screen organisations against ethical criteria and, where specific quality standards are met in this regard, include these in their specialist ethical indices and portfolios. S&P Dow Jones Indices (2016) in the United States, for example, offers a family of environmental, social, and governance (ESG) indices that comprise companies it has screened as superior regarding these aspects of business; the FTSE Russell (2016) FTSE4Good Index Series offers a similar index in the United Kingdom; and, the Ethical Investment Association (2016) provides a network of financial advisors in the UK who are dedicated to the promotion of green and ethical investment portfolios. Organisations meeting these initiatives' ethical criteria stand to be included in such specialist indices and portfolios – giving them access to an additional and growing investor base. Ethical assurance may assist an organisation's inclusion in these indices and portfolios by helping it achieve and

demonstrate its business model and operation are ethical (Chartered Institute of Internal Auditors, 2015).

Employees too are demonstrating a preference to work for organisations they regard as ethical. Globally surveying over four thousand graduates inside and outside its organisation, PwC (2011) found fifteen percent said a good reputation for ethical practices made for an attractive employer, fifteen percent said corporate values that matched their own, ten percent the employer brand, eight percent an employer's diversity/equal opportunities record and eight percent the sector in which the organisation operates. When asked which factors influenced their decisions to accept a job, thirty-six percent said the reputation of the organisation, twenty percent said the sector in which the organisation operates, sixteen percent said the potential for them to make a difference, seven percent said the ethics of the organisation, and five percent said the corporate responsibility behaviour of the organisation. In its survey three years earlier, PwC (2009) found eighty-eight percent of respondents sought employers with corporate social responsibility values which matched their own and that eighty-six percent would consider leaving an employer whose values no longer met their expectations. These findings are echoed by the later Global Tolerance (2015) survey of over two thousand individuals in the UK which found, of Millennials – those born between 1981 and 1996, two thirds expect organisations to understand their personal values, eighty-four percent consider it their duty to make a positive difference through their lifestyle and almost two thirds were concerned about the state of the world and feel a personal responsibility to improve it. Ethical assurance may therefore help organisations demonstrate their ethical commitments and operation in order to attract and retain the employees they require (Dando and Raven, 2006).

Organisations may then adopt ethical assurance for a number of reasons. At its heart, ethical assurance attempts to monitor and manage the behaviour of business that is beyond compliance. This may be to reduce corporate risk and consequential costs or to secure particular benefits, such as gaining access to otherwise unavailable investment or markets or attracting and retaining staff. Indeed, in today's highly connected and high-speed media world, ethical



assurance may ultimately provide an organisation with a means to protect and promote its brand, image, and reputation.

### 5.3 Sampling of ethical assurance schemes

A desktop survey to identify ethical assurance schemes was conducted using the World Wide Web. This searched for schemes that provided some form of external recognition (for example, accreditation, certification or an award); that included, or were likely to include, factors relating to pay or pay-related employment conditions; and, that were applicable to the UK – which included those having a UK, European or global scope. These findings were then purposively sampled to produce a sample of schemes that was closer aligned to the scope of this research. These schemes had a UK-specific scope or were highly UK relevant; operated at organisational level or a subdivision thereof (for example, a site or department); were generally open to participation by any organisation; and, required organisations to elect to participate rather than being included by a third party. Consequently, schemes operating at a product, service or brand level or that were highly sector-specific (for example, particular to tea, banking or catering only) were excluded. Table T.4 lists and provides a brief description of each of the schemes included in the sample.

<b>Ethical assurance scheme</b>	<b>Description</b>
Accredited Living Wage Employer	Shows employers and their suppliers pay their employees the voluntary Living Wage as a minimum.
B Corp UK	Certifies for-profit companies that meet its standards of social and environmental performance, accountability, and transparency.
Best Companies Accreditation	Measures and recognises an employer's employee engagement levels.
Better Society Awards	Recognise the efforts that commercial companies make to help create a better, safer, and fairer society for all.
Bright Ethics Accreditation	Demonstrates an organisation has met Bright Ethics' ethical standards.

<b>Ethical assurance scheme</b>	<b>Description</b>
Business Against Poverty	Recognises and encourages business to have a social purpose that leads to increased profit and the ability to share that prosperity.
Business in the Community CR Index	Promotes organisational transparency to help companies systematically measure, manage, and integrate responsible business practice.
CIPD People Management Awards	Recognises and celebrates outstanding achievement in people management and learning development.
Ethical Accreditation	Certifies a company or brand has achieved Ethical Company Organisation's corporate social responsibility standard.
Fairplace Award	Recognises an organisation's workplace is managed for the benefit of people and planet.
Investors in People	Standard recognises what it takes to lead, support, and manage people well for sustainable results.
National CSR Awards	Celebrates business excellence and innovation in corporate social responsibility across a broad range of disciplines.
Pay Compare Mark	Employers submitting their pay ratios for publication may display the Pay Compare Mark to demonstrate their commitment to transparent and fair pay reporting.
Responsible 100	Provides business with a community question and answer tool to help them validate their ethical claims and respond to public scrutiny.
The Ethics Mark	Provides a mark for values-led organisations to show they are fair, honest, and committed to ethics.
The GoodCorporation Business Ethics Standard	Offers a standard to provide companies with an independent assessment of their management practices to enable them to demonstrate compliance and commitment to a strong ethical culture.
The Investing in Integrity Charter Mark	Designed to enable an organisation to reassure its key stakeholders - employees, customers, suppliers, shareholders and the general public - that its organisation can demonstrate a commitment to act with integrity at all times.

Ethical assurance scheme	Description
The Responsible Business Awards	Open to all businesses the award categories address a wide range of issues essential to creating a fairer society and a more sustainable future.
Top Employers UK	The Top Employers Institute globally certifies excellence in the conditions that employers create for their people.
UK Best Workplace	Gives organisations the opportunity to be publicly recognised as a great employer, brand, and business.

Table T.4: Brief description of each ethical assurance scheme included in the sample.

## 5.4 Qualitative analysis of ethical assurance schemes in sample

Ethical assurance schemes in the sample were analysed qualitatively to better understand their makeup. This found:

- 2 schemes (10%) were of type ranking, 14 schemes (70%) were of type standard, and 4 schemes (20%) were of type award;
- 8 schemes (40%) were provided by for-profit organisations and 12 schemes (60%) were provided by not-for-profit, charitable or publicly-funded organisations;
- stated aims of schemes included transparency and measurement; informing and empowering consumers and investors; providing a framework for responsible business; benchmarking, evidencing, supporting, and integrating responsible business practices; identifying, recognising, certifying, rewarding, celebrating, and championing organisations with better environmental, social and governance performance; demonstrating best in class for people management and of being an employer of choice; developing cultures of integrity, trust, care for the planet and compassion for people;

- participation was at cost to applicants/participants in 17 schemes (89%) and at no cost in 2 schemes (11%);
- 16 schemes (80%) had a primary target audience of corporate management, of consumers was 2 schemes (10%), of investors was 2 schemes (10%), of employees was 2 schemes (10%), and of society was 7 schemes (35%);
- all 20 schemes (100%) offered some form of badge or symbol for use by qualifying participants;
- awards were made annually for 8 schemes (40%) and at any time for 12 schemes (60%);
- the number of organisations participant in schemes ranged from fewer than one hundred to thousands, with these organisations being of all types of corporate form (e.g. sole traders, partnerships, private limited companies, and public limited companies) operating locally in the UK, UK-wide, and internationally;
- 16 schemes (80%) used an external standard approach to assurance and 4 schemes (20%) used a hybrid of self-referential (i.e. comparison to corporate values or code of ethics) and external standard approach to assurance;
- assessment or validation of applications or applicants/participants for accreditation or certification was carried out by the scheme provider for fourteen schemes (70%), two schemes (10%) required a statement of commitment or a self-submission only by participants, and four schemes (20%) used judging panels – all four of which were schemes of type award;
- 17 schemes (85%) provided a list of participants or awardees publicly at no cost and 3 schemes (15%) did not provide such a list; and,

- dimensions in schemes relating to pay or pay fairness included remuneration (pay) and bonus payment; compensation (pay), bonus and benefit structures and systems; directors' and executive remuneration (pay); payment of a Living Wage, fair pay, and commitment to fairness; publication of organisational pay ratios; terms and conditions of employment; supply chain management; and, employee satisfaction generally and with pay and benefits. More broadly, such dimensions might also be seen in criteria relating to wider aspects of people and human resources management, impact on the community, corporate social responsibility, corporate governance and transparency, and whether an organisation was practicing its espoused values.

Summarising, most schemes used a standards approach that required organisations to achieve a particular level of performance in order to qualify for inclusion. These standards were typically set externally or combined an externally set standard with an assessment of the participant organisation's behaviour with respect to its own corporate values or code of ethics. Assessment of applicants or participants was usually carried out by the scheme provider. About the same number of schemes were provided by for-profit organisations as by not-for-profit, charitable or publicly-funded organisations with participation in most schemes being at cost to participant organisations. Around half of schemes awarded annually and around half awarded at any time throughout the year. All schemes offered some form of badge or symbol for use by qualifying organisations and the vast majority provided a public list of participants or awardees at no cost. Scheme participation ranged hugely from fewer than one hundred organisations to thousands. Schemes involved all sorts of organisations – from local sole traders to international public limited companies. The primary target audience of schemes was corporate management, although some were targeted at employees, consumers, investors, and wider society.

Aims of schemes were broad. They included providing a framework for responsible business to support and develop cultures of integrity, trust and care for people and the planet; measuring, benchmarking and evidencing

performance; recognising, certifying, rewarding, and celebrating good behaviour; demonstrating and championing high-performing organisations; promoting transparency; and, informing and empowering stakeholders. Schemes also encompassed a range of dimensions relating to pay or pay fairness. These were identified explicitly in some schemes and as more general aspects of corporate social responsibility, corporate governance and the like in other schemes. These pay and pay fairness related dimensions included pay, bonus and benefit structures and systems; executive pay; pay ratios; payment of a Living Wage; fair pay and a commitment to fairness; supply chain management; terms and conditions of employment; and, employee satisfaction regarding pay and benefits.

## **5.5 Uptake of ethical assurance schemes in sample**

Schemes in the sample were examined to identify the organisations that participated in each. These findings were then analysed to find out what type of organisation typically adopted ethical assurance. Table T.5 shows the approaches used to identify organisations participant in each scheme. To present a simpler list of organisations, organisations going under more than one name in two or more schemes were amalgamated to provide a single entry per organisation. For example, Barclays plc Global was included in the BITC CR Index (2015), Barclays as an Accredited Living Wage Employer (2016a) and in the Pay Compare database (2016), and Barclays Bank plc as a recipient of a Responsible Business Award (2016b). These were amalgamated and recorded as just Barclays. A total of 3,191 organisations were found to participate in the schemes.

No public lists of participants were available for the Investors in People, The GoodCorporation Business Ethics Standard or Bright Ethics Accreditation schemes. Instead then, the websites of the 3,191 organisations identified previously were examined to try to find any evidence (e.g. statements of participation, displays of logos or membership badges) of these organisations participating in any of these three schemes. Some of these organisations were found to participate in the Investors in People scheme. Where this was so, their level of award (bronze, silver or gold) was recorded. No evidence could be

found that any of the 3,191 organisations participated in either The GoodCorporation Business Ethics Standard or Bright Ethics Accreditation schemes.

<b>Ethical assurance scheme</b>	<b>Source of participants</b>	<b>Data recorded</b>	<b>Participants included</b>
Accredited Living Wage Employer	LWF (2016b)	Yes or No	All reported at Living Wage Foundation website at 1 <sup>st</sup> March 2016 ( <i>n</i> = 2,261)
B Corp UK	B Corp UK (2016)	Yes or No	All reported at B Corp UK website at 9 <sup>th</sup> February 2016 ( <i>n</i> = 49)
Best Companies	Best Companies (2016)	Best Companies star score	All reported as 1, 2 or 3 star at Best Companies website at 10 <sup>th</sup> February 2016 ( <i>n</i> = 515)
Better Society Awards	Perspective Publishing Limited (2016)	Yes or No	Winners in relevant categories ( <i>n</i> = 18)
BITC CR Index	BITC (2015)	BITC star score	All listed 2015 participants ( <i>n</i> = 68)
Business Against Poverty	Business Against Poverty (2016)	Yes or No	All reported at Business Against Poverty website at 11 <sup>th</sup> February 2016 ( <i>n</i> = 109)
CIPD People Management Awards	CIPD (2016)	Yes or No	Winners in relevant categories ( <i>n</i> = 2)
Ethical Accreditation	The Ethical Company Organisation (2016)	Yes or No	All reported at The Ethical Company Organisation website at 11 <sup>th</sup> February 2016 ( <i>n</i> = 53)

<b>Ethical assurance scheme</b>	<b>Source of participants</b>	<b>Data recorded</b>	<b>Participants included</b>
Fairplace Award	The Ethical Property Foundation (2016)	Yes or No	All reported at Fairplace Award website at 12 <sup>th</sup> February 2016 ( <i>n</i> = 5)
lil Charter Mark	Investing in Integrity (2016)	Yes or No	All awarded lil Charter Mark at 12 <sup>th</sup> February 2016 ( <i>n</i> = 3)
National CSR Awards	NCSRA (2016)	Yes or No	Winners in relevant categories ( <i>n</i> = 9)
Pay Compare Mark	Pay Compare (2016)	Yes, Declined or No	All awarded Pay Compare Mark or declined to provide at 12 <sup>th</sup> February 2016 ( <i>n</i> = 45)
Responsible 100	Responsible 100 (2016)	R100 score	All reported at Responsible 100 website at 9 <sup>th</sup> February 2016 ( <i>n</i> = 11)
Responsible Business Awards	BITC (2016b)	Yes or No	Winners in relevant categories ( <i>n</i> = 12)
The Ethics Mark	The Ethics Foundation (2016)	Yes or No	All reported at The Ethics Foundation website at 12 <sup>th</sup> February 2016 ( <i>n</i> = 10)
Top Employers UK	Top Employers Institute (2016)	Yes or No	All UK employers reported as certified at Top Employers website at 13 <sup>th</sup> February 2016 ( <i>n</i> = 72)



<b>Ethical assurance scheme</b>	<b>Source of participants</b>	<b>Data recorded</b>	<b>Participants included</b>
UK Bestplace Award	Great Place to Work (2016)	Yes or No	All UK awardees as at Great Place to Work website at 13 <sup>th</sup> February 2016 ( <i>n</i> = 100)

Table T.5: Approaches used to identify organisations participant in ethical assurance schemes sampled.

Analysis of the distribution of scheme participation by organisation showed the vast majority of organisations participated in only one ethical assurance scheme (2,761 organisations; 87%). The most popular scheme by far in which organisations participated was the Accredited Living Wage led by the Living Wage Foundation. 70% of organisations participant in one or more of these ethical assurance schemes participated in the Accredited Living Wage. 396 organisations (12%) participated in two schemes; 32 organisations (1%) participated in three schemes; one organisation (less than 1%) participated in four schemes; and, one organisation (less than 1%) participated in five schemes.

## **5.6 Types of organisation that participated in ethical assurance schemes in sample**

To understand what types of organisation participated in these ethical assurance schemes qualitative data were collected on a ten percent subsample of the 3,191 organisations sampled. These qualities were size, whether a UK registered charity, corporate form, age (at 2016), and industry.

The subsample contained 58.91% small, 20.36% medium, and 20.73% large organisations; 71.77% were aged 0-25 years old, 22.11% were aged 26-50 years old, and 6.12% were aged over fifty years old; 17.24% were UK registered charities; the majority were private companies limited by shares (58.88%) and private companies limited by guarantee (20.39%); and, most were in the industries of administrative and support service activities (14.42%),

professional, scientific and technical activities (14.11%), and wholesale and retail trade, repair of motor vehicles and motorcycles (10.34%).

To summarise, most participants were smaller, younger organisations that were private companies limited by shares or guarantee. The vast majority of participants were not UK registered charities and most were in the industries of administrative and support service activities; professional, scientific and technical activities; and, wholesale and retail trade, repair of motor vehicles and motorcycles.

## **5.7 Chapter summary**

This chapter examined ethical assurance. It did this by exploring what is meant by ethical assurance and why organisations adopt it. Ethical assurance was found to be a voluntary component of corporate governance that organisations use to measure, monitor, and manage ethical behaviour. Ethical behaviour is expected business behaviour that sits beyond compliance. Ethical assurance schemes use internally or externally set standards or an organisation's own code of ethics to measure an organisation's ethical performance. However, adoption of these schemes can present organisations and the wider marketplace with issues and challenges and may result in increased cost to suppliers and consumers. Ethical assurance schemes can be categorised as rankings, standards, and awards, and are either elective or non-elective on the part of the included organisation. Against a backdrop of corporate scandals, organisations choose to adopt ethical assurance as a way of reducing corporate risk and consequential costs and to secure benefits that would otherwise be unavailable to them.

A desktop survey using the World Wide Web identified twenty elective, pay-related ethical assurance schemes that were highly UK-focused, operated at organisational level and provided some form of external recognition. Most of these schemes used a standards approach that required the performance of an applicant or participant organisation to reach a prescribed level. This level was typically externally set and for some schemes combined an assessment of the organisation's behaviour against its own values or code of ethics. Schemes

were provided by for-profit and not-for-profit organisations, participation came at cost for most schemes, and all provided some form of badge or symbol that qualifying organisations could use to show their inclusion. Most schemes provided a public list of participants at no cost. Schemes varied in size – from fewer than one hundred participants to thousands of participants – with all sorts of organisations taking part. The target audience of most schemes was corporate management. Aims of schemes were broad but typically sought to promote and celebrate responsible business. Dimensions relating to pay were also broad and included pay structures, payment of a Living Wage, commitments to fairness, supply chain management, and employee satisfaction.

An examination of these twenty pay-related ethical assurance schemes found the vast majority of organisations participated in just one scheme. By far the most popular of these schemes was the Accredited Living Wage that is led by the Living Wage Foundation. 70% of organisations that participated in one or more ethical assurance scheme participated in the Accredited Living Wage. Further analysis showed that ethical assurance scheme participants tend to be smaller, younger companies that are limited by shares or guarantee. Most are not UK registered charities and most are in the industries of administrative and support service activities; professional, scientific and technical activities; and, wholesale and retail trade, repair of motor vehicles and motorcycles.

This analysis therefore informed subsequent design of the research. As the most widely adopted pay-related ethical assurance scheme in the United Kingdom, the Living Wage was selected for further, specific, study. Moreover, given participation in this ethical assurance scheme was dominated by smaller organisations, such sized employers were also selected as the primary focus of the remainder of this research. However, as the earlier literature review revealed, the relationship between employer and employees in smaller organisations typically differs from that in larger organisations. The next chapter then examines how these smaller employers conceptualised fair pay with further chapters considering the impact their conceptualisations of fair pay had

on their decisions to sign up to the ethical assurance scheme of the Living Wage.

## 6.0 Employer conceptualisations of fair pay

This chapter examines how employers conceptualised fair pay. It seeks to understand whether employers conceptualised fair pay similarly or differently. Given the Living Wage is aimed at lower-paid workers but is adopted by employers in low-paid and higher-paid industries, it specifically compares how employers in both these sectors conceptualised fair pay. Moreover, to increase our understanding of the influence an employer's conceptualisation of fair pay may have on their decision to adopt the ethical assurance scheme of the voluntary living wage, conceptualisations of fair pay of employers signed up to the Brighton and Hove Living Wage were compared to those of employers who were not signed up.

This study is based on the qualitative interviews of ten employers operating in the Brighton and Hove locale. Four of these employers were in the low-paid industry of adult social care – of which two were signed up to the Brighton and Hove Living Wage and two were not. Six of the ten employers were in the higher-paid industry of computing programming – of which four were signed up to the Brighton and Hove Living Wage and two were not. The concept of organisational justice was used as a basis for analysis.

Organisational justice views organisational decision making in terms of fairness. It comprises two essential components of procedural justice and distributive justice. Deontologically, procedural justice is concerned with perceptions of fairness that relate to the *process* used in making a decision. Whereas, teleologically, distributive justice is concerned with perceptions of fairness that relate to the *outcome* of such decision making. The notion of norms of distribution was also used in the analysis. Norms of distribution regulate the distribution of social goods – in this case, pay. Three core norms of distribution were employed: the equity norm, the equality norm, and the need norm. As a needs-based mechanism of allocating pay, the living wage is an example of the need norm of distribution and a manifestation of distributive justice.

Employers in a low-paid industry and a higher-paid industry were expected to conceptualise fair pay differently. Employers in a higher-paid industry were

expected to conceptualise fair pay as procedural justice because pay in these industries is typically linked to an employee's level of progression – with higher ranked roles attracting higher levels of pay. On the other hand, employers from a low-paid industry were expected to conceptualise fair pay as distributive justice because the levels of progression found in higher-paid industries do not typically exist to the same extent in low-paid industries. However, given the living wage is a form of distributive justice, employers signed up to the Brighton and Hove Living Wage in both low-paid and higher-paid industries were expected to conceptualise fair pay similarly, to some extent at least, as distributive justice.

As expected, employers in a higher-paid industry primarily conceptualised fair pay as procedural justice with those signed up to the Brighton and Hove Living Wage also conceptualising fair pay as distributive justice. However, contrary to expectation, employers in a low-paid industry did not conceptualise fair pay as distributive justice. Instead, these employers also primarily conceptualised fair pay as procedural justice. Furthermore, where signing up to the Brighton and Hove Living Wage was expected to strengthen these employers' conceptualisation of fair pay as distributive justice, this was found not to be the case. Therefore, employers were found to conceptualise fair pay similarly *and* differently.

Generally, employers conceptualised fair pay similarly as procedural justice. However, employers in the higher-paid industry who were signed up to the Brighton and Hove Living Wage also conceptualised fair pay differently to those in the industry who were not signed up to the Brighton and Hove Living Wage. This was because those signed up to the Brighton and Hove Living Wage also conceptualised fair pay as distributive justice whereas those not signed up to the Brighton and Hove Living Wage did not. However, unlike employers in the higher-paid industry, employers in the low-paid industry who were signed up to the living wage did not conceptualise fair pay as distributive justice – whether they were signed up to the scheme or not.

## 6.1 How employers were expected to conceptualise fair pay

As part of their qualitative interviews, the ten subject employers of this study were asked to describe *fair pay*. Further to the literature review in chapter 2, four expectations were drawn regarding employers' conceptualisations of fair pay.

Given the higher-paid computer programming industry offers substantial progression to programmers individually as they acquire expertise and experience (e.g. National Careers Service, 2018a), it was expected that employers in this industry would primarily conceptualise fair pay by drawing on the equity norm of distribution – where the determination of an employee's pay is by way of a process that calculates their pay to be in proportion to their individual contribution. Being process-based, these employers were therefore expected to favour the conceptualisation of fair pay as procedural justice rather than distributive justice:

Expectation 1 was that employers in the higher-paid computing programming industry would primarily conceptualise fair pay as procedural justice by drawing on the equity norm of distribution.

However, employers in the higher-paid computer programming industry who were signed up to the Brighton and Hove Living Wage were also expected to conceptualise fair pay by drawing on the need norm of distribution because this norm of distribution underpins the working of the Living Wage. Given the need norm of distribution is outcome-based, these employers were therefore also expected to conceptualise fair pay as distributive justice:

Expectation 2 was that employers in the higher-paid computer programming industry who were signed up to the Brighton and Hove Living Wage would primarily conceptualise fair pay as procedural justice by drawing on the equity norm of distribution and also conceptualise fair pay as distributive justice by drawing on the need norm of distribution.

On the other hand, given the low-paid adult social care industry offers comparatively limited routes of progression to individual care workers (e.g. National Careers Service, 2018b), it was expected these employers would not primarily conceptualise fair pay according to the equity norm of distribution because they would be less able or unable to reward increasingly qualified or experienced employees with higher roles which would, in turn, typically attract greater levels of pay. Instead, it was then expected that these employers would favour conceptualisation of fair pay by drawing on the alternative equality norm of distribution and/or need norm of distribution. Given both these norms of distribution are outcome-based, these employers were therefore expected to conceptualise fair pay as distributive justice rather than procedural justice:

Expectation 3 was that employers in the low-paid industry of adult social care would primarily conceptualise fair pay as distributive justice by drawing on the equality and/or need norm of distribution.

Moreover, conceptualising fair pay by drawing on the need norm of distribution was expected to be more pronounced in employers in this industry who were signed up to the Brighton and Hove Living Wage because this norm of distribution underpins the working of the Living Wage:

Expectation 4 was that employers in the low-paid industry of adult social care who were signed up to the Brighton and Hove Living Wage would primarily conceptualise fair pay as distributive justice by drawing on the equality and/or need norm of distribution with a greater effect seen with respect to the need norm of distribution.

Table T.6 summarises how these employers were expected to primarily conceptualise fair pay.



		Brighton and Hove Living Wage status	
		Not signed up	Signed up
Industry	Low-paid (Adult social care)	Equality (DJ) and/or Need (DJ)	Possibly equality (DJ) Need (DJ)
	Higher-paid (Computer programming)	Equity (PJ)	Equity (PJ) Need (DJ)

Key: (DJ) Distributive justice, (PJ) Procedural justice

Table T.6: How employers were expected to primarily conceptualise fair pay.

## 6.2 How employers conceptualised fair pay

Employers' descriptions of fair pay were analysed qualitatively and compared to the expectations set out previously. As expected, employers in the higher-paid computer programming industry primarily conceptualised fair pay as procedural justice by drawing on the equity norm of distribution. As expected, employers in the higher-paid computer programming industry who were signed up to the Brighton and Hove Living Wage primarily conceptualised fair pay as procedural justice by drawing on the equity norm of distribution and also conceptualised fair pay as distributive justice by drawing on the need norm of distribution. However, contrary to expectation, employers in the low-paid industry of adult social care did not primarily conceptualise fair pay as distributive justice by drawing on the equality and/or need norm of distribution. And also contrary to expectation, employers in the low-paid industry of adult social care who were signed up to the Brighton and Hove Living Wage did not primarily conceptualise fair pay as distributive justice by drawing on the equality and/or need norm of distribution with a greater effect seen with respect to the need norm of distribution.

### 6.2.1 Expectation 1

Expectation 1 was that employers in the higher-paid computing programming industry would primarily conceptualise fair pay as procedural justice by drawing on the equity norm of distribution.

Of the six employers in the higher-paid computer programming industry, all conceptualised fair pay as procedural justice by drawing on the equity norm of distribution. Aligning with the process-based procedural justice conceptualisation of fairness and drawing on the input:output relationship of the equity norm of distribution, these employers described fair pay in terms of a proportional relationship between an individual employee's contribution and their reward. Individual employee contribution was measured in a number of ways but typically referred to their personal skills, qualifications, experience, effort, time, enthusiasm and contribution to the success and profit of the business.

For example, measuring individual employee contribution in terms of the business's profit and the skills they brought to the organisation, CP5 described fair pay as:

Fairness to me is having pay reflective of what the individual is delivering to the company, as a bottom-line ... If the company was making ridiculously large profits I would absolutely want to ensure that the staff making that happen, delivering that profit was being paid accordingly. So that's kind of what I've always tried to do ... It's just recognising the unique skills that the developers are bringing in and making sure that they're getting paid for that.

CP3 also identified an employee's individual contribution to the business and the skills they bring to the organisation but also included the degree of enthusiasm an employee showed:

Fair pay values your contribution to the business in line with the skills and enthusiasm and desire you put into doing your job, furthering yourself and furthering the business.

CP4 similarly measured employee contribution in terms of individual expertise and effort:

I would describe fair pay as an employee receiving an amount of money which matches the skills, qualifications and effort they put into their role  
...

CP2 described employee contribution in this way as well but also described the input:output relationship with regard to pay inversely with respect to its trainees. Here, trainees were given less pay in lieu of accruing experience, receiving training, development and study time, and being sponsored:

So for them the salary is not fantastic, I think it is fairer, because they are getting really good academic experience.

However, some of these employers also described fair pay by drawing on other norms of distribution that aligned with the conceptualisation of fairness as distributive justice.

Invoking the equality norm of distribution, CP2, for example, thought pay should be equal across genders:

It [pay] should be equal in terms of, it doesn't matter if you are a male or female. Yes, it should be equal.

And invoking the need norm of distribution, CP1 deliberated whether employees should receive different amounts of pay according to their individual level of need:

Is it fair then to pay somebody without kids the same, less than somebody with kids, even if they're doing the same job with the same amount of experience? I don't think it does.

Moreover, some of these employer descriptions of fair pay revealed the possible existence of a further norm of distribution. Unlike the equity, equality, and need norms of distribution, this norm of distribution would regulate the allocation of pay relatively. Although none of the employers operated this norm of distribution in practice, it was however evident in their conceptualisations of

fair pay. Indeed, this *relativeness norm of distribution* was identified by employers in both the higher-paid computer programming industry and the low-paid adult social care industry and amongst employers that were signed up and not signed up to the Brighton and Hove Living Wage.

CP6 described this relativeness norm of distribution in terms of the distribution of pay within an organisation:

I think in terms of fairness, in terms of the difference between the top people in the company and the bottom people at the company as well, there's a really interesting ratio. Banking is the industry that gets hammered for this, is the person at the top really worth  $x$  amount of millions and then the person who cleans the office worth 0.005% of that? That doesn't seem very fair to me, so I think that's disproportionate, the effort and the work that person does at the top is not 1,000 times more valuable than what the person does at the bottom. So I think that's another important point in the question of fairness.

ASC2 echoed the use of this internal distribution in describing fairness and extended this to compare pay between job roles across industries:

It's an exchange of value. But then when you get to the other end of your, you know, 5 million a year CEOs, you know, that's all gone skewy at the other end as well – so it doesn't feel like the two ends of the spectrum are out of kilter if you like ...

I think care should be higher up on that rate than coffee barista's and road sweepers ... not massively because at the end of the day we don't need qualifications and don't need, you know, stuff like that ...

And CP3 similarly deliberated the relative value and pay of jobs across society:

Where, as a society, do we place and are prepared to pay for people who tend our sick, educate our kids, take care of our elders. Then there are actually the people who feel that they have a desire and a calling to do that for whom money is not the driving factor in that either.

As a norm of distribution determining the pattern of outcome of allocating pay, this newly identified *relativeness norm of distribution* is seen to align with the teleological conceptualisation of fairness as distributive justice.

However, despite these further conceptualisations of fair pay and the possible identification of a new relativity norm of distribution, the most common conceptualisation of fair pay of these employers was the conceptualisation of fair pay as procedural justice by drawing on the equity norm of distribution. Expectation 1 was therefore considered fulfilled.

### **6.2.2 Expectation 2**

Expectation 2 was that employers in the higher-paid computer programming industry who were signed up to the Brighton and Hove Living Wage would primarily conceptualise fair pay as procedural justice by drawing on the equity norm of distribution and also conceptualise fair pay as distributive justice by drawing on the need norm of distribution.

Of the four employers in the higher-paid computer programming industry who were signed up to the Brighton and Hove Living Wage, three conceptualised fair pay as procedural justice by drawing on the equity norm of distribution and also conceptualised fair pay as distributive justice by drawing on the need norm of distribution.

As shown in the analysis of Expectation 1, all employers in the higher-paid computer programming industry conceptualised fair pay as procedural justice by drawing on the equity norm of distribution. This was not, therefore, repeated in the analysis of this expectation.

Articulating the fundamental principle of the need norm of distribution – to resolve individual employee deprivation in relation to some particular threshold, CP1 described fair pay as:

Well, it's around having enough to live but that's, that changes depending on your circumstances as well ... maybe family circumstances will come into that but then ... current dependents, maybe that comes into it, where that person is living, how much travelling they're doing. I think all of these factors come into it ... I suppose it's having enough to live, but what does that look like? It's different for different people.

CP2 similarly expressed the principle of the need norm of distribution in its description of fair pay but also contemplated what the threshold to be met might consist of:

... with a floor that gives them [employees] enough money to make a living, a life on ... a fair wage is enough that you might not afford a house worth a million quid, but you have still got a certain standard of life that you can keep.

Ideally for me, it is if somebody can live without benefits, and be able to live in their own home, study, bring up a family. It is quite hard to define it I guess. And again, that varies when you are 18 and you are living at home, you don't need quite so much as you do when you are 35 and trying to keep your own family. I think that is why there is a slight difference between age groups and wages.

And again, CP3 expressed the fundamental principle of the need norm of distribution in its description of fair pay, but this time wrestled with how this played out in practice for employees of different value to the organisation and who had different individual needs:

It [fair pay] allows you to live your life without necessarily being under undue financial pressure. It's a hard thing because the thing is, if I paid everybody £15 an hour, they would spend £15 an hour and still find that they don't have any money at the end of the month. I think, for me, would you want to think of the fact that your staff are financially struggling and that it's one other thing they've got to worry about rather than coming in to work.

Some of my staff have got kids, some of them haven't. It seems odd to me that I'm paying my finance lady who's great with numbers less than I'm paying my junior developer, whereas my finance lady has to spend so many hours and spend so much money a day parking her car because she needs it to drive to and from school and then basically support her family with that along with her husband's wage who works nights. She's paid less than 23-year-old developer who still lives with his mum and dad in [name of a local village], that sits slightly uneasily with me. Obviously, it's the developers who are the engines in my business, because he's... he's got lots of disposable income because he's not paying his parents, I guess, a great deal in keep. Actually, he parks his car here, his brand new... He bought his car 18 months ago; he's got a brand-new Skoda and parks it here every day for a tenner.

However, chiming with the finding in the analysis of Expectation 1, one of the two employers in the higher-paid computer programming industry that were not

signed up to the Brighton and Hove Living Wage also conceptualised fair pay as distributive justice. CP6 – an employer in the computer programming industry not signed up to the Brighton and Hove Living Wage – also described fair pay by drawing on the need norm of distribution:

I think the location based stuff, so if you're in a particularly expensive location but that job needs to be done, a fair salary is one that can allow you to live in that location. So the London weighting and things like that, Brighton is not far behind in terms of prices, so that would seem like fair ... We work for a web designer, we could live anywhere, if I work in the local NHS I've got to live here, so it's only fair that I'm paid enough to live in the area that I work without having to have a ridiculous commute or something like that.

Within employers in the higher-paid computer programming industry, this indicated conceptualisation of fair pay as distributive justice and procedural justice is not exclusive to employers signed up to the Brighton and Hove Living Wage.

Nonetheless, Expectation 2 was considered fulfilled given three of the four employers in the higher-paid computer programming industry who were signed up to the Brighton and Hove Living Wage conceptualised fair pay as distributive justice by drawing on the need norm of distribution whilst they also conceptualised fair pay as procedural justice by drawing on the equity norm of distribution.

### **6.2.3 Expectations 3 and 4**

Expectation 3 was that employers in the low-paid industry of adult social care would primarily conceptualise fair pay as distributive justice by drawing on the equality and/or need norm of distribution.

Expectation 4 was that employers in the low-paid industry of adult social care who were signed up to the Brighton and Hove Living Wage would primarily conceptualise fair pay as distributive justice by drawing on the equality and/or need norm of distribution with a greater effect seen with respect to the need norm of distribution.

Of the four employers in the low-paid adult social care industry, none conceptualised fair pay as distributive justice by drawing on the equality norm of distribution or the need norm of distribution.

However, three of these employers conceptualised fair pay as procedural justice by drawing on the equity norm of distribution. As seen in employers in the higher-paid computer programming industry, these employers primarily conceptualised fair pay as a process-based input:output relationship between an individual employee's contribution and their reward. Individual employee contribution was again typically measured in terms of personal skills, qualifications, experience and effort.

Expressing the generic input:output relationship of the equity norm of distribution, ASC1 described fair pay as:

... well I look at what they get paid monthly and I think, yeah that's quite good, you know, money really for what they [do] ...

ASC2 saw this more specifically in terms of effort – of employees doing more than average:

... if you're expecting people to put in more than average for the type of work, then you should reward them for that.

And ASC3 measured individual employee contribution as personal expertise and experience explicitly:

Fair pay, I would say, has to reward for hard earned skills or learned skills. So for example, the number of years' experience, whether you've got qualifications in that area, whether you've proved yourself in that area ...

Failing to fulfil Expectation 3, employers in the low-paid adult social care industry were seen then to primarily conceptualise fair pay as procedural justice by drawing on the equity norm of distribution rather than distributive justice by drawing on the equality norm of distribution or need norm of distribution.



Moreover, a greater effect of conceptualising fair pay as distributive justice by drawing on the need norm of distribution was not observed in employers in the low-paid industry of adult social care who were signed up to the Brighton and Hove Living Wage given no employers in the low-paid industry of adult social care conceptualised fair pay in this way. Accordingly, Expectation 4 was considered unfulfilled.

### **6.3 Chapter summary**

This chapter examined how employers conceptualised fair pay. It used the concept of organisational justice as a basis for analysis together with the notion of norms of distribution. Organisational justice comprises two essential components of procedural justice and distributive justice. Procedural justice concerns perceptions of fairness regarding the *process* used in making decisions and distributive justice concerns perceptions of fairness regarding the *outcome* of such decisions. Procedural justice therefore aligns with a deontological approach to decision making and distributive justice to a teleological approach.

Three core norms of distribution were employed in the analysis. The equity norm of distribution regulates the allocation of outcome (pay) to be in proportion to an employee's individual contribution. The equality norm of distribution regulates the allocation of pay so all employees receive the same amount of reward irrespective of individual contribution. And the need norm of distribution regulates the allocation of pay in order that some given state of employee deprivation is resolved. Being process-based, the equity norm of distribution aligns with the concept of procedural justice and, being outcome-based, the equality norm and need norm of distribution align with the concept of distributive justice. Aiming to meet the needs of workers by providing a minimum wage that is based on the cost of living rather than the dictates of the market, the Living Wage is an example of the need norm of distribution and a manifestation of distributive justice.

Conceptualisations of fair pay of employers in a low-paid industry and a higher-paid industry were compared given employers from both these sectors adopt

the Living Wage, despite the Living Wage being aimed at lower-paid workers. Conceptualisations of fair pay of employers who were signed up to the Brighton and Hove Living Wage and those of employers who were not signed up were also compared to try to increase our understanding of the influence an employer's conceptualisation of fair pay might have on their decision to adopt the ethical assurance scheme of the Living Wage. Employers were found to conceptualise fair pay similarly *and* differently. Table T.7 summarises how employers primarily conceptualised fair pay.

		<b>Brighton and Hove Living Wage status</b>	
		<b>Not signed up</b>	<b>Signed up</b>
<b>Industry</b>	<b>Low-paid (Adult social care)</b>	Equity (PJ) Relativeness (DJ)	Equity (PJ) Relativeness (DJ)
	<b>Higher-paid (Computer programming)</b>	Equity (PJ) Relativeness (DJ)	Equity (PJ) Need (DJ) Relativeness (DJ)

Key: (DJ) Distributive justice, (PJ) Procedural justice

Table T.7: How employers primarily conceptualised fair pay.

All employers conceptualised fair pay as procedural justice by drawing on the equity norm of distribution. However, employers in the higher-paid computer programming industry who were signed up to the Brighton and Hove Living Wage also conceptualised fair pay differently to those employers in this industry who were not signed up to the Brighton and Hove Living Wage. Of these, employers who were signed up to the Brighton and Hove Living Wage also conceptualised fair pay as distributive justice, whereas employers who were not signed up to the Brighton and Hove Living Wage did not. However, employers in the low-paid industry of adult social care only conceptualised fair pay as procedural justice. Unlike employers in the higher-paid computer programming

industry who were signed up to the Brighton and Hove Living Wage then, employers in the lower-paid adult social care industry who were signed up to the Brighton and Hove Living Wage did not conceptualise fair pay as distributive justice.

Finally, the analysis revealed that a further norm of distribution may exist. Although not used in practice by employers, this norm featured in employer descriptions of fair pay. This norm sought to regulate the allocation of outcome (pay) relatively. Within an organisation this might be that the highest paid worker could receive no more than a maximum multiple of the pay received by the average or lowest paid worker. Wider than the organisation, this might mean job roles in society be paid relative to one another. As a regulation of distribution based on outcome, this *relativeness* norm of distribution would be a further manifestation of distributive justice.

## 7.0 Employer adoption of the Brighton and Hove Living Wage

This chapter examines employer adoption of the ethical assurance scheme of the Brighton and Hove Living Wage. It examines three particular aspects of employers' participation in this local Living Wage scheme. It explores why employers signed up to the Brighton and Hove Living Wage, the influence the statutory National Minimum Wage and its extension of the National Living Wage had on these employers' decisions to sign up to the Brighton and Hove Living Wage, and the impact sign up to the Brighton and Hove Living Wage has had on these employers' organisations and their approaches to setting pay. It seeks to understand whether employers signed up to the Brighton and Hove Living Wage for similar or different reasons, whether any influence of the statutory National Minimum Wage and National Living Wage on employers' decisions to sign up to the Brighton and Hove Living Wage was similar or different across employers, and whether sign up to the scheme has, again, impacted employers in the same or different ways. Given employers in low-paid and higher-paid industries adopt the Living Wage, despite it being aimed at lower-paid workers, employers from both these sectors were therefore compared.

This study is based on the qualitative interviews of six employers signed up to the Brighton and Hove Living Wage. Two of these employers were in the low-paid adult social care industry and four were in the higher-paid computer programming industry. Employers signed up to the Brighton and Hove Living Wage were exclusively chosen for examination in this chapter for three key reasons. First, because study of these particular employers would provide data specifically relevant to answering the question of *What motivates employers to adopt the Living Wage?* Second, because this approach aligns with that taken by allied research (e.g. Heery et al., 2017; Werner and Lim, 2016a) and so enables ready comparison and read-across to the findings of these studies. And third, because asking employers who had not signed up to the Brighton and Hove Living why they have not or would not sign up to this ethical assurance scheme may have deterred subject participation or increased the likelihood of subjects abandoning their participation, particularly given participation and non-

participation in such ethical assurance schemes can be regarded as highly political and sensitive (Prowse and Fells, 2016; Wills and Linneker, 2012).

Harris's (2011) theoretical model of justifications for organisations behaving ethically was used as a basis of enquiry for analysing why employers signed up to this ethical assurance scheme. Harris (2011) offers three justifications for organisations behaving ethically: acting ethically is the only right way for an organisation to behave; doing what is right, fair and just is expected of an organisation; and, it is in an organisation's best interests to behave ethically.

Employers' reasons for signing up to the Brighton and Hove Living Wage generally aligned with the justifications offered by Harris's theoretical model. However, one of the three theoretical justifications offered by Harris was not identified by employers: doing what is right, fair and just is expected of an organisation. Furthermore, employer reasons for signing up to the Brighton and Hove Living Wage suggested there may be justifications that do not feature in Harris's theoretical model. Employer reasons for signing up to the Brighton and Hove Living Wage typically concurred with expectations drawn from the literature review in chapter 2 and institutional context detailed in chapter 4. Nonetheless, contrary to expectation, employers in the higher-paid computer programming industry were found to sign up to the Brighton and Hove Living Wage because they thought this was the right thing to do. Employers generally reported that the statutory National Minimum Wage and its extension of the National Living Wage had had no influence on their decisions to sign up because their employees were typically paid at rates above that prescribed by the Brighton and Hove Living Wage.

Employers said they had not formally evaluated their sign up to the Brighton and Hove Living Wage because it was generally considered to be a low organisational priority or because it had had little impact. Where there was impact this was typically the increasing of pay of employees below the rate of the Brighton and Hove Living Wage to meet this new threshold. This was observed in employers in the higher-paid computer programming industry. Despite a lack of formal evaluation, some employers reported an impact on

recruitment and retention. Benefiting recruitment and retention, sign up had signalled the organisation's ethical position to current and prospective employees. And payment of the Brighton and Hove Living Wage had resulted in employers recruiting higher skilled people to ensure value for money. However, one employer said it was not looking to recruit people for whom the organisation's sign up to the scheme was a determining factor in their decision to apply to work for the organisation. And another said its decision to sign up to the Brighton and Hove Living Wage had to take into account that it would no longer be able to recruit low cost labour. Several employers thought sign up to the Brighton and Hove Living Wage had had a positive impact on their employee and public relations by demonstrating their ethical position within and outside their organisations.

Employers said sign up to the Brighton and Hove Living Wage had had little or no impact on the way pay was set in their organisation because, as seen previously, they said, most of their employees were already paid at rates of pay above that prescribed by the Brighton and Hove Living Wage. However, all employers reported that the Brighton and Hove Living Wage acts as a pay floor in their organisations. This meant all existing and new employees received the Brighton and Hove Living Wage as a minimum rate of pay. Although employers generally extended this to all employees, including student workers and interns, one employer in the higher-paid computer programming sector did not pay the Brighton and Hove Living Wage to its apprentices. These were instead paid at the sub-Brighton and Hove Living Wage rate prescribed by the National Minimum Wage. This employer said it had confirmed this approach was permissible when adopting the Brighton and Hove Living Wage and that this had meant the organisation signed up to the scheme.

### **7.1 Reasons employers were expected to give for signing up to the Brighton and Hove Living Wage**

As part of their qualitative interviews, the six employers signed up to the Brighton and Hove Living Wage were asked why they had signed up to this Living Wage scheme. Further to the literature review presented in chapter 2 and the institutional context detailed in chapter 4, four expectations were drawn up

regarding the reasons employers would give for signing up to the Brighton and Hove Living Wage.

All the employers were private companies limited by shares, which suggested all were profit-driven organisations. Had this not been the case, they might typically have taken a corporate form which reflected a less or not for profit driven purpose – such as a private company limited by guarantee or a community interest company. Moreover, the suggestion that these employers were primarily profit-driven was further indicated by none of them being accredited as organisations that operated for a purpose other than profit. For example, by being a certified B-Corporation, accredited UK social enterprise or registered UK charity. As profit-driven organisations it was expected then that they would all have signed up to the Brighton and Hove Living Wage as a way of giving them competitive advantage, the ability to win additional work and to attract and retain the skilled employees they require (e.g. BHLW, 2015; BHLW, 2016; BHLW, 2017; Heery et al., 2017; Werner and Lim, 2016a). Therefore, with respect to Harris's (2011) theoretical model of justifications for organisations behaving ethically:

Expectation 1 was that employers signed up to the Brighton and Hove Living Wage because it was in their best interests to do so.

Organisations also adopt new practices where these are recognised as new norms. As new norms these become behaviours that are expected of organisations by customers, owners, and other stakeholders. Moreover, in a competitive environment, their early adoption may provide strategic advantage or their non-adoption may expose the organisation to strategic disadvantage and risk (Chartered Institute of Internal Auditors, 2015; Montagnon, 2014). This was witnessed, for example, in the take up of the national voluntary Living Wage led by the Living Wage Foundation, where, today, all leading high street banks in the UK have signed up to the scheme following its early adoption by one or two employers in this industry (LWF, 2018b; Wills, 2009b). Such normalisation of ethical behaviour is seen in other business practices and across industries – for example, in the uptake of the Fair Tax Mark accreditation

(Fair Tax Mark, 2018a). Therefore, in terms of Harris's (2011) theoretical model of justifications for organisations behaving ethically:

Expectation 2 was that employers signed up to the Brighton and Hove Living Wage because doing what is right, fair and just is expected of an organisation.

Finally, a difference between employers in the low-paid adult social care industry and the higher-paid computer programming industry was expected. Given the fundamental business of the adult social care industry is to deliver care and to be caring, it was expected that employers in this industry would therefore also sign up to the Brighton and Hove Living Wage because, in this vein, they thought this would be the right and proper thing to do in order to similarly promote the wellbeing of their employees. Conversely, this was not expected to be a reason given by employers in the computer programming industry because this industry does not deliver a care service as part of its fundamental business. Therefore, with respect to Harris's (2011) theoretical model of justifications for organisations behaving ethically:

Expectation 3 was that employers in the low-paid adult social care industry signed up to the Brighton and Hove Living Wage because acting ethically is the only right way for an organisation to behave.

Expectation 4 was that employers in the higher-paid computer programming industry did not sign up to the Brighton and Hove Living Wage because acting ethically is the only right way for an organisation to behave.

Table T.8 summarises the expectations regarding the reasons employers would give for signing up to the Brighton and Hove Living Wage.



		<b>Expectations regarding employer sign up to the Brighton and Hove Living Wage (after Harris, 2011)</b>
<b>Industry</b>	<b>Low-paid (Adult social care)</b>	<p>It is in an organisation's best interests to behave ethically</p> <p>Doing what is right, fair and just is expected of an organisation</p> <p>Acting ethically is the only right way for an organisation to behave</p>
	<b>Higher-paid (Computer programming)</b>	<p>It is in an organisation's best interests to behave ethically</p> <p>Doing what is right, fair and just is expected of an organisation</p> <p>Not because acting ethically is the only right way for an organisation to behave</p>

Table T.8: Expectations regarding the reasons employers would give for signing up to the Brighton and Hove Living Wage.

## **7.2 Reasons employers gave for signing up to the Brighton and Hove Living Wage**

The reasons employers gave for signing up to the Brighton and Hove Living Wage were analysed qualitatively and compared to the expectations set out previously. As expected, it was found employers widely signed up to the Brighton and Hove Living Wage because it was in their organisations' best interests to behave in this ethical way. Contrary to expectation, it was found that employers did not sign up to the Brighton and Hove Living Wage because they thought this was expected of them or because they considered sign up to be a

business practice norm. Although not entirely as expected, it was found that some employers in the low-paid adult social care industry signed up to the Brighton and Hove Living Wage because they considered it to be the right thing to do. And, contrary to expectation, it was found that employers in the higher-paid computer programming industry signed up to the Brighton and Hove Living Wage because they considered it to be the right thing to do.

### **7.2.1 Expectation 1**

Expectation 1 was that employers signed up to the Brighton and Hove Living Wage because it was in their best interests to do so.

This justification for organisations behaving ethically is founded on a notion of organisational self-interest that sees organisations behave in ways they consider will be (most) beneficial to themselves. Almost all employers signed up to the Brighton and Hove Living Wage did so for this reason. The benefits perceived by these employers tended to fall into two categories: those in the external domain and those in the internal domain.

Illustrating a perceived benefit to the organisation of signing up to the Brighton and Hove Living Wage with respect to the external domain, ASC2, for example, said participation in the scheme was:

... another good PR [public relations] opportunity ... it's a nice positive halo ... it looks like a good thing ... why wouldn't you be part of it if you're already paying, or if it be slightly over [the Brighton and Hove Living Wage rate]?

CP4 similarly saw public relations and recruitment benefits for the organisation from signing up to the Brighton and Hove Living Wage as this provided:

A signal to the market to come and work for us as you'll get a decent wage.

On the other hand, illustrating a perceived benefit to the organisation of signing up to the Brighton and Hove Living Wage with respect to the internal domain, CP2, for example, said:

... it helps the staff realise that we are a company that care about people.

Noting benefit to the organisation from signing up to the Brighton and Hove Living Wage with respect to both the external and internal domains, CP2, CP3, and CP4 thought participation in the Brighton and Hove Living Wage showed their companies to be morally leading on this ethical behaviour.

For CP2 this moral leadership also meant encouraging other employers to sign up:

It is also good if we can – the more people that sign up for it [the Brighton and Hove Living Wage] then the more that might influence other companies to sign up for it.

Furthermore, to their advantage, participant employers also saw that the potential benefits of signing up to the Brighton and Hove Living Wage could typically be achieved at minimal or nil cost and risk to their organisations. ASC2, for example, reported it had always paid above the Brighton and Hove Living Wage rate and on realising this signed up to the scheme:

... we were paying it anyway, so why not sign up? ... It's a no brainer.

Similarly, CP1 stated it was:

... already paying well above the minimum wage so definitely supported the living wage.

And CP2 also identified the minimal cost and risk to its organisation as a reason for participating in the scheme:

Maybe if it wasn't the fact that most of our employees are at a level that they would be beyond that rate anyway, so that makes the decision easier ... Because there is so little that we lose by being a member.

Likewise, CP3 said it wasn't particularly difficult to participate in the scheme because it never really employed people on a rate lower than Brighton and Hove Living Wage – except, possibly, some very junior staff straight out of college to whom it would have paid the National Minimum Wage. And CP4 also thought it paid fair and had a good pay structure so saw no reason not to sign up to the scheme.

Fulfilling Expectation 1, this analysis showed that employers widely signed up to the Brighton and Hove Living Wage because they considered it to be in the interest of their organisations to do so. In terms of Harris's (2011) theoretical model of justifications for organisations behaving ethically, that they act in this way because it is in the organisation's best interests to behave ethically.

### **7.2.2 Expectation 2**

Expectation 2 was that employers signed up to the Brighton and Hove Living Wage because doing what is right, fair and just is expected of an organisation.

This justification for organisations behaving ethically is based on a normative argument that organisations must behave in ways that are acceptable to the society in which they operate – ways and norms that will shift as society itself develops. However, no employers said they signed up to the Brighton and Hove Living Wage because other employers had signed up or because they considered sign up to be a business behaviour norm.

Failing to fulfil Expectation 2, this analysis did not show that employers signed up to the Brighton and Hove Living Wage because they thought doing so was expected of their organisation. With respect to Harris's (2011) theoretical model of justifications for organisations behaving ethically, employers did not sign up to the Brighton and Hove Living Wage because doing what is right, fair and just is expected of an organisation.

### **7.2.3 Expectation 3**

Expectation 3 was that employers in the low-paid adult social care industry signed up to the Brighton and Hove Living Wage because acting ethically is the only right way for an organisation to behave.

This justification for organisations behaving ethically is founded on a moral argument that there are inherently right and wrong ways to behave and to be ethical an organisation must behave in the right way. However, only one employer in the low-paid adult social care industry commented on the rightness of the Brighton and Hove Living Wage – with ASC2 saying that having a living wage is important.

Not completely fulfilling Expectation 3, this analysis suggested employers in the low-paid adult social care industry in part sign up to the Brighton and Hove Living Wage because they considered it to be the right thing to do. In terms of Harris's (2011) theoretical model of justifications for organisations behaving ethically, employers in the low-paid adult social care industry in part signed up to the Brighton and Hove Living Wage because acting ethically is the only right way for an organisation to behave.

### **7.2.4 Expectation 4**

Expectation 4 was that employers in the higher-paid computer programming industry did not sign up to the Brighton and Hove Living Wage because acting ethically is the only right way for an organisation to behave.

As in the previous analysis, this justification for organisations behaving ethically is based on a moral argument that there are inherently right and wrong ways to behave and to be ethical an organisation must behave in the right way. However, unlike Expectation 3, in this expectation employers in the higher-paid computer programming industry were not expected to sign up to the Brighton

and Hove Living Wage because acting ethically was considered to be the only right way for an organisation to behave.

Nonetheless, contrary to expectation, all employers signed up to the Brighton and Hove Living Wage in the higher-paid computer programming industry said they signed up because they thought it was the right thing to do.

In justifying its participation in the Brighton and Hove Living Wage, CP1, for example, explicitly referred to this being an ethical decision on the part of the organisation – saying its sign up was:

... more of an ethical driver – something we believe in ... that it feels appropriate that we should pay the living wage ... [and that] ... paying people a correctly calculated living wage is a good thing to do.

CP2 said of its decision to sign up to the Brighton and Hove Living Wage:

... it is the right thing to do ... it's a good thing to do.

CP3 considered sign up to the Brighton and Hove Living Wage to be a morally important thing to do and something it needed to afford morally – saying that:

... despite being a stretch, [there was] no credible or ethical reason to not sign-up.

And although appearing to demonstrate some confusion between the voluntary Brighton and Hove Living Wage and the statutory National Living Wage, but nonetheless aligning with the moral justification for acting ethically, CP4 also considered paying a fair living wage as the right thing to do.

Moreover, in further rationalising its decision to sign up, CP3 contended that running a business at the expense of its employees' living standards was not justifiable ethically:

If you are running your business for lifestyle reasons this should not be at the expense of a less than decent lifestyle for your staff.

Indeed, the importance of paying employees at a rate sufficient for them to live a decent quality of life locally, particularly given the higher cost of living in the city, was articulated by several of these employers.

CP1, for example, considered the cost of living for employees to be a key driver to it signing up to the Brighton and Hove Living Wage and to it providing its employees with an existence beyond subsistence:

To make sure pay is not just to keep them but so they have enough money to live on – when they have kids and stuff.

Similarly, and recognising the high cost of living in the city, CP2 wanted to ensure all its employees received a wage that was sufficient to live:

Brighton is an expensive place to live and I think for anyone living in Brighton you need to be paid more than the minimum wage, because just renting a one-bedroom flat is extortionate. So that is why the living wage makes more sense to me ... in this part of the world, you need more help.

And, with a more protectionist connotation, CP3 said:

Similarly to unpaid interns, paying less than a living wage is exploitative.

Contrary to Expectation 4, this analysis showed that employers in the higher-paid computer programming industry signed up to the Brighton and Hove Living Wage because they considered it to be the right thing to do. With respect to Harris's (2011) theoretical model of justifications for organisations behaving ethically, employers in the higher-paid computer programming industry signed up to the Brighton and Hove Living Wage because acting ethically is the only right way for an organisation to behave.

#### **7.4.5 Section summary**

The qualitative analyses indicated, as expected, that employers widely signed up to the Brighton and Hove Living Wage because it was in their organisations' best interests to behave in this ethical way. This concurred with a justification for such behaviour posited by Harris (2011). However, contrary to expectation, employers did not sign up to the Brighton and Hove Living Wage because they

thought sign up was expected of them or because they considered sign up to be a business practice norm. This finding did not concur with Harris's (2011) theoretical model of justifications for organisations behaving ethically. Though not entirely as expected, employers in the low-paid adult social care industry in part signed up to the Brighton and Hove Living Wage because they considered it to be the right thing to do. And, contrary to expectation, employers in the higher-paid computer programming industry signed up to the Brighton and Hove Living Wage because they considered it to be the right thing to do. These findings concurred with a justification for such behaviour presented in Harris's theoretical model (2011). Table T.9 summaries the reasons employers gave for signing up to the Brighton and Hove Living Wage.

		<b>Reasons employers gave for signing up to the Brighton and Hove Living Wage (after Harris, 2011)</b>
<b>Industry</b>	<b>Low-paid (Adult social care)</b>	<p>It is in an organisation's best interests to behave ethically</p> <p>For some, acting ethically is the only right way for an organisation to behave</p>
	<b>Higher-paid (Computer programming)</b>	<p>It is in an organisation's best interests to behave ethically</p> <p>Acting ethically is the only right way for an organisation to behave</p> <p>It is in the interest of employees to do so</p> <p>For some, to encourage other employers to behave this way</p>

Table T.9: Reasons employers gave for signing up to the Brighton and Hove Living Wage.



### **7.3 Influence of the statutory National Minimum Wage and National Living Wage on employers' decisions to sign up to the Brighton and Hove Living Wage**

The employers were asked what influence the statutory National Minimum Wage and National Living Wage had had on their decisions to sign up to the Brighton and Hove Living Wage. Employers generally reported that these statutory national pay minima had had no influence on their decisions to sign up to the Brighton and Hove Living Wage. They typically said this was because they already paid their employees at rates above that of the Brighton and Hove Living Wage or because they had not considered these national statutory pay minima when deciding whether to sign up. ASC2 expanded on this in saying that its decision to sign up to the Brighton and Hove Living Wage had not been such a logical process. Instead, it said that, as a new employer, it was an unforeseen bonus that when it calculated its pay rates – which it had intended to be higher than both the National Minimum Wage and National Living Wage – these came out as being higher than the rate of the Brighton and Hove Living Wage. Consequently, the employer said it just signed up to the Brighton and Hove Living Wage scheme.

Nonetheless, some employers did indicate that the National Minimum Wage and the National Living Wage had had some influence on them. CP1, for example, said the National Minimum Wage and the National Living Wage had, to some extent, raised its awareness of minimum wages and pay minima more generally. And CP2 said it had recognised that the higher cost of living in the city meant its employees needed a rate of pay that was greater than that provided by the statutory national pay minima.

### **7.4 Impact sign up to the Brighton and Hove Living Wage has had on employer organisations**

The employers were asked whether they had evaluated their sign up to the Brighton and Hove Living Wage and what effect sign up to the Brighton and Hove Living Wage had had on their organisations.

#### **7.4.1 Employer evaluations of their sign up to the Brighton and Hove Living Wage**

None of the employers had formally evaluated their sign up to the Brighton and Hove Living Wage. Reasons given by employers for not formally evaluating their sign up to the Brighton and Hove Living Wage included it not being an organisational priority and because sign up was considered to have had minimal impact on the organisation. Indeed, when asked directly, all the employers said their sign up to the Brighton and Hove Living Wage had had no or little effect on their organisations. Employers typically reported sign up to the Brighton and Hove Living Wage had had no impact on their organisations because all their rates of pay were, and were likely to remain, above the rate of pay of the Brighton and Hove Living Wage.

This was the case for employers in the low-paid adult social care industry and employers in the higher-paid computer programming industry. Employers typically reported sign up to the Brighton and Hove Living Wage had had little effect on their organisations when the pay of some of their employees had had to be increased in order to meet the rate of the Brighton and Hove Living Wage. This was particularly notable for employers in the higher-paid computer programming industry where some employees who were not experienced developers – for example, junior developers and administrative staff – had to have their rate of pay increased. CP2, for instance, articulated this as:

Maybe for the admin person and our cleaner, we have made sure that they get paid well above the living wage. And maybe if we hadn't had signed up, we might not have made that decision.

#### **7.4.2 Effect sign up to the Brighton and Hove Living Wage has had on employer organisations**

Despite employers initially saying the Brighton and Hove Living Wage had had little or no effect on their organisations, deeper questioning found employers described a number of impacts that their sign up had had on their organisations. Several employers said their organisation's sign up to the Brighton and Hove Living Wage had had an impact on recruitment and retention. These impacts were considered to be both positive and negative.

Experiencing a positive impact, CP2 thought its sign up to the Brighton and Hove Living Wage had helped it retain employees by demonstrating that it cares about its staff. It also thought its sign up had helped it to attract new employees and, in ensuring it reaped value for money when paying the higher rate of pay of the Brighton and Hove Living Wage, that its sign up to the scheme had also resulted in it recruiting higher skilled staff:

... for the admin person in particular, we hired a more senior admin person perhaps than we would have done, and she adds much more value than she would have done if I didn't.

CP4 also said it experienced positive impact on recruitment from signing up to the Brighton and Hove Living Wage. However, this was not a consequence of paying employees a higher minimum rate of pay as all its employees were already paid above the higher minimum wage rate of the Brighton and Hove Living Wage. Instead, CP4 thought its sign up to the Brighton and Hove Living Wage had quite a strong influence on recruitment because it demonstrated the organisation's ethical position to the people who were likely to be its future employees, saying:

We've got ... quite a strong moral gauge within the organisation. If there's something that we don't believe in or have got a strong opinion about, then we will act on it, and there's a few things that we did last year that were, you know, really high up the corporate social responsibility agenda that kind of move a bit into the political space, but, you know, this is similarly political.

Conversely, ASC2 said it was not looking to recruit people for whom the employer's participation in the Brighton and Hove Living Wage was a determinant for them to apply for a job with its organisation. In a similar vein, CP3 noted that its sign up to the Brighton and Hove Living Wage was unlikely to be a determinant of those who apply to work for its organisation:

I think that people who are coming in here are coming into jobs which are clearly above that [Brighton and Hove Living Wage] anyway, so I'm not too sure if they're judging that as a criteria.

And, experiencing a negative impact, CP3 also said that its sign up to the Brighton and Hove Living Wage had introduced a constraint on the organisation which meant it could no longer higher low-cost labour. Recognising this, when deciding to sign up to the Brighton and Hove Living Wage, it had had to question whether it would be able to maintain this commitment forever.

Several employers also reported that their organisations' sign up to the Brighton and Hove Living Wage had had an impact on employee and public relations. ASC2 thought its sign up and use of the Brighton and Hove Living Wage logo for participant employers had a mild *halo effect* on the company and CP2 thought its sign up had probably helped its marketing. CP3 said it placed the Brighton and Hove Living Wage logo for participant employers on its website and considered its sign up to have improved its reputation:

... we have some kind of kudos with the local living wage branch on the basis that we were one of the first 100 to do it, so I think that gives us some kind of presence on the site that we wouldn't otherwise get.

And again picking up on the importance the employer attaches to signalling its ethical position, CP4 thought its sign up to the Brighton and Hove Living Wage had produced some positive public relations externally and internally with respect to its staff:

... there was a positive response because there's a lot of our workers that have quite a kind of a strong social, moral commitment to things like the economy and the environment ... so it's kind of a pro thing for us to be doing for our employees as well.

## **7.5 Impact sign up to the Brighton and Hove Living Wage has had on the way pay is set in employer organisations**

The employers were asked what impact their sign up to the Brighton and Hove Living Wage had had on the way pay is set in their organisations. As previously, reporting that most, if not all, their employees were already paid at rates above that of the Brighton and Hove Living Wage, employers generally said that their sign up to the Brighton and Hove Living Wage had had little or no impact on the way pay is set in their organisations. Despite this, however, all the employers

went on to say that their sign up to the Brighton and Hove Living Wage acted as a pay floor in their organisations.

All the employers reported that in practice this meant they used the Brighton and Hove Living Wage as a reference point to ensure none of their employees were paid below the rate it prescribed. For example, as a new employer, ASC2 said that had it thought of paying below the rate of the Brighton and Hove Living Wage, sign up to the scheme would have encouraged the organisation to pay the higher minimum rate of pay prescribed by the scheme. CP2 said it recognised its cleaner and administrator were now paid well above the Living Wage but that this may not have been the case if it had not signed up to the Brighton and Hove Living Wage. And CP3 reported that it now uses the Brighton and Hove Living Wage to set the minimum rate of pay for non-technical vacancies with only low skill and short-term vacancies being paid at this rate.

Employers in the higher-paid computer programming industry also typically reported that they used the Brighton and Hove Living Wage to ensure their student workers and interns were paid this higher minimum rate of pay too. Although one employer in this industry said it originally thought sign up to the Brighton and Hove Living Wage would prevent it being able to hire apprentices at the corresponding (lower) National Minimum Wage rate. It said it subsequently discovered participation in the Brighton and Hove Living Wage still allowed employers to hire apprentices at these sub-Brighton and Hove Living Wage rates so, consequently, proceeded to sign up.

## **7.6 Chapter summary**

This chapter examined employer adoption of the ethical assurance scheme of the Brighton and Hove Living Wage. It examined three aspects of employer participation in this local Living Wage scheme in particular. It explored why employers signed up to the Brighton and Hove Living Wage, the influence the statutory National Minimum Wage and its extension of the National Living Wage had had on employers' decisions to sign up to the Brighton and Hove Living Wage, and the impact sign up to the Brighton and Hove Living Wage had had

on these employers' organisations and their approaches to setting pay. It sought to understand whether there were similarities or differences between employers across these dimensions. In particular, employers in low-paid and higher-paid industries were compared given employers from both sectors have signed up to the Brighton and Hove Living Wage despite the scheme being aimed at lower-paid employees. Harris's (2011) theoretical model of justifications for organisations behaving ethically was used as a basis of enquiry in analysing why employers signed up to the Brighton and Hove Living Wage.

As expected, and aligning with Harris's theoretical model, it was found that employers widely signed up to the Brighton and Hove Living Wage because it was in their best interests to act in this ethical way. However, contrary to expectation and not concurring with Harris's model, employers were not found to have signed up to the Brighton and Hove Living Wage because they thought this was expected of them or because they considered this a business practice norm.

Although not entirely as expected, employers in the low-paid adult social care industry were found to have signed up to the Brighton and Hove Living Wage because they thought this was the right thing to do. And, contrary to expectation, it was found that employers in the higher-paid industry of computer programming signed up to the Brighton and Hove Living Wage because they thought this was the right thing to do.

Employers' sign up to the Brighton and Hove Living Wage for this reason showed alignment with Harris's theoretical model of justifications for organisations behaving ethically. However, suggesting possible further justifications for organisations behaving ethically, employers in the higher-paid industry of computer programming signed up to the Brighton and Hove Living Wage because it was in the interests of their employees to do so and because employers wanted to demonstrate leadership in this practice that would encourage others to adopt this ethical assurance scheme.

Employers typically reported that the statutory National Minimum Wage and National Living Wage had had no influence on their decisions to sign up to the Brighton and Hove Living Wage. They typically said this was because they already paid their employees at rates higher than that of the Brighton and Hove Living Wage or because they had not considered these national statutory pay minima when deciding whether to sign up. However, some employers did indicate that these statutory pay minima had raised their awareness of minimum wages and pay minima more generally with one considering the rates of these to be insufficient to live in the city due to its high cost of living.

Employers said they had not formally evaluated their sign up to the Brighton and Hove Living Wage. They said this was because they considered this to be a low organisational priority and because they thought sign up had had no or minimal impact on their organisations. Where there was impact this typically required the increase in pay of employees who were paid below the rate of the Brighton and Hove Living Wage. This was observed in employers in the higher-paid computer programming industry where employees who were not more experienced developers, such as junior developers and administrative staff, had had to have their rate of pay increased in this way.

Despite their lack of formal evaluation, some employers said their sign up to the Brighton and Hove Living Wage had had an impact on recruitment and retention. Some reported sign up helped them retain and attract new staff because sign up demonstrated their ethical position and that they cared about their employees. Moreover, that the employees they retained and attracted were not necessarily those in receipt of the Brighton and Hove Living Wage. Employers also reported that they had recruited people with higher levels of skill to ensure value for money when recruiting staff at the higher minimum rate of pay of the Brighton and Hove Living Wage.

On the other hand, one employer in the low-paid adult social care sector said it was not looking to recruit people for whom the employer's participation in the scheme was a determinant of their application to work for the organisation. In a similar vein, an employer in the higher-paid computer programming industry

though the organisation's sign up to the Brighton and Hove Living Wage was unlikely to be a determinant of a prospective employee's decision to apply to work for the organisation. Moreover, this employer also reported that it recognised that sign up to the Brighton and Hove Living Wage would permanently restrict its ability to use low-cost labour and, as such, had to consider this in its decision to sign up. Several employers thought their sign up to the Brighton and Hove Living Wage had had a positive impact on their employee and public relations by demonstrating their ethical position within and outside their organisations.

Employers said their sign up to the Brighton and Hove Living Wage had had little or no impact on the way pay is set in their organisations. As seen previously, employers typically said this was because they already paid their employees at rates above that of the Brighton and Hove Living Wage. However, all employers reported that their sign up to the Brighton and Hove Living Wage acted as a pay floor in their organisations. In practice this meant existing employees who were paid at a rate below that of the Brighton and Hove Living Wage were increased to at least this rate and that new employees were now recruited at the rate of the Brighton and Hove Living Wage as a minimum. Although this approach was generally extended to all employees by employers, including student workers and interns, one employer in the higher-paid computer programming industry did report that it continued to pay its apprentices at the sub-Brighton and Hove Living Wage rate prescribed by the National Minimum Wage. Moreover, this employer had confirmed this was permissible when signing up to the Brighton and Hove Living Wage and that this had enabled them to sign up.



## **8.0 Conceptualising fairness and pay: motivations for action**

This chapter responds to the research question by discussing the empirical data presented in chapters 5, 6 and 7 with reference to the literature reviewed in chapter 2 and the institutional context detailed in chapter 4. First, it uses the review of literature on fairness and pay presented in chapter 2 to understand how these concepts relate to the minimum wage interventions of the statutory National Minimum Wage and National Living Wage and the voluntary Living Wage. Second, it examines reasons for signing up to the Brighton and Hove Living Wage given by participating employers to understand why, in their own words, their organisations signed up to the ethical assurance scheme of the Brighton and Hove Living Wage. Lastly, it explores some of the key influences that have encouraged employers to move from statutory compliance to the adoption of ethical assurance with respect to the payment of a minimum wage in their organisations.

### **8.1 Concepts of fairness and pay in minimum wage interventions**

This section examines the statutory National Minimum Wage and its extension of the National Living Wage and the voluntary Living Wage to understand how these minimum wage interventions employ the concepts of fairness and pay. Despite differences in their methods of calculation, the statutory National Minimum Wage and its extension of the National Living Wage similarly conceptualise pay as both a contribution to production and a living for workers. However, neither of these prioritise the conceptualisation of pay as a living for workers. Consequently, both continue to determine their respective minimum rates of pay with regard to the needs of workers but also with respect to the impact their rates are expected to have on wider society and the economy. On the other hand, affording primacy to the conceptualisation of pay as a living, the voluntary Living Wage prioritises the needs of workers in its calculation of a minimum wage. Directly altering the pattern of outcome in each case, all three interventions conceptualise fairness with respect to pay teleologically and as distributive justice within the wider concept of organisational justice. Each

intervention employs the equality and need norms of distribution in its operation. Nonetheless, conflicts within and between these norms of distribution are seen to exist in all three minimum wage interventions.

### **8.1.1 The statutory National Minimum Wage**

The Labour Party's argument for a statutory national minimum wage in the United Kingdom was a response to the problem of fairly distributing benefits and burdens in society (e.g. Bentham, 2007 [1780]; Mill, 2001 [1863]; Rawls, 1971; etc.). It recognised the liberalised labour market of the UK and the reduction in the power of collectivised labour resultant of the Thatcher-led neoliberal policies of the 1980s and 1990s had led to the payment of very low wages to a significant proportion of workers (LPC, 1998). Wages so low that wider society – the taxpayer – was required to provide welfare payments to these workers to ensure they received enough income to achieve an acceptable standard of living. And in so doing that wider society was subsidising employers who chose to pay their workers at such low levels (Labour Party, 1997).

Understanding pay has influence beyond the organisations of employers (The High Pay Commission, 2011), the government's intention was to intervene at an organisational level in order to redress the imbalance it saw manifest at a societal level (e.g. New Economics Foundation, 2011). Introduction of a statutory national minimum wage brought in a social economic conceptualisation of pay alongside an existing and dominant classical economic conceptualisation of pay. By legally ensuring they received a specific amount of pay as a minimum, pay would no longer be conceptualised as only being a contribution to production – as per the existing and dominant classical economic conceptualisation – but would now also be seen to be in the service of workers – as per a social economic conceptualisation (Figart et al., 2002). In terms of the socially just distribution of goods, a statutory national minimum would begin to redistribute the cost of low pay back to low-paying employers and reduce the subsidy they were receiving from taxpayers by requiring them to pay a higher minimum rate of pay. However, given the terms of reference of the Low Pay Commission required it to recommend an initial rate and increases in the National Minimum Wage that take into account prevailing social and economic

circumstances, the extent to which this burden on wider society could be returned to employers would be limited by the amount the economy was considered able to sustain rather than what workers need to live (Lourie, 1997; Lourie, 1999).

In altering the pattern of outcome directly, the intervention of a national minimum wage assumes a teleological position with respect to fairness (Blackburn, 2008) and conceptualises fairness as distributive justice in the broader concept of organisational justice (CIPD, 2013; Colquitt et al., 2013; Greenberg, 1993). Moreover, covering all adult employees, this approach may be seen to enact the equality norm of distribution as it prescribes a minimum rate of pay applicable to all such workers (Blackburn, 2008). Indeed, in practice, this had an equalising effect for many workers – particularly women and part-time workers – as their rates of pay were brought up to that prescribed by the National Minimum Wage at least (LPC, 2000). However, the universal application of this equality norm of distribution is undermined by section 3 of the National Minimum Wage Act 1998 as this permits the single hourly rate to be applied differently to certain classes of person. Contended at the Act's introduction and since, these provisions have been used to apply lower rates of the minimum wage to specific groups of workers – typically younger people and trainees.

Introduction of the National Minimum Wage also demonstrates the conflicts that can occur when two or more norms of distribution operate concurrently (Grandey, 2001). This is demonstrated, for example, by the requirement that all workers are treated similarly under the Act (save such provisions as discussed previously) and the choice of some employers to pay their employees relative to their performance (e.g. Adams, 1965). Here the equality norm of distribution generally underpinning the Act requires all workers to receive a rate of pay not less than the National Minimum Wage based upon the amount of time they have worked. A conflict between this equality norm of distribution and the equity norm of distribution materialises then where workers employed on piecework terms do not output to a level sufficient to mean they have earned at a rate of at least the national minimum wage. Given its statutory footing, the equality norm

of distribution that broadly underpins the National Minimum Wage overrides that of the equity norm of distribution to result in a rate of pay for these workers that does not then relate to their performance as the employer had intended.

### **8.1.2 The statutory National Living Wage**

Against the resurgence of the idea of a Living Wage in the United Kingdom, the Conservative Government's introduction of the statutory National Living Wage was also a response to the problem of fairly distributing benefits and burdens in society seen earlier (e.g. Bentham, 2007 [1780]; Mill, 2001 [1863]; Rawls, 1971; etc.). As the Labour Government had argued with respect to its introduction of a national minimum wage, the Conservative Government contended introduction of the National Living Wage would reduce the welfare subsidy provided by the state – taxpayers – to employers who paid their employees excessively low wages. And similarly recognising pay has influence beyond the organisations of employers (The High Pay Commission, 2011), this Conservative government would also intervene at an organisational level in a bid to manifest changes it sought at societal level (New Economics Foundation, 2011). Here, introduction of the National Living Wage was intended to enable low-wage workers to enjoy a greater share of the country's economic gains (DBIS, 2015c).

However, despite this ambition for low-wage workers to receive a greater share of the country's collective gains and its different method of calculation, the National Living Wage remains conceptually unchanged from the National Minimum Wage. As with the National Minimum Wage, needs of workers are considered in the calculation of the National Living Wage but these are not prioritised over the effects its rates may have on the wider economy and society (DBIS, 2015c). Pay is again conceptualised as a hybrid of classical economics which conceptualises pay as a contribution to production and social economics which conceptualises pay as a living for workers (Figart et al., 2002). Unlike the aspiration of a genuine living wage, the National Living Wage does not then solely or foremostly conceptualise pay as a living – where the needs of workers primarily determine minimum permissible levels of pay. Moreover, its conceptual similarity to the National Minimum Wage continues as its adoption of a relative target and basis of calculation for it to be sixty percent of median

hourly pay by 2020 again directly alters the pattern of outcome. As seen in the National Minimum Wage, in doing so the National Living Wage also assumes a teleological position with respect to fairness (Blackburn, 2008) and conceptualises fairness as distributive justice in the broader concept of organisational justice (CIPD, 2013; Colquitt et al., 2013; Greenberg, 1993).

Given the conceptual similarity of the National Minimum Wage and the National Living Wage, conflicts are again observed where norms of distribution are applied to the intervention of the National Living Wage (Grandey, 2001). For example, although the equality norm of distribution is enacted by requiring all workers aged twenty-five years old and over to receive the rate of the National Living Wage as a minimum, this norm is simultaneously breached by limiting its mandatory payment to these workers whilst excluding its payment to younger workers (GMB, 2016; UNISON, 2016; Unite, 2016). The government's argument for applying the National Living Wage to workers aged twenty-five years old and over only was that the priority of younger workers should be to 'secure work and gain experience so they can compete in the labour market' (DBIS, 2015c, p. 7). However, this approach makes no allowance for the economic needs of these younger workers. Needs that would have been taken into account should the National Living Wage have prioritised the conceptualisation of pay as a living and predicated its calculation on the need norm of distribution associated with the idea of a genuine Living Wage.

### **8.1.3 The voluntary Living Wage**

The Living Wage is again a response to the problem of fairly distributing benefits and burdens in society (e.g. Bentham, 2007 [1780]; Mill, 2001 [1863]; Rawls, 1971; etc.). However, unlike the statutory National Minimum Wage and its extension of the statutory National Living Wage, a genuine living wage, above all else, conceptualises pay as a living for workers (Figart et al., 2002). A living that is expected to provide a quality of life to workers that exceeds mere existence (e.g. ILO, 1919; Pyper, 2014; Smith, 2012; UN, 1948). In the United Kingdom a minimum wage intervention based on such a conceptualisation of pay is popularly offered by the Living Wage Foundation by way of its voluntary Living Wage scheme. The rate of this minimum wage seeks to ensure all

recipient workers are paid enough to meet their needs and in so doing are able to achieve a decent standard of living. Prioritisation of workers' needs over all other considerations in the calculation of this voluntary Living Wage intervention thereby conceptually differentiates it from the statutory National Minimum Wage and its extension of the National Living Wage.

Nonetheless, conceptual similarities between the statutory interventions of the National Minimum Wage and National Living Wage and the voluntary Living Wage do exist. In determining workers' pay in accordance with their needs to achieve a quality of life beyond existence, as seen in both the National Minimum Wage and the National Living Wage, the voluntary Living Wage also directly alters the pattern of allocative outcome. As with the statutory minimum wages, this means the voluntary Living Wage assumes a teleological position with respect to fairness (Blackburn, 2008) and conceptualises fairness as distributive justice in the broader concept of organisational justice (CIPD, 2013; Colquitt et al., 2013; Greenberg, 1993). However, as observed in both the National Minimum Wage and the National Living Wage, conflicts again occur where different norms of distribution are applied to the concept (Grandey, 2001). For example, calculation of the Living Wage Foundation's voluntary Living Wage fundamentally employs the need norm of distribution to produce two rates that are based on the weighted average of costs of living in London and in the rest of the country. In applying each of these rates to all workers equally within London and equally within the remainder of the country the equality norm of distribution is also invoked.

The combined effect, however, produces a Living Wage that does not reflect individual worker need because, for instance, the needs of workers are estimated, averaged, and assumed according to geographical location (Grover, 2008). Individual household relationships regarding income and expenditure cannot be known and so accounted for accurately (Cooke and Lawton, 2008). Averaging either overprovides or underprovides for workers (Bennett, 2014; Rathbone, 1924). And the scheme's use of rate capping to prevent excessive increases for employers in any one year holds the rate of pay at a level below that calculated as a living wage by its own definition (Living Wage Commission,

2016). Critically, where rate capping is applied this undermines the fundamental rationale of a living wage by displacing the primacy afforded to the needs of workers with the needs of others – in this case employers (Bennett, 2014).

## **8.2 Employer rationales for participating in a Living Wage ethical assurance scheme**

This section examines the reasons given by employers for signing up to the Brighton and Hove Living Wage to understand why, in their own words, they chose to participate in this ethical assurance scheme. Employer reasons for signing up to the voluntary Brighton and Hove Living Wage were presented in chapter 7. These findings are used to explore why employers signed up to this voluntary Living Wage intervention. Resonating strongly with existing research (Heery et al., 2017; Werner and Lim, 2016a), the findings of chapter 7 showed employers largely said that they signed up to the voluntary Brighton and Hove Living Wage because it was in their organisations' best interests to do so, because they thought it was the right thing to do, and, to a lesser extent, because they wanted to show leadership with respect to this change. Employers in the higher-paid industry of computer programming also said they signed up because it was in the interests of their employees to do so. However, contrary to expectation, employers did not say they signed up to the Brighton and Hove Living Wage because they felt this was expected of them or because other employers were doing so.

### **8.2.1 Self-interest**

According with reasons commonly cited by organisations for their adoption of ethical assurance schemes (Chartered Institute of Internal Auditors, 2015), employers said they signed up to the Brighton and Hove Living Wage because they thought their participation would offer them business benefits or strategic advantage. A decision many recognised as easier for them because they already paid all, or most, of their employees at or above the rate of the Brighton and Hove Living Wage. Indeed, this general ease of participation appeared further indicated by participate employers' lack of formal evaluation of their sign up to the scheme – or appetite to do so. However, in evaluating its sign up informally, one employer noted a business constraint in choosing to participate

in the scheme that it said it had to factor into its decision of whether or not to sign up. Critically for this employer, a decision to sign up to the Brighton and Hove Living Wage was a commitment to participate in the scheme forever. In practice this commitment would constrain the employer in two ways. First, the employer would no longer be able to employ low-cost labour and, second, the threshold that defined low-cost labour – the rate of the Brighton and Hove Living Wage – would be determined by an external body which was outside the employer's control. A constraint recognised in other Living Wage schemes and that has meant, for some employers, they have been unable to sign up formally (Johnson, 2017). Further reasons of organisational self-interest given by employers signed up to the scheme echo those found by other studies.

Employers participant in Living Wage schemes widely report reputational and human resource benefits, the ability to win new work, and to be able to differentiate themselves from competitors (e.g. BHLW, 2015; BHLW, 2016; BHLW, 2017; Heery et al., 2017; Werner and Lim, 2016a). Here then, employers signed up to the Brighton and Hove Living Wage said they had done so because it provided a good public relations opportunity and sent a message about the organisation's values and ethical position to the outside world, to prospective employees, and to current employees. This concurs with the assertion that use of ethical assurance can assist organisations to manage, enhance, and protect their reputations. As it can also help them communicate their organisational values and brand (e.g. Dando and Raven, 2006; Greyser, 2009). In the marketplace use of an ethical assurance scheme such as the Brighton and Hove Living Wage may differentiate an organisation from its competitors sufficiently to make it attractive to a new cohort of customers whose values align to the initiative's underlying rationale (Ethical Consumer, n.d.). Moreover, where clients are considering and beginning to specify that their contractors must pay their employees the Living Wage (e.g. Brighton and Hove City Council, 2012), employer participation in such ethical assurance schemes becomes a prerequisite of tendering for these contracts and of operating in that particular market (Ellis and Keane, 2008).



Employers also thought their sign up to the Brighton and Hove Living Wage helped them with staff recruitment and retention – a frequently reported effect of Living Wage schemes (BHLW, 2017; Heery et al., 2017; Werner and Lim, 2016a). However, reporting of this effect was concentrated in employers in the higher-paid computer programming industry. This was unexpected as the benefit of a higher minimum wage might typically be thought to be most attractive to employees and prospective employees of employers in low-paid industries where rates of pay are, by definition, at or closer to those of the statutory minima. Efficiency wage theory (Akerlof and Yellen, 1986), for example, contends employee retention will increase where wages are paid at a rate above market clearing rate – as is the case with the Brighton and Hove Living Wage that pays above the rates of the statutory National Minimum Wage and National Living Wage – because workers do not wish to relinquish a job that pays at a premium.

For employees in the higher-paid computer programming industry, whose rates of pay are typically far above that of the Brighton and Hove Living Wage, the attraction of their employer's sign up appears to be more principle driven given the assurance of a higher rate of minimum pay provided by the scheme would have no effect on their pay. Indeed, the need for such alignment between an employer's values and an employee's values is recognised as an important factor for the type of worker (graduate) who is likely to be employed in the computer programming industry (PwC, 2009; PwC, 2011). Nonetheless, appearing to contradict this one employer in the higher-paid computer programming industry thought its participation in the Brighton and Hove Living Wage scheme was unlikely to be a reason that people applied to work for it.

In a different vein, one employer in the low-paid adult social care industry signed up to the Brighton and Hove Living Wage said it was not looking to recruit people for whom the organisation's participation in the scheme was a reason for them applying to work for it. The employer explained this was a reflection of its recruitment strategy that sought carers who were motivated to take on this type of work for motivations other than financial reward. To deliver its highly personalised model of care based on low volume and very high

quality, this employer was seeking to recruit carers who probably wanted to do something different with their lives, wanted to build long-term relationships with their clients, and who would flex greatly to meet the individual requirements of their clients. The employer's selection and recruitment of its carer employees was not therefore made on a basis for whom pay – including the organisation's payment of the Brighton and Hove Living Wage – was a criterion for application.

Finally, one employer in the higher-paid computer programming industry said its participation in the Brighton and Hove Living Wage scheme had resulted in it recruiting higher-quality employees in those positions it now paid at the higher rate of this Living Wage to ensure value for money. This was of benefit to the employer because these higher-quality employees brought greater skills and experience to the organisations. However, in making this adjustment to their recruitment strategies such employers invoke some of the worker replacement effects that can be associated with minimum wages more generally. At the introduction of the National Minimum Wage, for example, employers had reported moving to the recruitment of qualified staff only as a means to extract greatest value from this increased rate of pay (LPC, 2000). As raised with the introduction of the National Living Wage, the effect can manifest in reverse where older workers who are eligible for the higher-rated minimum wage risk being replaced with lower-cost younger workers who are not eligible (LPC, 2017).

### **8.2.2 Rectitude**

In larger organisations, the values and principles by which an organisation aspires to operate are typically set out in a code of ethics or similar document. However, such codes are highly abstracted as they sit at distance from the multitude of employees whose actions ultimately make up the behaviours of these large organisations. How to realise these organisational values in the actions of every employee when every employee will, at least, have their own interpretation of this code, have their own moral compass, and have their own level of allegiance to the organisation is a real and difficult problem for these larger organisations (Dando and Raven, 2006; Webley, 2006). In smaller organisations, however, the level of abstraction between the values of an

organisation and the behaviours of its employees is reduced because the workforce itself is so much smaller and because the distance between it and the organisation's owner-management is so much closer. In practice this means the values and moral code of owner-managers are infused with the operation of the organisation to a greater extent in smaller organisations (Spence, 2014). This realisation of the values and moral codes of owner-managers in the operation of smaller organisations appears to be demonstrated then by the widespread sign up of such organisations to the Brighton and Hove Living Wage for moral reasons.

Moreover, in signing up to the Brighton and Hove Living Wage for moral reasons, these employers recognise their employees as stakeholders in their organisations. Stakeholders who are important in their own right and who warrant consideration alongside the other interests of the organisation, including its requirement to produce profit. This was specifically identified by one employer who regarded it as exploitative for the owners of an organisation to reap a good life from the organisation if its employees were not at least achieving a decent quality of life as a result of their working for the organisation. Such appreciation of employees – stakeholders other than an organisation's owners – demonstrates then a stakeholder approach to responsible business (Freeman, 1984). Indeed, by not prioritising the generation of profit above all else such an approach rejects the shareholder primacy model (Friedman, 2002). Instead it aligns closer to the likes of the ambitions of UK company law that sees the duty of directors to be to promote the success of their company for all its members and with regard to, amongst other matters, its employees (Companies Act 2006 (s 172(1))). In terms of Carroll's (1979) model of corporate social responsibility, in signing up to the Brighton and Hove Living Wage for moral reasons, these organisations can be seen then to be realising their social responsibility to act economically, legally, and ethically.

The realisation of these owner-managers' values and moral codes through the operation of their organisations appears reinforced when considered in terms of the conceptual basis of the Living Wage intervention. As revealed earlier, employers signed up to the Brighton and Hove Living Wage tend to

conceptualise fair pay as procedural justice *and* distributive justice. Given the conceptualisation of fair pay as distributive justice aligns with the conceptual basis of the voluntary Living Wage intervention, this suggests employers' attitudes towards fairness are realised through their action of signing up to the Brighton and Hove Living Wage ethical assurance scheme. And this appears strengthened by these employers' conceptualisation of pay as a living for workers (Figart et al., 2002). Here employers signed up to the Brighton and Hove Living Wage often give the interests of their employees as a reason for their participation in the scheme. Typically, that their employees should receive pay sufficient to enable them to live a decent quality of life locally. For these employers then sign up to the Living Wage is a realisation of both their conceptualisation of fairness as distributive justice and their conceptualisation of pay as a living. It is a demonstration of their values and moral codes being brought to life through their organisations.

However, contrary to expectation, this realisation of owner-managers' personal values and ethical positions was more pronounced in employers in the higher-paid computer programming industry. Employers in the higher-paid computer programming industry tended to give the interests of their employees as a reason for signing up to the Brighton and Hove Living Wage more so than employers in the low-paid adult social care industry. This may then illustrate how the cost of participating in ethical assurance schemes can be prohibitively expensive for some organisations (Ellis and Keane, 2008). Compare, for example, the typical difference in adjustment costs between an employer in the low-paid industry of adult social care and an employer in the higher-paid industry of computer programming that sign up to the Living Wage. Employers in low-paid industries will have a relatively, and possibly prohibitively, high adjustment cost given the relatively large number of workers they will be paying at or around the statutory minima. Employers in higher-paying industries, on the contrary, will have a relatively low adjustment cost given the relatively small number of workers they will be paying at or around the statutory minima (e.g. BHLWC, 2012; LPC, 2017).

Such higher-paying employers who require a small, or nil, cost adjustment to participate in the Living Wage may then find it easier to vocalise their moral commitment to this ethical behaviour when it can be achieved at comparatively little financial cost. Indeed, for such employers, sign up to the Brighton and Hove Living Wage may change little operationally and bring little benefit to those the scheme targets but may, nonetheless, strengthen the participating organisation's social licence to operate (Carroll, 1979; Ellis and Keane, 2008; Hughes, 2010; Mutersbaugh, 2010). On the other hand, the relative straightforwardness of committing to pay a Living Wage may provide these smaller organisations with an ethical assurance scheme in which they can participate that other more complex and operationally expensive schemes, often aimed at larger organisations, do not (Soundararajan and Spence, 2016; Tilley, 2000).

### **8.2.3 Leadership**

As seen in the voluntary Living Wage led by the Living Wage Foundation in the UK (LWF, 2018b; Wills, 2009b), early adoption of new business practices by organisations can have a normalising effect that leads to their widespread take up by other organisations. Organisations commit to new (ethical) behaviours because these become expected of them by wider society (Carroll, 1979; Harris, 2011) and to fail to do so may put them at a strategic disadvantage with respect to their competitors (Montagnon, 2014). Contrary to expectation then, employers signed up to the Brighton and Hove Living Wage did not give this reason for participating in this ethical assurance scheme.

However, several employers said their sign up to the Brighton and Hove Living Wage was an act of moral leadership where their participation would be a deliberate demonstration of their values and ethical positions. Indeed, for one employer, its participation in this ethical assurance scheme was specifically intended to encourage other employers to also sign up. These employers were then on the flipside of the rationale that contended organisations would sign up to this ethical assurance scheme because they thought it was expected of them or because other employers were doing so (Carroll, 1979; Harris, 2011). Where this argument envisioned participants to be followers of change, these

employers were instead leaders of change. Echoing the findings of allied research that found employers said they became a Living Wage employer to lead this change in their industry or in their geographical region (Heery et al., 2017).

Moreover, considered in terms of the expectation that boards should establish the culture, values and ethics of their companies and that they should lead by example (FRC, 2016), such behaviour of these owner-managers seems to demonstrate their intent in this regard at the very least. Indeed, the assumption of this ethical leadership role by organisations may, for some, constitute philanthropy. In terms of Carroll's (1979) model, to realise his fourth aspect of corporate social responsibility: discretionary social responsibility.

### **8.3 Influences encouraging employers to move from statutory compliance to ethical assurance**

This section explores some of the key influences that appear to have encouraged employers to move from statutory compliance to the adoption of ethical assurance with respect to a minimum wage in their organisations. Alignment of the conceptual basis of the Living Wage and the conceptualisation of fair pay of employers signed up to this ethical assurance scheme appeared to encourage employers to adopt the Brighton and Hove Living Wage at a conceptual level. Although employers said the statutory National Minimum Wage and National Living Wage did not influence their decisions to sign up to the ethical assurance scheme of the Brighton and Hove Living Wage, some effect of this National Minimum Wage legislation did, however, appear to influence the design of the popular national voluntary Living Wage scheme led by the Living Wage Foundation and the Brighton and Hove Living Wage scheme and their subsequent take up by employers. Lastly, the closeness of the relationship and heightened interdependence that tends to exist between employer and employees in smaller organisations appears to have encouraged employers in these smaller organisations to move from statutory compliance to ethical assurance with respect to a minimum wage in their organisations.

### 8.3.1 Conceptual

To understand how employers might be influenced to move from statutory compliance to ethical assurance at a conceptual level, the use of the concepts of fairness and pay in the statutory National Minimum Wage and the National Living Wage and the voluntary Living Wage were compared to employers' conceptualisations of fair pay. To do this the concepts of fairness and pay found to be in use by the statutory National Minimum Wage and the National Living Wage and the voluntary Living Wage identified earlier were compared to the empirical findings of employer conceptualisations of fair pay presented in chapter 6.

The findings of chapter 6 showed employers commonly conceptualised fair pay as procedural justice within the wider concept of organisational justice by drawing on the equity norm of distribution. For all employers then, within this conceptualisation of fairness, fair pay was deemed to be an amount of pay that was awarded to a worker which was considered proportional to their personal contribution – where greater personal contribution warranted greater individual reward. Here then, pay was conceptualised as fair when it adhered to a process that relates personal input (individual contribution) to personal reward (individual pay). A process that adopts the equity norm of distribution (Adams, 1965; Hammer, 2009; Schroeder, 1995), aligns with a deontological position that sees outcome determined by way of a process, and in so doing provides a manifestation of procedural justice from the wider concept of organisational justice (Blackburn, 2008; CIPD, 2013; Colquitt et al., 2013; Greenberg, 1993).

However, in addition to this common conceptualisation of pay as procedural justice, employers from the higher-paid computer programming industry who were signed up to the voluntary Brighton and Hove Living Wage also conceptualised fair pay as distributive justice. These employers then *also* conceptualised pay as fair when it adhered to their expectations around its pattern of outcome. Expectations that typically wanted their employees to receive an amount of pay sufficient for them to live locally and to enjoy a reasonable quality of life. Unlike the previous, common, conceptualisation of fair pay that is realised through adherence to some process of allocation, this

conceptualisation of fair pay is then realised when it produces a satisfactory pattern of outcome. Drawing on the need norm of distribution to ensure workers receive sufficient pay to prevent them from being unable to live locally and to enjoy a reasonable quality of life, this conceptualisation of fairness adopts a teleological position by altering the pattern of outcome directly and in so doing presents a manifestation of distributive justice from the wider concept of organisational justice (Blackburn, 2008; CIPD, 2013; Colquitt et al., 2013; Greenberg, 1993).

That employers signed up to the voluntary Brighton and Hove Living Wage generally conceptualised fair pay differently to those who were not signed up – by conceptualising fair pay in an additional way – suggests there may be a relationship between the way in which employers conceptualise fair pay and the conceptual bases that underpin such minimum wage interventions. Employer participation in statutory and voluntary minimum wage interventions are considered in turn.

Given employers have a statutory obligation to pay their employees the National Minimum Wage and National Living Wage, the decision to participate in these minimum wage interventions is not a prerogative afforded to employers who want to remain lawful. These interventions do not therefore need to align or appeal to employers in such a way or ways that would encourage them to voluntarily participate. Employer participation is mandatory irrespective of an individual employer's support for or resistance to either intervention. Therefore, that the conceptual bases of the National Minimum Wage and the National Living Wage do not align with the conceptualisation of fairness found commonly in employers is, essentially, immaterial. Employers who wish to remain lawful will fulfil the statutory requirements of paying their employees the National Minimum Wage and the National Living Wage regardless of whether they conceptualise these interventions as fair or not.

On the other hand, unlike their mandated participation in the National Minimum Wage and National Living Wage, the voluntary Living Wage requires employers to elect to participate given it is a non-statutory minimum wage intervention. A



minimum wage intervention that, to date, has required the payment of a higher than statutory minimum wage to employees and one that, as such, may well incur cost to participant employers. An appetite to tolerate such potential cost or to encourage participation might then be positively influenced where an employer's conceptualisation of fair pay accords with the conceptualisation of fair pay that underpins the intervention. Considered conversely, an appetite to tolerate such potential cost or encourage participation might be expected to be negatively influenced where an employer's conceptualisation of fair pay does not accord with the conceptualisation of fair pay that underpins the intervention. Indeed, there appears to be a general accord between the conceptualisation of fair pay of employers signed up to the Brighton and Hove Living Wage and the conceptual basis of the intervention itself. Employers signed up to the voluntary Brighton and Hove Living Wage (also) conceptualised fair pay as distributive justice and the intervention itself is based on the conceptualisation of fair pay as distributive justice.

### **8.3.2 Legislative**

The findings of chapter 7 showed employers were not generally influenced by the statutory National Minimum Wage or its extension of the National Living Wage in their decisions to sign up to the Brighton and Hove Living Wage. Although some employers did say these statutory pay minima had raised their awareness of minimum wages more generally. However, this lack of general influence of the National Minimum Wage and National Living Wage on the decision of employers to sign up to this ethical assurance scheme was somewhat unexpected given all were smaller employers and almost half were in the low-paid industry of adult social care. Being smaller employers and, in the case of those in the low-paid industry of adult social care, employers in an industry with a high prevalence of low pay, these employers were expected to be more aware and sensitive to the statutory National Minimum Wage and National Living Wage given these types of employer typically experience greater adjustments to accommodate higher minimum wages (e.g. LPC, 2000). The difference in regional adjustments that typically follow an increase in the National Minimum Wage may offer some explanation of this response of employers. Here greatest effect of an increase in the National Minimum Wage

has been seen in those geographic areas of the country that have the largest proportion of low-paying jobs and lowest average rates of pay. The Southeast does not typically feature amongst these regions because its higher average pay rate means it is, on average, less affected by increases in the statutory national minimum wage (LPC, 2017). Employers operating in this local labour market may then expect to pay at elevated rates – rates sufficiently high that the statutory National Minimum Wage and National Living Wage become of little or no significance to them. However, there may be limits to this explanation given the flattening effect of averaging pay across the region and country. In 2018, for example, a survey for the BBC found the average monthly wage in Brighton to be £496 compared to a national average of £539 and £633 in the neighbouring town of Crawley – also in the Southeast (Carter and Swinney, 2018). Showing that despite the Southeast having one of the highest rates of average pay in the country, there is a range of high and low pay across the region that is hidden by the averaging process.

Although employers generally reported the statutory pay minima did not influence their decisions to sign up to the Brighton and Hove Living Wage, an effect of the national minimum wage legislation was, nonetheless, observed. Section 3 of the National Minimum Wage Act 1998 permits the Secretary of State, by the introduction of regulations, to modify how the National Minimum Wage is applied to qualifying workers who have not yet reached the age of 26 years old and those who have reached the aged of 25 years old that meet certain conditions. This includes being able to vary the rate of the National Minimum Wage that applies to these workers and to exclude them from the National Minimum Wage altogether. However, this legislative provision that enables the Secretary of State to treat certain workers differently with respect to the National Minimum Wage, and its extension of the National Living Wage, appears to establish a *de facto* precedent with regard to the likes of the national voluntary Living Wage led by the Living Wage Foundation and the local Brighton and Hove Living Wage as both schemes similarly permit variations for certain classifications of worker. Specifically identified in the National Minimum Wage Act 1998 (s 3(1A(c))), this provision applies to workers *participating in a scheme designed to provide training, work experience or temporary work*.

Similarly, the national voluntary Living Wage does not require its Living Wage rate to be paid to 'volunteers, apprentices or interns' (LWF, 2018c, p. 10) and the Brighton and Hove Living Wage does not require its Living Wage rate to be paid to interns or apprentices – although trainees aged 18 years or older should be in receipt (Nicholls, 2018).

Invoking the equity norm of distribution (Schroeder, 1995) and presenting an example of procedural justice (CIPD, 2013; Colquitt et al., 2013; Greenberg, 1993), these variations typically seek to provide employers with the opportunity to offset some of the cost they incur in training and developing these employees, and in them not yet having a fully formed set of the skills, with a reduction or non-application of minimum wage rates that would normally apply. These concessions appear important and influential in the decision of employers to adopt a (voluntary) Living Wage ethical assurance scheme as, for example, one employer specifically said their sign up to the Brighton and Hove Living Wage had been dependent upon them being able to continue paying their apprentices at the (lower) corresponding rate of the National Minimum Wage.

However, this particular employer's description of fair pay again highlights the difficulty in reconciling concurrent conceptualisations of fairness and pay. Whilst conceptualising fair pay by drawing on the equity norm of distribution with respect to the pay of apprentices, this employer also described fair pay elsewhere as equality – specifically referring to gender pay rates – and a response to need – citing the inadequacy of the National Minimum Wage rate to provide sufficient income for an employee to live a decent quality of life in the Brighton locale as a reason for them signing up to the Brighton and Hove Living Wage. Moreover, that when measured in terms of a contribution to production, apprenticeships should receive less pay, but when considering employees generally, all should receive enough to live a decent quality of life locally (Figart et al., 2002).

### **8.3.3 Relational**

Examination of the operational models of the employers detailed in chapter 3 showed these organisations typically run in a highly relational manner. This was found to be the case for employers in both the low-paid adult social care industry and the higher-paid computer programming industry. Employers in both industries endeavour to create a stable, cohesive, and rewarding working environment that enables their employees to deliver the best possible service to their clients. In both industries this means delivering a highly customer-focused service that responds to the individual needs of clients. In adult social care this typically means a care worker building and maintaining a close relationship with a client to help them support the physical and emotional needs they and their family are likely to have. In the computer programming industry this typically means a developer working closely with a client over often extended periods of time, and quite possibly multiple projects, in order to build rapport, understand their requirements, and to deliver a solution that meets their expectations. Delivery of service in both industries is then highly personalised and relational. This is reflected in the management and operational approaches of the employers.

Despite all being for-profit businesses the owners and managers of these organisations widely described being driven by a motive other than financial reward. Those in adult social care often wanted more than anything to provide the best possible care for older people so they might enjoy to the fullest the later stages of their lives. Those in computer programming often wanted to return something to their local community and to nurture and develop upcoming talent. Indeed, two owner-managers – one from each industry – regarded their businesses as essentially non-profit making but, being of independent means, more of a passion in which they could indulge and realise their non-profit ambitions. Employers' businesses were largely independent, run by their owners, and had relatively flat hierarchies. Consequently, employers generally knew their individual employees very well, knew of their families, and were aware of significant events taking place in their lives.

Demonstrating the value smaller employers typically ascribe to their employees, the interdependence that exists between them, and the heightened mutual exchange that often takes place in their operation (Murillo and Lozano, 2006), most employers adopted a very flexible approach to the working environment, management, and pay setting. As a result, in all but the one computer programming employer that was attached to a larger international corporation, pay setting typically adopted a more informal approach that allowed substantial scope to respond to management and individual employee wants and needs:

There will always be a gap [between pay rates]. I've no science behind it at the moment, no ... I wish I knew.

ASC2

I just do it on a fair basis. I can't give you any logic, I'm afraid to say.

ASC3

It is quite informal. It is almost always my decision alone, and I might talk it through with one or two of the other Directors, but it is really my decision. But I think I base it on that evidence in my mind, but there is not a formal procedure that we follow.

CP2

That's a good question because I don't think we've ever really had a strategy for it as such ... Really it's based on nothing other than an anecdotal analysis of what I think the role should be based at and what I think I can get people for. Sometimes I'm right with that and sometimes I'm wrong, but there's not been much science to it.

CP3

Rates of pay were often negotiated with individual employees and included reciprocal agreements around role flexibility, hours worked, location of working, expenses, and professional development. Apart from the computer programming employer that was attached to an international corporation (CP4), these organisations and their owner-managers strongly exhibited the attributes

often associated with smaller organisations: independence, multi-tasking, highly personalised, and actively managed by their owners (Perrini et al., 2007).

Indeed, the smaller-organisation characteristics of these employers appeared to influence their conceptualisations of fair pay. Although, unexpectedly, this was more pronounced in employers in the higher-paid computer programming industry. These employers widely described fair pay as being pay that was sufficient for their employees to live a decent quality of life locally. They spoke in detail about the specific needs and circumstances of individual employees and how the organisation had worked to accommodate these the best it could and in balance with the needs and awards to other employees. Some employees were starting new families or had had recent additions, others were commuting substantial distances, and some might be caring for friends or relatives.

Drawing on their deep knowledge of individual employees and displaying the highly personalised and familial-like relationships typically found in smaller organisations (Soundararajan and Spence, 2016), these employers then regularly adjusted pay awards to reflect individual employee need. However, in doing so they also tried to achieve a parity of approach across their employees. In responding to employee need and in endeavouring to achieve some sense of uniformity in their actions, these employers were enacting the need norm of distribution and the equality norm of distribution in pursuit of distributive justice (Blackburn, 2008; CIPD, 2013; Colquitt et al., 2013; Greenberg, 1993). Moreover, when determining the pay and pay package of an individual employee with consideration to those of others, employers also invoked a further norm of distribution. A norm of distribution that determined an individual employee's pay *relative* to others. Indeed, the existence of this *relativeness norm of distribution* appears corroborated by it being described by several employers in their conceptualisations of fair pay.

In their decisions to adopt the Brighton and Hove Living Wage employers appeared then to be manifesting some of the closeness they have in the relationship between themselves and their employees. To some extent employers appear to sign up to this ethical assurance scheme because they

think it will make a difference to (some of) their employees. Or, at the very least, that it will demonstrate the concern they have for them. Indeed, for many employers this is illustrated by them paying the Brighton and Hove Living Wage to employees who are officially excludable, such as interns and apprentices. Moreover, realising distributive justice by enacting the equality norm of distribution and need norm of distribution, that these employers pay the Brighton and Hove Living Wage to all their employees as a minimum in order that they all receive this ethically assured local minimum wage.

## **8.4 Chapter summary**

This chapter responded to the research question by discussing the empirical data presented in chapters 5, 6 and 7 with reference to the literature reviewed in chapter 2 and the institutional context detailed in chapter 4. It examined the concepts of fairness and pay employed in the minimum wage interventions of the statutory National Minimum Wage and National Living Wage and the voluntary Living Wage; rationales employers had for participating in the ethical assurance scheme of the Brighton and Hove Living Wage; and, key influences that encouraged employers to move from statutory compliance to ethical assurance with respect to a minimum wage in their organisations.

The statutory National Minimum Wage and National Living Wage were found to draw on the conceptualisation of pay as both a contribution to production and a living for workers because in their calculation both consider the needs of workers but also their affordability with respect to the wider economy. On the other hand, the voluntary Living Wage conceptualised pay as a living for workers because it prioritised attainment of a wage that would provide workers with a decent quality of life above all other considerations (Figart et al., 2002). All three interventions conceptualised fairness teleologically because they directly affect the pattern of outcome of pay and, as such, are instances of distributive justice when considered in terms of the wider concept of organisational justice (Blackburn, 2008; CIPD, 2013; Colquitt et al., 2013; Greenberg, 1993). Each intervention employs the equality norm of distribution and need norm of distribution in its operation. However, conflicts within and

between each of these norms were found to exist in all three interventions (Grandey, 2001).

Echoing existing research (Heery et al., 2017; Werner and Lim, 2016a), rationales given by employers for signing up to the Brighton and Hove Living Wage were because it was in the best interests of their organisation to do so, because they thought it was the morally right thing to do, and, to a lesser extent, because they wanted to show leadership regarding the uptake of this ethical assurance scheme. Employers in the higher-paid computer programming industry also articulated a rationale for signing up as it being in the interest of their employees to do so. This suggested three key rationales for employers signing up to the Brighton and Hove Living Wage: self-interest, rectitude, and leadership. Contrary to expectation though, employers did not sign up to the ethical assurance scheme because they felt this was expected of them or because other employers were doing so.

Three key influences that may have encouraged employers to move from statutory compliance to the adoption of ethical assurance with respect to an organisational minimum wage were examined. The conceptual alignment of the voluntary Living Wage intervention and participant employers' conceptualisation of fair pay as distributive justice suggested a positive influence on employers' decisions to adopt this ethical assurance scheme at a conceptual level. The statutory National Minimum Wage and its extension of the National Living Wage appear to have influenced the design of national voluntary Living Wage schemes led by the Living Wage Foundation and the Brighton and Hove Living Wage – particularly regarding the applicability of minimum wage rates to younger workers and those undertaking training and development programmes. The concessions these provide to employers regarding these workers influenced some employers in their decisions to sign up to the ethical assurance scheme of the Brighton and Hove Living Wage. And the closer, more interdependent relationship that tends to exist between employer and employee in smaller organisations (Murillo and Lozano, 2006) appeared to positively influence employers in their decisions to move from statutory compliance to ethical assurance with respect to a minimum wage in their organisations.



## 9.0 Conclusions

This chapter presents the main findings of this study, draws conclusions from these in response to the research question, and sets out this research's unique contribution to the body of knowledge. It closes in suggesting further areas of possible research.

### 9.1 Main findings, conclusions and unique contribution to the body of knowledge

The main finding and conclusion of this research is that employers are motivated to adopt the ethical assurance scheme of the Living Wage in a context of statutory compliance because the conceptual basis of this voluntary minimum wage intervention aligns with their conceptualisations of fair pay. This extends our current understanding of why employers sign up to the Living Wage because research to date had only gone as far as examining employer rationales for participating in this ethical assurance scheme. These employer rationales tend toward two reasons for scheme participation: organisational self-interest and because it is considered the morally right thing to do. As well as contributing new knowledge, this study corroborates the findings of such previous research. Moreover, it also finds employer adoption of the Living Wage is influenced by the closer, more interdependent relationship that typically exists between employer and employee in smaller organisations. However, in endeavouring to answer the question, *What is fair pay?*, employers were unable to reach a single, definitive, description or conceptualisation.

Alignment of employer interpretations of fair pay and the conceptual basis of the voluntary Living Wage intervention appeared important then to employers' moves from statutory compliance to ethical assurance with respect to the payment of minimum wages in their organisations. Employers who adopted this ethical assurance scheme typically conceptualised fair pay as distributive justice – the conceptual basis of the voluntary Living Wage intervention. However, that employers also conceptualised fair pay in other ways gave rise to conflicts between these differing conceptualisations that made it difficult for employers to resolve to a single, definitive, description, and conceptualisation of fair pay. Here, all employers conceptualised fair pay as procedural justice by drawing on

the equity norm of distribution. This saw fair pay as an individual employee receiving an amount of pay that was proportional to their individual contribution. However, this then conflicted where employers also conceptualised fair pay as distributive justice by drawing on the equality or need norms of distribution. These might see fair pay as, for example, employees being awarded different levels of pay in response to the differing financial demands they face personally.

Employers justified their adoption of the ethical assurance scheme of the Brighton and Hove Living Wage as being in the interests of their employees to do so. Based on the needs of workers to achieve a decent quality of life, these employers conceptualised fair pay as a living for their employees (Figart et al., 2002). However, this justification was typically offered by employers in the higher-paid computer programming industry. An industry, by definition, that is likely to have a low prevalence of low-paid workers. Indeed, how far this conceptualisation might go in practice may yet be open to question given the minimal amount of adjustment these employers have had to make to date to accommodate this ethical assurance scheme in their organisations. On the other hand, employers' conceptualisation of pay as a contribution to production (Figart et al., 2002) seems apparent in their justification for signing up to this ethical assurance scheme because it was in the best interests of their organisations. Here employers signed up to the ethical assurance scheme of the Brighton and Hove Living Wage because this provided organisational advantages and benefits. Resonating strongly with existing research (BHLW, 2015; Heery et al., 2017; Werner and Lim, 2016a), organisations reported gains in employee recruitment and retention, worker performance, winning new work and accessing markets, employee and public relations, and organisational reputation.

Again echoing existing research (Heery et al., 2017), employers also said they sought to provide leadership to others within their industries and geographic locales to adopt the ethical assurance scheme of the Brighton and Hove Living Wage. Such motivation chimes closely with employers signing up to the Brighton and Hove Living Wage because they thought it was the right thing to do. However, these justifications for participating in this ethical assurance

scheme were again more pronounced in employers in the higher-paid industry of computer programming. As deliberated earlier, the value of these justifications may therefore need to be tempered given these higher-paying employers may have little or no adjustment to make when signing up to the ethical assurance scheme of the Brighton and Hove Living Wage. Moreover, given these nil or minimal employer adjustments, it may be contended that employers' moves to the ethical assurance scheme of the Brighton and Hove Living Wage are doing little to change the underlying problem of low pay but are instead providing these organisations with greater social licence to operate (Carroll, 1979; Ellis and Keane, 2008; Hughes, 2010; Mutersbaugh, 2010).

The statutory National Minimum Wage and its extension of the National Living Wage appeared to have minimal influence on employers' moves from statutory compliance to ethical assurance with respect to the payment of minimum wages in their organisations. Despite some awareness raising for some employers and a recognition that these provided a level of pay insufficient to sustain a decent quality of life in the city, employers did not identify these statutory pay minima as drivers for their adoption of the Brighton and Hove Living Wage. The minimal influence of the National Minimum Wage and National Living Wage on employers' decisions to sign up to the Brighton and Hove Living Wage may have been a reflection of the higher average wage of the Southeast region. Indeed, given employers reported that their employees were already largely paid well above the rates of the National Minimum Wage and the National Living Wage, these statutory pay minima were likely to be of much less significance in their decisions to sign up to the higher-rated voluntary Brighton and Hove Living Wage.

However, influence of the National Minimum Wage and its extension of the National Living Wage was seen in the design of voluntary Living Wage schemes and in their uptake. Design of the Brighton and Hove Living Wage scheme resembles that of the statutory National Minimum Wage and its extension of the National Living Wage because it enables certain workers to be treated differently. The scheme permits participant employers to exclude apprentices and interns from payment of the Brighton and Hove Living Wage. For some

employers this enabled them to sign up to the scheme where they would not have been able to otherwise. However, this further demonstrated how concurrent conceptualisations of fair pay can conflict with one another. By drawing on the equity norm of distribution and the concept of procedural justice, this employer, for example, described pay lower than the rate of the Brighton and Hove Living Wage for its apprentices as fair pay because these employees were also receiving training and development from the organisation. However, drawing on the need norm of distribution and the concept of distributive justice, the same employer described fair pay as employees receiving enough pay to live a decent quality of life locally. Commenting that the rate of the statutory National Minimum Wage – of which the employer’s apprentices were receiving the lower apprentice rate – was inadequate for anyone to live a decent quality of life in the city.

The smaller size of these employers appeared to allow the values and moral positions of their owner-managers to readily present in the operation of their organisations (Spence, 2014). Indeed, many spoke of their motivation for being in business as being something other than financial reward. This appeared reflected in how these owner-managers related to their employees. They knew their employees well and typically adopted a very flexible approach to their working environment, management, and pay setting. Perhaps reflecting the heightened co-dependency between employer and employee that typically exists in smaller organisations (Murillo and Lozano, 2006), these owner-managers appeared to show genuine concern for their employees. This appeared to present in their conceptualisations of fair pay and how those signed up to the Brighton and Hove Living Wage largely conceptualised fair pay as distributive justice and a response to employee need. Such concern for their employees challenges the often dominant image of business as being primarily profit-driven (e.g. Friedman, 2002). Instead then, these employers demonstrated a more inclusive approach where they regard their employees as stakeholders in their businesses (Freeman, 1984). In doing so, they are also bringing to life the apparent aspirations of the Companies Act 2006 (s 172(1)) which places a duty on directors to promote the success of their companies for all its members and with regard to, amongst other matters, its employees.

The theoretical model of justifications for organisations behaving ethically offered by Harris (2011) provided a sound initial basis of enquiry with which to examine why employers adopted the ethical assurance scheme of the Brighton and Hove Living Wage. Two of the three justifications in her model presented empirically: it is in an organisation's best interests to behave ethically and acting ethically is the only right way for an organisation to behave. However, the third justification – doing what is right, fair and just is expected of an organisation – did not present empirically. Moreover, a further justification for organisations behaving ethically presented empirically: to lead an ethical change in order that others might follow. This suggests that Harris's (2011) model provides a good starting point with respect to the theoretical justifications organisations might give for behaving ethically but that its further testing may yet be required to ensure all possible justifications have been included. In a similar vein, use of norms of distribution as a basis of enquiry revealed a further norm may exist. Here, the empirical data indicated a *relativeness norm of distribution* may also be deployed to regulate the allocation of social benefits or burdens (e.g. Bentham, 2007 [1780]; Mill, 2001 [1863]; Rawls, 1971; etc.). Although not used in practice by employers participant in this study, this norm did nonetheless feature in their descriptions and conceptualisations of fair pay.

Finally, Carroll's (1979) model of corporate social responsibility appears to offer a sound approach to classifying organisational approaches to responsible business. The four classifications of corporate social responsibility presented in his model were evident in the behaviour of employers. Reflecting the first social responsibility, all organisations were economic – they produced goods or services that society demands and sold these for a profit. With respect to minimum pay, in terms of the second social responsibility, they were all legal as they paid their employees at or above the rates of the statutory National Minimum Wage and National Living Wage. Regarding the third social responsibility, those signed up to the Brighton and Hove Living Wage were seen to be acting ethically. And reflecting the fourth social responsibility, those who signed up to the Brighton and Hove Living Wage in order to lead this change in other employers might be considered to be acting philanthropically.

This research therefore makes a unique contribution to the body of knowledge. It does so by finding employers can be motivated to move from statutory compliance to ethical assurance with respect to minimum pay in their organisations by the conceptual alignment of such schemes – in this case, the Living Wage – and their interpretations of fair pay. Where previous research (e.g. BHLW, 2015; Heery et al., 2017; Werner and Lim, 2016a) found employer rationales for adopting the Living Wage tended toward organisational self-interest and moral reasons, this study has contributed new knowledge by showing employers are also influenced in their decisions to sign up to this ethical assurance scheme by the ways in which they conceptualise fairness and fair pay. They were motivated to sign up to the Living Wage because the conceptual basis of this voluntary minimum wage intervention aligned with their conceptualisations of fair pay.

## **9.2 Suggestions for further research**

Completion of this study revealed a number of further areas of possible research. Theoretically, Harris's (2011) model of justifications for organisations behaving ethically appears incomplete. This study found employers gave a justification for behaving ethically that was not included in Harris's theoretical model: to lead an ethical change in order that others might follow, and one theoretical justification included that did not present empirically: doing what is right, fair and just is expected of an organisation. Therefore, a further area of research would be to test Harris's theoretical model further to ensure its completeness and that it reflects the social world as accurately as possible.

Conceptually, additional norms of distribution appear to influence employer conceptualisations of fair pay. In this study the equity, equality, and need norms of distribution all featured in employers' conceptualisations fair pay (Reeskens and van Oorschot, 2013). However, employers also employed a further norm of distribution – a *relativeness norm of distribution* – in their conceptualisations. Therefore, a further area of research would be to examine employer conceptualisations of fair pay to understand what further norms of distribution might influence how employers conceptualise fair pay and the fair allocation of this social good.

Empirically, further research is called for given adoption of this ethical assurance scheme of the Living Wage has, in actuality, resulted in minimal adjustments to employee pay in employers participant in this study. As the likes of Hughes (2010) discusses in depth, despite the relentless pursuit of organisational change, such efforts can frequently deliver little real change in the organisation.

Methodologically, three further design approaches could be applied. A first could be to repeat the study using a different research design that might increase research reliability. This could employ, for example, the use of qualitative survey to remove the variability introduced by the interviewer. Although this may limit the depth of interviewee responses compared to those that can be collected through the ability of an interviewer to probe interviewees further in unstructured or semi-structured qualitative interviews (Woodhouse, 2007). A second could be to repeat the study in the larger population of the comparable national voluntary Living Wage scheme that is led by the Living Wage Foundation. This national scheme has a participant population that is more than ten times the size of the Brighton and Hove scheme so presents an opportunity to increase research validity by enlarging the study's sample size (Ritchie et al., 2014). A third could be to repeat the study using the participant population of a different ethical assurance scheme that incorporates a fair pay dimension, such as the Business in the Community Corporate Responsibility Index. Findings from such a study or studies might conflict with or corroborate the findings of this study and so challenge or strengthen generalisability (Bryman, 2012).

## References

- Adams, J. S. (1965) 'Inequity in social exchange', in Berkowitz, L. (ed.) *Advances in experimental social psychology* New York: Academic Press.
- Akerlof, G. A. (1982) 'Labor contracts as partial gift exchange', *The Quarterly Journal of Economics*, 97(4), pp. 543-569.
- Akerlof, G. A. and Yellen, J. L. (1986) *Efficiency wage models of the labor market*. Cambridge: University of Cambridge.
- Anker, R. (2011) *Estimating a living wage: A methodological review. Conditions of Work and Employment No. 29* Geneva: International Labour Organization.
- B Corp UK (2016) *B Corps in the UK | B Corporation*. London: B Corp UK. Available at: <http://bcorporation.uk/b-corps-in-the-uk> (Accessed: 09 February 2016).
- Bates, F. (2016) 'The National Living Wage: a defence'. Available at: <http://touchstoneblog.org.uk/2016/04/defence-national-living-wage/> (Accessed 06 October 2018).
- BBC (2001) *Could it happen again?* London: British Broadcasting Corporation. Available at: <http://news.bbc.co.uk/1/hi/business/1251019.stm> (Accessed: 16 May 2016).
- BBC (2002) *BBC News | Business | Enron scandal at a glance*. London: British Broadcasting Corporation. Available at: <http://news.bbc.co.uk/1/hi/business/1780075.stm> (Accessed: 16 May 2016).
- BBC (2004) *Britain's biggest banking scandal*. London: British Broadcasting Corporation. Available at: <http://news.bbc.co.uk/1/hi/business/3383461.stm> (Accessed: 16 May 2016).
- BBC (2010) *Lehman Brothers' former heads criticised for lapses*. London: British Broadcasting Corporation. Available at: <http://news.bbc.co.uk/1/hi/business/8563604.stm> (Accessed: 16 May 2016).



- BBC (2015a) *Budget 2015: Osborne unveils National Living Wage*. London: British Broadcasting Corporation. Available at: <http://www.bbc.co.uk/news/uk-politics-33437115> (Accessed: 21 September 2016).
- BBC (2015b) *Volkswagen: The scandal explained*. London: British Broadcasting Corporation. Available at: <http://www.bbc.co.uk/news/business-34324772> (Accessed: 16 May 2016).
- BCC (1998) BCC Reacts to Minimum Wage. *Press release 25/98, 18 June*. London: British Chambers of Commerce.
- BCC (2016) *Future National Living Wage rises must be based on evidence, not politics, says BCC*. London: British Chambers of Commerce. Available at: <http://www.britishchambers.org.uk/press-office/press-releases/future-national-living-wage-rises-must-be-based-on-evidence,-not-politics,-says-bcc.html> (Accessed: 10 October 2016).
- Bennett, F. (2014) 'The 'living wage', low pay and in work poverty: Rethinking the relationships', *Critical Social Policy*, 34(1), pp. 46-65.
- Bentham, J. (2007) *An introduction to the principles of morals and legislation*. Mineola NY: Dover Publications Inc.
- Best Companies (2016) *Best Companies Accredited Companies*. Wrexham: Best Companies. Available at: <http://www.b.co.uk/Accreditation/Results/201/> (Accessed: 09 February 2016).
- Best Companies (2018) *For a better workplace*. Wrexham: Best Companies. Available at: <https://www.b.co.uk/factors/> (Accessed: 21 July 2018).
- Beugré, C. D. and Baron, R. A. (2001) 'Perceptions of systemic justice: The effects of distributive, procedural and interactional justice', *Journal of Applied Psychology*, 31(2), pp. 324-339.
- BHCC (2012) *Brighton and Hove City Council Policy and Resources Committee agenda item 87*. Brighton: Brighton and Hove City Council.
- BHCC (2016a) *Brighton and Hove City Employment and Skills Plan 2016-2020*. Brighton: Brighton and Hove City Council.
- BHCC (2016b) *Adult Social Care Workforce Strategy*. Brighton: Brighton and Hove City Council.

- BHCC and BHEP (2013) *Brighton and Hove Economic Strategy*. Brighton: Brighton and Hove City Council and Brighton and Hove Economic Partnership.
- BHLW (2013) *Brighton and Hove Living Wage Review 2013*. Brighton: Brighton and Hove Living Wage.
- BHLW (2015) *Brighton and Hove Living Wage Review 2015*. Brighton: Brighton and Hove Living Wage.
- BHLW (2016) *Brighton and Hove Living Wage Campaign September 2016 Survey*. Brighton: Brighton and Hove Living Wage Campaign.
- BHLW (2017) *Brighton and Hove Living Wage Campaign September 2017 Survey*. Brighton: Brighton and Hove Living Wage Campaign.
- BHLW (2018) *Sign up to the Brighton and Hove Living Wage*. Brighton and Hove: Brighton and Hove Living Wage Campaign. Available at: <https://www.livingwagebrighton.co.uk/sign-up/> (Accessed: 26 August 2018).
- BHLWC (2011) *Brighton and Hove Living Wage Commission Terms of reference*. Brighton: Brighton and Hove Living Wage Commission.
- BHLWC (2012) *Final report*. Brighton: Brighton and Hove Living Wage Commission.
- BITC (2015) *CR Index 2015: Company listing*. London: Business in the Community.
- BITC (2016a) *The Corporate Responsibility Index | Business in the Community*. London: Business in the Community. Available at: <http://www.bitc.org.uk/services/benchmarking/cr-index> (Accessed: 16 June 2016).
- BITC (2016b) *Award Winners 2015 | Business in the Community*. London: Business in the Community. Available at: <http://www.bitc.org.uk/awards/responsible-business-awards/award-stories-2015/award-winners-2015> (Accessed: 14 February 2016).
- Black, J., Hashimzade, N. and Myles, G. (2009) *Oxford dictionary of economics*. Oxford: Oxford University Press.
- Blackburn, S. (2008) *Oxford dictionary of philosophy*. 2nd edn. Oxford: Oxford University Press.

- Bolger, A. (1998) 'Ministers' cautious approach brings angry response', *Financial Times*, 19 June.
- Bose, G. (1997) 'Nutritional efficiency wages: a policy framework', *Journal of Development Economics*, 54(2), pp. 469-478.
- Brighton and Hove Fairness Commission (2016) *The report*. Brighton: Brighton and Hove Fairness Commission.
- Bryman, A. (2012) *Social research methods*. 4th edn. Oxford: Oxford University Press.
- Business Against Poverty (2016) *Members | Business Against Poverty*. Melksham: Business Against Poverty. Available at: <http://www.businessagainstpoverity.com/our-members/> (Accessed: 11 February 2016).
- Carrell, M. R. and Dittrich, J. E. (1978) 'Equity theory: The recent literature, methodological considerations, and new directions', *The Academy of Management Review*, 3(2), pp. 202-210.
- Carroll, A. B. (1979) 'A three-dimensional conceptual model of corporate performance', *Academy of Management Review*, 4(4), pp. 497-505.
- Carter, A. and Swinney, P. (2018) *The UK towns and cities with the highest and lowest wages*. London: British Broadcasting Corporation. Available at: <https://www.bbc.co.uk/news/business-43729508> (Accessed: 21 August 2018).
- CBI (2012) *CBI submission to the Low Pay Commission - September 2012*. London: Confederation of British Industry.
- CBI (2014) *CBI submission to the Low Pay Commission - September 2014*. London: Confederation of British Industry.
- CBI (2016) *National Living Wage*. London: Confederation of British Industry. Available at: <http://www.cbi.org.uk/news/national-living-wage/> (Accessed: 27 September 2016).
- Chartered Institute of Credit Management (2015) *Prompt Payment Code*. Oakham: Chartered Institute of Credit Management. Available at: <http://www.promptpaymentcode.org.uk/> (Accessed: 16 May 2016).
- Chartered Institute of Internal Auditors (2015) *Providing ethical assurance to boards*. London: Chartered Institute of Internal Auditors.

- Chhabara, R. (2009) *Wages - Working for a living*. London: Ethical Corporation. Available at: <http://www.ethicalcorp.com/business-strategy/wages-working-living> (Accessed: 25 November 2016).
- CIPD (2013) *The changing contours of fairness: Can we match individual and organisational perspectives?*, London: Chartered Institute of Personnel and Development.
- CIPD (2016) *2015 Results | The CIPD People Management Awards*. Available at: <http://www.cipdpmas.co.uk/results-2015/> (Accessed: 14 February 2016).
- Ciscel, D. H. (2000) 'The living wage movement: Building a political link from market wages to social institutions', *Journal of Economic Issues*, XXXIV(2), pp. 527-535.
- Clarke, M. J. (1995) 'FOCUS: Ethics in need of regulation', *Business Ethics*, 4(4), pp. 202-205.
- Clarke, S. and D'Arcy, C. (2016) *Low pay Britain 2016*. London: Resolution Foundation.
- Colquitt, J. A., Scott, B. A., Rodell, J. B., Long, D. M., Zapata, C. P., Compton, D. E. and Wesson, M. J. (2013) 'Justice at the Millennium, a Decade Later: A Meta-Analytic Test of Social Exchange and Affect-Based Principles', *Journal of Applied Psychology*, 98(2), pp. 199-236.
- Cooke, G. and Lawton, K. (2008) *Working out of poverty: A study of the low paid and 'Working poor'*. London: Institute for Public Policy Research.
- Corporate Citizenship (2013) *Rankings, standards and awards*, London: Corporate Citizenship.
- Corporate Watch (2016) *Home page | Corporate Watch*. London: Corporate Watch. Available at: <https://corporatewatch.org/> (Accessed: 16 May 2016).
- CorpWatch (2016) *CorpWatch*. Berkeley CA: CorpWatch. Available at: <http://www.corpwatch.org/> (Accessed: 16 May 2016).
- Coulson, A. B. and Bonner, J. (2015) *Living Wage Employers: evidence of UK business cases*. London: Citizens UK on behalf of the Living Wage Foundation.
- Covalence SA (2018) *ESG Ratings*. Geneva: Covalence SA. Available at: <https://www.covalence.ch/> (Accessed: 21 July 2018).

- Coyle, D. (2015) 'The economics of high pay: market forces and market power', in High Pay Centre (ed.) *Thinking high and low - Exploring pay disparities in society*. London: High Pay Centre.
- CRSP (2016) *What is MIS | CRSP | Loughborough University*. Loughborough: Centre for Research in Social Policy. Available at: <http://www.lboro.ac.uk/research/crsp/mis/whatismis/> (Accessed: 18 October 2016).
- Cuff, M. (2015) 'Is the VW scandal a wake-up call for investors?', *businessGreen*, 13 November 2015. Available at: <http://www.businessgreen.com/bg/analysis/2434599/is-the-vw-scandal-a-wake-up-call-for-investors>.
- Cynnal Cymru (2018) *Living Wage Wales*. Cardiff: Cynnal Cymru. Available at: <http://www.cynnalcymru.com/living-wage/> (Accessed: 29th July 2018).
- Dando, N. and Raven, W. (2006) *Living up to our values - Developing ethical assurance*. London: Institute of Business Ethics.
- DBEIS (2018) *Corporate Governance - The Companies (Miscellaneous Reporting) Regulations 2018 Q&A*. London: Department for Business, Energy and Industrial Strategy.
- DBIS (2015a) *Business population estimates for the UK and regions 2015*. London: Department for Business, Innovation and Skills.
- DBIS (2015b) *Growth dashboard: 22 January 2015*. London: Department for Business, Innovation and Skills. Available at: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/396740/bis-15-4-growth-dashboard.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/396740/bis-15-4-growth-dashboard.pdf) (Accessed: 22 March 2017).
- DBIS (2015c) *Amendment to the National Minimum Wage Regulations 2015 - introducing the National Living Wage*. London: Department for Business, Innovation and Skills.
- Deutsch, M. (1975) 'Equity, equality and need: What determines which value will be used as the basis of distributive justice', *Journal of Social Issues*, 31(3), pp. 137-149.
- Diener, E. and Crandall, R. (1978) *Ethics in social and behavioural research*. Chicago IL: University of Chicago Press.

- Dutton, M., Raeside, R., Mazza, T. and Chen, T. (2014) *Evaluating the economic impact of the Glasgow Living Wage*, Edinburgh: Employment Research Institute.
- EIRIS (2015) *Statistics | EIRIS*. London: Vigeo-Eiris. Available at: <http://www.eiris.org/media/statistics/> (Accessed: 13 May 2016).
- Ellis, K. and Keane, J. (2008) *A review of ethical standards and labels: Is there a gap in the market for a new 'Good for Development' label? Working Paper 297*. London: Overseas Development Institute.
- Elster, J. (1989) 'Social norms and economic theory', *The Journal of Economic Perspectives*, 3(4), pp. 99-117.
- Ethical Consumer (2015) *Ethical consumer markets report 2015*. Manchester: Ethical Consumer.
- Ethical Consumer (2016) *Ethical Consumer: the alternative consumer organisation*. Manchester: Ethical Consumer. Available at: <http://www.ethicalconsumer.org/> (Accessed: 28 January 2016).
- Ethical Consumer (n.d.) *A beginners' guide to Ethical Consumer*. Manchester: Ethical Consumer.
- Ethical Investment Association (2016) *Ethical Investment Association*. London: Ethical Investment Association. Available at: <http://ethicalinvestment.org.uk/> (Accessed: 14 May 2016).
- Ethisphere (2018) *About the Ethisphere Institute*. Scottsdale AZ: Ethisphere Institute. Available at: <https://ethisphere.com/about-updated/> (Accessed: 21 July 2018).
- ETI (2016) *Base Code clause 5: Living wages are paid*. London: Ethical Trading Initiative. Available at: <http://www.ethicaltrade.org/eti-base-code/5-living-wages-are-paid> (Accessed: 28 November 2016).
- Eurofound (1998) *Government announces National Minimum Wage*. Dublin: Eurofound. Available at: <http://www.eurofound.europa.eu/observatories/eurwork/articles/government-announces-national-minimum-wage> (Accessed: 25 August 2016).
- European Union (2015) *User guide to the SME Definition*. Luxembourg: Publications Office of the European Union.

- Fair Tax Mark (2018a) *Who's got the Fair Tax Mark?* Manchester: Fair Tax Mark. Available at: <https://fairtaxmark.net/accredited-organisations/> (Accessed: 24 August 2018).
- Fair Tax Mark (2018b) *Getting the Mark*. London: Fair Tax Mark Ltd. Available at: <https://fairtaxmark.net/getting-the-mark/> (Accessed: 21 July 2018).
- FDA (2010) *FDA submits evidence to the Hutton Review of fair pay in the public sector*. London: FDA. Available at: <http://www.fda.org.uk/MembersArea/News/Newsletters/FDA-submits-evidence-to-the-Hutton-Review-of-Fair-Pay-in-the-Public-Sector.aspx> (Accessed: 12 January 2016).
- Figart, D. M., Mutari, E. and Power, M. (2002) *Living wages, equality wages: Gender and labor market policies in the United States*. New York: Routledge.
- Financial Crisis Inquiry Commission (2011) *The Financial Crisis Inquiry Report*. Washington, DC: U.S. Government Printing Office.
- Fisher, D. (2009) 'The enlightened shareholder – leaving stakeholders in the dark: will section 172(1) of the Companies Act 2006 make directors consider the impact of their decisions on third parties?', *International Company and Commercial Law Review*, 20(1), pp. 10-16.
- Forum Ethibel (2018) *Ethibel labels*. Brussels: Forum Ethibel. Available at: <http://forumethibel.org/content/ethibellabels.html> (Accessed: 21 July 2018).
- FRC (2016) *The UK Corporate Governance Code*. London: Financial Reporting Council.
- FRC (2018) *The UK Corporate Governance Code*. London: Financial Reporting Council.
- Freeman, R. E. (1984) *Strategic management - A stakeholder approach*. Cambridge, MA: Cambridge University Press.
- Friedman, M. (2002) *Capitalism and freedom - 40th anniversary edition*. London: The University of Chicago Press Ltd.
- FSB (2016) *Small firms prepare for new National Living Wage*. Blackpool: Federation of Small Businesses. Available at: <http://www.fsb.org.uk/media-centre/press-releases/small-firms-prepare-for-new-national-living-wage> (Accessed: 20 October 2016).

- FTSE International Limited (2014) *Index inclusion rules for the FTSE4Good Index Series*. London: FTSE International Limited.
- FTSE Russell (2016) *FTSE4Good*. London: FTSE International Limited.  
Available at: <http://www.ftse.com/products/indices/FTSE4Good>  
(Accessed: 14 May 2016).
- Ghosh, P., Rai, A. and Sinha, A. (2014) 'Organizational justice and employee engagement - Exploring the linkage in public sector banks in India', *Personnel Review*, 43(4), pp. 628-652.
- Glasgow Living Wage (2018) *Glasgow Living Wage*. Glasgow: Glasgow Living Wage. Available at: <https://www.glasgowlivingwage.co.uk/> (Accessed: 29 July 2018).
- Global Tolerance (2015) *The values revolution*. London: Global Tolerance.
- GMB (2016) *GMB on National Living Wage*: GMB. Available at:  
<http://www.gmb.org.uk/newsroom/gmb-on-national-living-wage>  
(Accessed: 10 October 2016).
- GoodCorporation (2016) *GoodCorporation | The measure of a good company*. London: GoodCorporation Limited. Available at:  
<http://goodcorporation.com/> (Accessed: 31 January 2016).
- Grandey, A. A. (2001) 'Family friendly policies: organizational justice perceptions of need-based allocations', in Cropanzano, R. (ed.) *Justice in the workplace: from theory to practice Volume 2*. Mahwah NJ: Lawrence Erlbaum Associates, Inc., Publishers.
- Great Place to Work (2016) *Best Workplace - Great Place to Work United Kingdom*. London: Great Place To Work. Available at:  
<http://www.greatplacetowork.co.uk/best-workplaces> (Accessed: 13 February 2016).
- Greater London Authority (2015) *A fairer London: The 2015 Living Wage in London*. London: Greater London Authority.
- Greenberg, J. (1993) 'The social side of fairness: Interpersonal and informational classes of organizational justice', in Cropanzano, R. (ed.) *Justice in the workplace: Approaching fairness in human resource management*, Hillsdale NJ: Erlbaum, pp. 79-103.
- Greyser, S. A. (2009) 'Corporate brand reputation and brand crisis management', *Management Decision*, 47(4), pp. 590-602.



- Grover, C. (2008) 'A living wage for London?', *Benefits*, 16(1), pp. 71-79.
- Hammer, T. H. (2009) 'The role of norms in organizational change efforts', in Saksvik, P.O. (ed.) *Prerequisites for healthy organizational change*. Soest, The Netherlands: Bentham Books.
- Harris, F. (2011) 'Brands, corporate social responsibility and reputation management', in Voiculescu, A. & Yanacopulos, H. (eds.) *The business of human rights*. London: Zed Books Ltd.
- Hart, O. and Zingales, L. (2017) 'Companies should maximize shareholder welfare not market value', *Journal of Law, Finance and Accounting*, (2), pp. 247 - 274.
- Heery, E., Hann, D. and Nash, D. (2015) *The Living Wage in Wales*. Cardiff: Cardiff Business School.
- Heery, E., Nash, D. and Hann, D. (2017) *The Living Wage Experience*. Cardiff: Cardiff Business School.
- Heritage, S. (2015) 'Why I'm finally going to boycott Amazon', *The Guardian*, 17 August. Available at:  
<https://www.theguardian.com/technology/commentisfree/2015/aug/17/why-i-am-finally-going-to-boycott-amazon>.
- High Pay Centre (2014) *Reform agenda - How to make top pay fairer*, London: High Pay Centre.
- Hitchcock, D. (2009) 'Social accountability: No longer just a risk-mitigation strategy', *International Society of Sustainability Professional*, (September), pp. 1-7.
- HM Government (2010) *The Coalition: our programme for government*, London: HM Government.
- HM Government (2018) *National Minimum Wage and National Living Wage rates*. London: HM Government. Available at:  
<https://www.gov.uk/national-minimum-wage-rates> (Accessed: 30 July 2018).

- House of Commons Work and Pensions and Business Innovation and Skills Committees (2016) *First Report of the Work and Pensions Committee and Fourth Report of the Business, Innovation and Skills Committee of Session 2016-17*, London: House of Commons (HC 54). Available at: [https://publications.parliament.uk/pa/cm201617/cmselect/cmworpen/54/54.pdf?utm\\_source=54&utm\\_medium=module&utm\\_campaign=modulereports](https://publications.parliament.uk/pa/cm201617/cmselect/cmworpen/54/54.pdf?utm_source=54&utm_medium=module&utm_campaign=modulereports).
- HPC (2016) *The state of pay: High Pay Centre briefing on executive pay*. London: High Pay Centre.
- Hughes, M. (2010) *Managing change - A critical perspective*. London: Chartered Institute of Personnel and Development.
- Hutton, W. (2011) *Hutton Review of fair pay in the public sector: final report*, London: Crown (PU1132).
- IBE (2013) *Ethical indices*, London: Institute of Business Ethics.
- ILO (1919) *ILO Constitution*. Geneva: International Labour Organization.  
Available at:  
[http://www.ilo.org/dyn/normlex/en/f?p=1000:62:0::NO:62:P62\\_LIST\\_ENTRIE\\_ID:2453907:NO](http://www.ilo.org/dyn/normlex/en/f?p=1000:62:0::NO:62:P62_LIST_ENTRIE_ID:2453907:NO) (Accessed: 24 November 2016).
- Investing in Integrity (2016) *Investing in Integrity*. Available at: <http://www.investinginintegrity.org.uk/> (Accessed: 12 February 2016).
- John Lewis Partnership (2015) *The constitution of the John Lewis Partnership*. London: John Lewis Partnership plc.
- Johnson, M. (2017) 'Implementing the living wage in UK local government', *Employee Relations*, 39(6), pp. 840-849.
- Keay, A. (2007) 'Section 172(1) of the Companies Act 2006: an interpretation and assessment', *Company Lawyer*, 28(4), pp. 106-110.
- King, P. (2016) 'Setting the New Zealand living wage: complexities and practicalities', *Labour & Industry: a journal of the social and economic relations of work*, 26(1), pp. 8-23.
- Labour Party (1997) *new Labour because Britain deserves better*. United Kingdom: Kimber. Available at: <http://www.politicsresources.net/area/uk/man/lab97.htm> (Accessed: 19 August 2016).

- Leventhal, G. S. (1976) 'The distribution of rewards and resources in groups and organizations', in Berkowitz, L. & Walster, W. (eds.) *Advances in experimental social psychology*, New York: Academic Press, pp. 91-131.
- Lim, E. (2018) 'Judicial intervention in directors' decision-making process: section 172 of the Companies Act', *Journal of Business Law*, 2, pp. 169-188.
- Living Wage Commission (2016) *Closing the gap: A Living Wage that means families won't go short*. London: Living Wage Foundation.
- Lourie, J. (1997) *National Minimum Wage Bill Research Paper 97/133*. London: House of Commons Library.
- Lourie, J. (1999) *National Minimum Wage Research Paper 99/18*. London: House of Commons Library.
- LPC (1998) *The National Minimum Wage First Report of the Low Pay Commission*, London: Low Pay Commission (Cm 3976).
- LPC (2000) *The National Minimum Wage The Story So Far Second Report of the Low Pay Commission*, London: Low Pay Commission (Cm 4571).
- LPC (2007) *National Minimum Wage Low Pay Commission Report 2007*, London: Low Pay Commission (Cm 7056).
- LPC (2015) *National Minimum Wage Low Pay Commission Report 2015*, London: Low Pay Commission (Cm 9017).
- LPC (2016) *National Minimum Wage Low Pay Commission Report Autumn 2016*, London: Low Pay Commission (Cm 9272).
- LPC (2017) *National Minimum Wage Low Pay Commission Report 2017*, London: Low Pay Commission (Cm 9536).
- LWF (2016a) *Employers - Living Wage Foundation*. London: Living Wage Foundation. Available at: <http://www.livingwage.org.uk/employers> (Accessed: 07 January 2016).
- LWF (2016b) *Employers Living Wage Foundation*. Available at: <http://www.livingwage.org.uk/employers> (Accessed: 01 March 2016).
- LWF (2016c) *The calculation*. London: Living Wage Foundation. Available at: <http://www.livingwage.org.uk/calculation> (Accessed: 19 October 2016).
- LWF (2016d) *History*. Available at: <http://www.livingwage.org.uk/history> (Accessed: 10 August 2016).

- LWF (2018a) *Living Wage Commission*. London: Living Wage Foundation.  
Available at: <https://www.livingwage.org.uk/living-wage-commission>  
(Accessed: 26 August 2018).
- LWF (2018b) *Accredited Living Wage Employers*. London: Living Wage Foundation. Available at: <https://www.livingwage.org.uk/accredited-living-wage-employers> (Accessed: 24 August 2018).
- LWF (2018c) *Living Wage: A guide for employers*. London: Living Wage Foundation.
- LWF (2018d) *What is the Living Wage?* London: Living Wage Foundation.  
Available at: <https://www.livingwage.org.uk/what-real-living-wage>  
(Accessed: 21 July 2018).
- MacInnes, T., Tinson, A., Hughes, C., Born, T. B. and Aldridge, H. (2015) *Monitoring poverty and social exclusion*. York: Joseph Rowntree Foundation.
- McLean, I. and McMillan, A. (2009) *Oxford concise dictionary of politics*. Oxford: Oxford University Press.
- Metcalf, D. (1999) *The British National Minimum Wage*. London: Centre for Economic Performance.
- Mikula, G., Petrik, B. and Tanzer, N. (1990) 'What people regard as unjust: Types and structures of everyday experiences of injustice', *European Journal of Social Psychology*, 20, pp. 133-49.
- Milkovich, G., Newman, J. and Gerhart, B. (2014) *Compensation*. 11th edn. New York: McGraw-Hill.
- Mill (2001) *Utilitarianism*. 2nd edn. Indianapolis: Hackett Publishing Company, Inc.
- Monbiot, G. (2012) 'Only a maximum wage can end the great pay robbery', *The Guardian*, 23rd January. Available at:  
<http://www.theguardian.com/commentisfree/2012/jan/23/george-monbiot-executive-pay-robbery>.
- Montagnon, P. (2014) *Ethics, risk and governance*. London: Institute of Business Ethics.
- Moore, C. and de Bruin, a. 'A transaction cost approach to understanding ethical behaviour', *World Congress of Social Economics*, Albertville, France.

- Mor, F., Conway, L., Thurley, D. and Booth, L. (2018) *Briefing Paper - The collapse of Carillion*, London: House of Commons Library (8206).
- Muilenburg, K. and Singh, G. (2007) 'The modern living wage movement', *Compensation Benefits Review*, 39(1), pp. 21-28.
- Mukherjee, C. and Wuyts, M. (2007) 'Thinking with qualitative data', in Thomas, A. & Mohan, B. (eds.) *Research skills for policy and development - How to find out fast*. London: SAGE Publications Ltd.
- Murillo, D. and Lozano, J. M. (2006) 'SMEs and CSR: An approach to CSR in their own words', *Journal of Business Ethics*, 67(3), pp. 227-240.
- Murphy, R. (2013) 'Companies do not have a legal duty to maximise profit or to avoid tax'. Available at: <http://www.taxresearch.org.uk/Blog/2013/01/07/companies-do-not-have-a-legal-duty-to-maximise-profit-or-to-avoid-tax/> (Accessed 13 July 2018).
- Mutersbaugh, T. (2010) 'Transparency and democracy in certified ethical commodity networks', *Geoforum*, 41(1), pp. 27-32.
- NatCen Social Research (2018) *British Attitudes Survey 35*. London: NatCen Social Research.
- National Careers Service (2018a) *Software developer*. London: UK Government. Available at: <https://nationalcareersservice.direct.gov.uk/job-profiles/software-developer> (Accessed: 05 October 2018).
- National Careers Service (2018b) *Care worker*. London: UK Government. Available at: <https://nationalcareersservice.direct.gov.uk/job-profiles/care-worker> (Accessed: 05 October 2018).
- NCSRA (2016) *Our Winners - CSR Awards*. Weybridge: Business@Brooklands. Available at: <http://nationalcsrawards.co.uk/our-winners-2/> (Accessed: 14 February 2016).
- New Economics Foundation (2011) *Why the rich are getting richer - The determinants of economic inequality*, London: New Economics Foundation.
- Nicholls, B. (2018). *RE: BHLW - apprentices, trainees et al*. Hill, S.

- NOMIS (2017) *Labour market profile - Brighton and Hove*. London: Office for National Statistics. Available at: <https://www.nomisweb.co.uk/reports/lmp/la/1946157280/report.aspx> (Accessed: 14 March 2017).
- NUS and UNISON (2012) *NUS and UNISON launch The Living Wage Campaign*. London: NUS and UNISON. Available at: <http://www.nus.org.uk/en/news/nus-and-unison-launch-the-living-wage-campaign/> (Accessed: 24 October 2016).
- Olson, M. (1965) *The logic of collective action: public goods and the theory of groups*. Cambridge MA: Harvard University Press.
- ONS (2016) *Annual survey of hours and earnings: 2016 provisional results*. London: Office of National Statistics.
- Parker, J., Arrowsmith, J., Fells, R. and Prowse, p. (2016) 'The living wage: concepts, contexts and future concerns', *Labour & Industry: a journal of the social and economic relations of work*, 26(1), pp. 1-7.
- Pay Compare (2016) *Pay Compare | Pay ratios in a table*. Polegate: Pay Compare. Available at: <https://www.paycompare.org.uk/pay-multiples/> (Accessed: 12 February 2016).
- Pennycook, M. (2012) *What price the Living Wage? Understanding the impact of a living wage on firm-level wage bills*, London: IPPR and Resolution Foundation.
- Perrini, F., Russo, A. and Tencati, A. (2007) 'CSR Strategies of SMEs and Large Firms. Evidence from Italy.', *Journal of Business Ethics*, 74(3), pp. 285-300.
- Perspective Publishing Limited (2016) *Better Society Awards 2015*. Available at: [http://bettersociety.net/awards/hall\\_of\\_fame\\_2015.php](http://bettersociety.net/awards/hall_of_fame_2015.php) (Accessed: 13 February 2016).
- Prowse, P. and Fells, R. (2016) 'The Living Wage - Policy and practice', *Industrial Relations Journal*, 47(2), pp. 144-162.
- PwC (2009) *Managing tomorrow's people - How the downturn will change the future of work*. London: PwC.
- PwC (2011) *Millennials at work - Reshaping the workplace*. London: PwC.
- Pyper, G. (2014) *The National Minimum Wage: historical background*. London: House of Commons Library.

- Quakers in Britain (2018) *Living Wage*. London: Quakers in Britain. Available at: <https://www.quaker.org.uk/our-work/economic-justice/living-wage> (Accessed: 29 July 2018).
- Rathbone, E. (1924) *The disinherited family: A plea for the endowment of the family*. London: Arnold.
- Rawls, J. (1971) *A theory of justice*. Boston MA: Harvard University Press.
- Rebitzer, J. B. (1995) 'Job safety and contract workers in the petrochemical industry', *A Journal of Economy and Society*, 34(1), pp. 40-57.
- Reeskens, T. and van Oorschot, W. (2013) 'Equity, equality, or need? A study of popular preferences for welfare redistribution principles across 24 European countries', *Journal of European Public Policy*, 20(8), pp. 1174-1195.
- Resolution Foundation (2014) *More than a minimum - The Resolution Foundation review of the future of the National Minimum Wage: The final report*, London: Resolution Foundation and Barrow Cadbury.
- Responsible 100 (2016) *Businesses | Responsible 100*. London: Profit Through Ethics Ltd. Available at: <http://responsible100.com/business/> (Accessed: 09 February 2016).
- Ritchie, J., Lewis, J., Elam, G., Tennant, R. and Rahim, N. (2014) 'Designing and selecting samples', in Ritchie, J., Lewis, J., McNaughton Nicholls, C. & Ormston, R. (eds.) *Qualitative research practice*. 2nd ed. London: Sage Publications Ltd.
- Ryan, J. A. (1906) *A Living Wage; Its Ethical and Economic Aspects*. New York: The Macmillan Company.
- S&P Dow Jones Indices LLC (2016) *Environmental, social and governance | S&P Dow Jones Indices*. New York: S&P Dow Jones Indices LLC. Available at: <http://eu.spindices.com/index-family/environmental-social-governance/all> (Accessed: 14 May 2016).
- SAI (2016) *Living Wage*. New York: Social Accountability International. Available at: <http://www.sai-intl.org/index.cfm?fuseaction=Page.viewPage&pageId=1800&parentID=1799> (Accessed: 28 November 2016).
- Saunders, M., Lewis, P. and Thornhill, A. (2000) *Research Methods for Business Students*. 2nd edn. Essex: Pearson Education Limited.

- Schroeder, D. A. (1995) *Social dilemmas: Perspectives on individuals and groups*. Westport CT: Greenwood Publishing Group, Inc.
- Sen, A. (1999) *Development as freedom*. Oxford: Oxford University Press.
- Shapiro, C. and Stiglitz, J. E. (1984) 'Equilibrium unemployment as a worker discipline device', *American Economic Review*, 74(3), pp. 433-444.
- Simms, M. (2017) 'Understanding employer engagement in youth market policy in the UK', *Human Resource Management Journal*, 27(4), pp. 548-564.
- Skills for Care (2016) *The size and structure of the adult social care sector and workforce in England 2016*. Leeds: Skills for Care.
- Smith, A. (2012) *An inquiry into the nature and causes of the wealth of nations*. Wordsworth Classics of World Literature Ware: Wordsworth Editions Limited.
- Soundararajan, V. and Spence, L. J. (2016) 'Small business social responsibility', in Hopkins, M. (ed.) *CSR and sustainability - From the margins to the mainstream: A textbook*. Sheffield: Greenleaf Publishing, pp. 165-183.
- Spence, L. (2014) 'Business ethics and social responsibility in SMEs', in Chell, E. & Karatas Ozkan, M. (eds.) *Handbook of Research in Small Business and Entrepreneurship*. Cheltenham: Edward Elgar Publishing Limited.
- Spence, L. (2016) 'Small business social responsibility: Expanding core theory', *Business & Society*, 55(1), pp. 23-55.
- Stabile, D. R. (2008) *The living wage: lessons from the history of economic thought*. Cheltenham: Edward Elgar Publishing Limited.
- Standard Ethics Ltd (2018) *Standard Ethics*. London: Standard Ethics Ltd.  
Available at: <http://standardethicsrating.eu/> (Accessed: 21 July 2018).
- Tate, R. (2012) *Section 172 CA 2006: the ticket to stakeholder value or simply tokenism?*, *Aberdeen Student Law Review*, 3(1), pp. 112-119.
- Taylor, R. and Wighton, D. (1998) 'Blair's fears on minimum wage effects are revealed: PM believed £3.20 rate for young could lead to job losses', *Financial Times*, 19 June.
- The American Presidency Project (1933) *90 - Statement on N.I.R.A*. United States: Peters and Woolley. Available at: <http://www.presidency.ucsb.edu/ws/?pid=14673>.



- The Co-operative Group (2012) *Ethical consumer markets report 2012*. Manchester: The Co-operative Group.
- The Ethical Company Organisation (2016) *The Good Shopping Guide*. United Kingdom: Ethical Company Organisation Ltd. Available at: <http://www.thegoodshoppingguide.com/> (Accessed: 11 February 2016).
- The Ethical Property Foundation (2016) *Fairplace Award | Fairplace Award winners*. London: Ethical Property Foundation. Available at: <http://www.fairplaceaward.com/winners> (Accessed: 12 February 2016).
- The Ethics Foundation (2016) *Ethics Foundation*. London: Ethics Foundation. Available at: <http://www.ethicsfoundation.com/directory/> (Accessed: 12 February 2016).
- The High Pay Commission (2011) *More for less: what has happened to pay at the top and does it matter?*, London: The High Pay Commission.
- Thomas, A. (2007) 'Introduction', in Thomas, A. & Mohan, G. (eds.) *Research skills for policy and development*. London: SAGE Publications Ltd.
- Tilley, F. (2000) 'Small firm environmental ethics: how deep do they go?', *Business Ethics: A European Review*, 6(1), pp. 31-41.
- Top Employers Institute (2016) *Top employers: the best employers are certified Top Employers*. Amsterdam: Top Employers Institute. Available at: <http://www.top-employers.com/Certified-Top-Employers/> (Accessed: 13 February 2016).
- Treanor, J. (2016) 'Santander sets aside another £450m as PPI still haunts UK banks', *The Guardian*, 27 January. Available at: <https://www.theguardian.com/business/2016/jan/27/santander-profits-plunge-by-98-after-ppi-compensation-charges>.
- TSB (2014) *TSB Bank announces new reward strategy*. Edinburgh: TSB Bank plc. Available at: <http://www.tsb.co.uk/news-releases/new-reward-strategy/> (Accessed: 14 December 2015).
- TUC (2010) *Low Pay Commission 2010 The TUC Response*. London: Trades Union Congress.

- TUC (2015) *Minimum wage leaving young workers behind, warns TUC*. London: Trades Union Congress. Available at: <https://www.tuc.org.uk/economic-issues/labour-market/britain-needs-pay-rise/minimum-wage-leaving-younger-workers-behind> (Accessed: 21 September 2016).
- UK Transcription (2017) *Transcript template options*. Brighton: UK Transcription Ltd. Available at: <https://www.uktranscription.com/detail.html> (Accessed: 31 May 2017).
- UN (1948) *Universal Declaration of Human Rights*. Geneva: United Nations.
- UN Global Compact Office (2012) *After the Signature - A guide to engagement in the United Nations Global Compact*. New York: UN Global Compact Office.
- UNISON (2016) *This isn't a "living wage" - it's a rebranded minimum wage*. London: UNISON. Available at: <https://www.unison.org.uk/news/2016/04/this-isnt-a-living-wage-its-a-rebranded-minimum-wage/> (Accessed: 10 October 2016).
- Unite (2016) *The national living wage and you - what it is*. London: Unite the Union. Available at: <http://www.unitetheunion.org/campaigning/dont-get-shortchanged/> (Accessed: 10 October 2016).
- United Nations (2018) *Sustainable Development Goals*. New York: United Nations. Available at: <https://sustainabledevelopment.un.org/sdgs> (Accessed: 21st July).
- Vyakarnam, S., Bailey, A., Myers, A. and Burnett, D. (1997) 'Towards an understanding of ethical behaviour in small firms', *Journal of Business Ethics*, 16(15), pp. 1625-1636.
- Wallace, T. (2015) 'Six ex-brokers accused of Libor interest rate conspiracy', *The Telegraph*, 06 October. Available at: <http://www.telegraph.co.uk/finance/libor-scandal/11915193/Six-ex-brokers-accused-of-Libor-interest-rate-conspiracy.html>.
- Walliman, N. (2006) *Social research methods*. London: SAGE Publications Ltd.
- Waltman, J. L. (2004) *The Case for the Living Wage*. New York: Algora Publishing.
- Webley, S. (1993) *Codes of business ethics: Why companies should develop them – and how*. London: Institute of Business Ethics.

- Webley, S. (2006) *Making business ethics work: The foundations of effective embedding*. London: Institute of Business Ethics.
- Webley, S. and Werner, A. (2008) 'Corporate codes of ethics: necessary but not sufficient', *Business Ethics: A European Review*, 17(4), pp. 405-15.
- Werner, A. and Lim, M. (2016a) *Putting the Living Wage to work: Strategies and practices in small and medium sized enterprises (SMEs)*. London: Barrow Cadbury Trust - Middlesex University - University of Liverpool.
- Werner, A. and Lim, M. (2016b) 'The ethics of a living wage: A review and research agenda', *Journal of Business Ethics*, pp. 1-15.
- Werner, A. and Lim, M. (2017) 'A new living wage contract: cases in the implementation of the Living Wage by British SME retailers', *Employee Relations*, 39(6), pp. 850-862.
- Wilkinson, R. and Pickett, K. (2010) *The Spirit Level – Why equality is better for everyone*. London: Penguin Books Ltd.
- Wills, J. (2001) *Mapping low pay in East London*. London: TELCO.
- Wills, J. (2009a) 'The living wage', *Soundings: A journal of politics and culture*, 42, pp. 33-46.
- Wills, J. (2009b) *A chronology of the London Living Wage campaign 2001-2009*. London: Queen Mary University of London. Available at: <http://www.geog.qmul.ac.uk/livingwage/chronology/index.html> (Accessed: 09 August 2016).
- Wills, J. and Linneker, B. (2012) *The costs and benefits of the London living wage*, London: Queen Mary University of London.
- Woodhouse, P. (2007) 'People as informants', in Thomas, A. & Mohan, G. (eds.) *Research skills for policy and development - How to find out fast*. London: SAGE Publications Ltd.

United Kingdom legislation

Business Enterprise and Regulatory Reform Act 2013

Companies Act 2006

Equal Pay Act 1970

Equality Act 2010

Large and Medium-sized Companies and Groups (Accounts and Reports)  
(Amendment) Regulations 2013

Large and Medium-sized Companies and Groups (Accounts and Reports)

Localism Act 2011

National Minimum Wage Act 1998

National Minimum Wage Regulations 2015

The Companies (Miscellaneous Reporting) Regulations 2018

The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017

The National Minimum Wage (Amendment) Regulations 2016

Transfer of Undertakings (Protection of Employment) Regulations 2006

## Appendix A: Profiles of participant organisations

**Industry:** Adult social care

**Corporate form:** All private companies limited by shares

**UK registered charity:** None

Participant	Interviewee role/s	BHLW	Size	Employees	General business model	Operational highlights
ASC1	Managing Director  Owner	Yes	Medium	≈ 70 employees ≈ 65 carers (KOG6) ≈ 60 f/t and 10 p/t	<ul style="list-style-type: none"> <li>• Domiciliary care provider to privately and council-funded clients.</li> <li>• Atypically, all clients charged at council client rates, which, being substantially lower than private client rates, assures highly competitive price in the private marketplace.</li> <li>• High concentration of clients in Brighton and Hove City locale.</li> </ul>	<ul style="list-style-type: none"> <li>• Carers employed as drivers, cyclists or walkers across approx. 35 routes – each servicing clients by routes orientated about clients' geographical location.</li> <li>• 12 hour care shift (7-7 or 8-8).</li> <li>• A number of zero-hours contracts but relatively structured working means working hours are typically</li> </ul>

Participant	Interviewee role/s	BHLW	Size	Employees	General business model	Operational highlights
						regular.
ASC2	Manager  Owner	Yes	Medium	≈ 50 employees ≈ 45 carers (KOG6) ≈ 3 f/t and 48 p/t	<ul style="list-style-type: none"> <li>• Domiciliary care provider to privately funded clients only.</li> <li>• Low volume, very high quality.</li> <li>• Highly personalised model of care matches clients to carers to ensure high provision of same carer to client throughout.</li> <li>• Employer not yet paying themselves.</li> </ul>	<ul style="list-style-type: none"> <li>• All zero-hours contracts with no guaranteed work.</li> <li>• Not seeking carers in the traditional sense – but instead those looking for a values-driven role and high client commitment</li> <li>• Not seeking carers for whom pay is a motivating factor.</li> </ul>
ASC3	Manager  Owner	No	Small	19 employees 11 carers (KOG6) 18 f/t and 1 p/t	<ul style="list-style-type: none"> <li>• Very small rest home with 16 clients aged 90+ years who want to be fit and well – who want to live.</li> <li>• Specialist provision taking privately-funded clients only in poor health and to get them as fit and well as possible.</li> </ul>	<ul style="list-style-type: none"> <li>• Head office operations off-site with management done by owner with support from retired spouse.</li> <li>• Business systems well established and efficient with all operations, e.g. health and safety, HR, payroll, lift and fire</li> </ul>

Participant	Interviewee role/s	BHLW	Size	Employees	General business model	Operational highlights
					<ul style="list-style-type: none"> <li>• Essentially two businesses: an hotel and a care service.</li> <li>• Passionate owner-manager is qualified nurse who has always run care homes as their hobby – previously having 4 care homes.</li> <li>• Effectively a family-run business – which staff and clients like as it’s small, family and friendly.</li> <li>• Financial viability dependent on servicing of private clients only and that owner-manager does not draw a wage but has low personal expenditure and alternative source of income.</li> <li>• Despite regular enquires, no waiting list held due to</li> </ul>	<ul style="list-style-type: none"> <li>• safety, critically contracted out to enable full focus on carework by employed staff.</li> <li>• Despite some consequential additional overhead, very varied mix of staff (multicultural, nursing and non-nursing students, apprentices and volunteers) and large number of visiting professionals (incl. GPs, community nurses and nutritionists) encouraged as this stimulates and provides vibrant workplace and environment for clients.</li> <li>• Employees really live the home’s values with any mismatched staff, or residents,</li> </ul>

Participant	Interviewee role/s	BHLW	Size	Employees	General business model	Operational highlights
					relatively slow client turnover.	<p>moving on quickly.</p> <ul style="list-style-type: none"> <li>Food and nutrition managed by owner-manager and directly employed chef.</li> </ul>
ASC4	Manager	No	Medium	60 employees 56 carers (KOG6) 5 f/t and 55 p/t	<ul style="list-style-type: none"> <li>Nursing and residential care home – one of a number belonging to owner-director.</li> <li>Despite being run for profit, owner-director accepts 1 council-funded client for every 2 privately funded clients – higher paying private clients effectively cross-funding council clients for whom a smaller fee is received.</li> <li>Relative isolation of home with respect to others and its closeness to the local hospital increases demand and makes</li> </ul>	<ul style="list-style-type: none"> <li>Relatively persistent core of carers provided by cohort of permanent, often part-time, employees scheduled around their typical availability, i.e. school times as most are mothers with young children.</li> <li>Bank of carers maintained to augment core care staff in order to reduce staff turnover by enabling carers to work when they are available and to assist employer in meeting fluctuations in demand.</li> <li>Locale is predominantly social</li> </ul>



Participant	Interviewee role/s	BHLW	Size	Employees	General business model	Operational highlights
					<p>visiting the hospital to carryout potential client assessments quicker and easier than it is for other providers.</p> <ul style="list-style-type: none"> <li>• Previous use of premises can deter some potential clients.</li> </ul>	<p>housing so local residents – who are typically of a lower educational achievement – see a job at the home and an associated career in caring as a relatively attractive package, especially given its closeness to home and that it can fit with school times.</p>

**Industry:** Computer programming, consultancy and related activities

**Corporate form:** All private companies limited by shares

**UK registered charity:** None

Participant	Interviewee role/s	BHLW	Size	Employees	General business model	Operational highlights
CP1	Director  Owner	Yes	Small	8 employees 6 professionals (KOG2) 8 f/t and 0 p/t	<ul style="list-style-type: none"><li>• Very relational company which gives employees high autonomy whilst working closely together and with its clients – often having clients in the office working in partnership.</li><li>• Number of employees lost to natural wastage and some downsizing a year ago.</li><li>• Company is coming out of a recovery phase and is now looking to grow – but, having learnt from previous experience, is seeking steady</li></ul>	<ul style="list-style-type: none"><li>• Great emphasis on developing and maintaining an attractive and supportive working environment and culture to mean salary package is not the only determinant of an employee's choice to work for the company.</li><li>• Typically work in an agile scrum: a methodology encouraging co-working and collaboration that, amongst other features, enables individuals to identify project tasks to which they think they</li></ul>

Participant	Interviewee role/s	BHLW	Size	Employees	General business model	Operational highlights
					and very sustainable growth.	can best contribute and deliver.
CP2	Managing Director  Owner	Yes	Small	28 employees 20 professionals (KOG2) 23 f/t and 5 p/t	<ul style="list-style-type: none"> <li>• Company operates in a niche market.</li> <li>• Relatively flat organisation with a relaxed dress code and community feel to which employees relate and understand.</li> <li>• Highly collaborative approach both internally and with its clients – e.g. flexing employee hours as much as possible or seeking solutions that do not necessarily maximise gain for company but deliver best for client.</li> <li>• Workforce primarily comprises project managers and</li> </ul>	<ul style="list-style-type: none"> <li>• Aiming for enjoyable place to work where employees want to stay for a long time.</li> <li>• Workforce drawn from varied backgrounds, including new-graduate hires, freelancers, former self-employed and business owners, and ex-London workers prepared to sacrifice some salary for work closer to home and better work-life balance.</li> <li>• Apprentices drawn from graduate and non-graduate backgrounds with non-graduates having an aptitude for programming and often</li> </ul>

Participant	Interviewee role/s	BHLW	Size	Employees	General business model	Operational highlights
					<p>technical employees.</p> <ul style="list-style-type: none"> <li>Company has grown about 40% a year for four or five years and seeks further growth.</li> </ul>	<p>self-taught.</p> <ul style="list-style-type: none"> <li>Encourage employee involvement in company-level decisions – e.g. business development strategies and infrastructure strategy groups.</li> </ul>
CP3	<p>Managing Director</p> <p>Owner</p>	Yes	Small	<p>11 employees</p> <p>4 professionals (KOG2)</p> <p>1 associate professionals (KOG3)</p> <p>23 f/t and 5 p/t</p>	<ul style="list-style-type: none"> <li>Primarily bespoke work on a client-by-client or project-by-project basis.</li> <li>Owner-manager established business further to a successful and lucrative career in London.</li> <li>Owner-manager considers developers to be the engine of the business.</li> <li>Salaries are 85% of the business's expenditure.</li> <li>Owner-manager receives little</li> </ul>	<ul style="list-style-type: none"> <li>Owner-manager endeavours to run an inclusive business as a decent place to work and considers its success a result of employees' efforts, although some others consider this a result of the owner-manager's efforts.</li> <li>To manage costs at start-up owner-manager recognised the need for inexperienced but enthusiastic and ambitious developers so actively</li> </ul>

Participant	Interviewee role/s	BHLW	Size	Employees	General business model	Operational highlights
					<p>monetary return for their involvement but enjoys having a good work-life balance and facilitating employees in progressing their careers.</p> <ul style="list-style-type: none"> <li>• Owner-manager offered employees co-ownership of the company as means to grow the business and give employees greater say in its running but this offer has not been taken up.</li> </ul>	<p>recruited to this requirement expecting these to progress out of the company swiftly.</p> <ul style="list-style-type: none"> <li>• From business start-up owner-manager has actively encouraged employees to develop and progress to new opportunities beyond within and beyond current employment.</li> </ul>
CP4	Human Resources Director	Yes	Medium	<p>80 employees 67 professionals (KOG2) 80 f/t and 0 p/t</p>	<ul style="list-style-type: none"> <li>• Local office of international private limited company established in Scandinavia and incorporated and headquartered in the United States.</li> <li>• Substantial research and</li> </ul>	<ul style="list-style-type: none"> <li>• Company has a strong reputation within its field which appeals to prospective employees.</li> <li>• Company endeavours to create, and considers it has, a very attractive working culture</li> </ul>

Participant	Interviewee role/s	BHLW	Size	Employees	General business model	Operational highlights
					<p>development base in Europe.</p> <ul style="list-style-type: none"> <li>Brighton office largely focused on research and development – primarily employing software engineers and developers.</li> </ul>	<p>which appeals to existing and prospective employees.</p>
CP5	<p>Chief Executive Officer</p> <p>Owner</p>	No	Small	<p>16 employees</p> <p>13 professionals (KOG2)</p> <p>10 f/t and 6 p/t</p>	<ul style="list-style-type: none"> <li>Virtual and augmented reality games development company of about four years old.</li> <li>Niche discipline in which not many people have the expertise required.</li> <li>Very flat management structure with all employees – some of whom are extremely skilled and experienced – reporting to the CEO.</li> <li>Explosion in related technology, general</li> </ul>	<ul style="list-style-type: none"> <li>As a small company, all employees – being highly visible – are expected to perform and to be very flexible by working beyond their primary role.</li> <li>Multiple disciplines within the team: 3D designers (very different from 2D designers), 3D modellers and coders – all requiring particular expertise.</li> <li>Employees unaccepting of the high pressure environment and</li> </ul>

Participant	Interviewee role/s	BHLW	Size	Employees	General business model	Operational highlights
					<p>excitement about the field and huge investments by big players such as Google, Facebook, Sony and Apple mean the discipline will almost inevitably continue to develop.</p> <ul style="list-style-type: none"> <li>• Current very small consumer-market yielding low return on investment is dissuading big studios from developing content at the moment; instead being developed for them by smaller studios during this transitional technological stage – with a major push from these sponsors to develop content so this will drive hardware development.</li> <li>• Dearth of competitor studios</li> </ul>	<p>long working hours typically demanded in the wider games industry, with often suppressed pay due to large number of graduate developers looking to enter the games industry, are potential candidates for the company which offers attractive salary packages and preferable working conditions.</p> <ul style="list-style-type: none"> <li>• General abundance of games developers means they command vastly smaller salaries than developers in large corporate development teams that produce corporate software.</li> <li>• Currently in discussion with universities regarding the</li> </ul>

Participant	Interviewee role/s	BHLW	Size	Employees	General business model	Operational highlights
					<p>means company is experiencing rapid growth and workforce expansion – with plans to grow further.</p> <ul style="list-style-type: none"> <li>Sister company develops corporate applications.</li> </ul>	<p>development and inclusion of virtual reality-specific modules in corresponding academic curricula.</p>
CP6	Account Manager	No	Medium	<p>50 employees 35 professionals (KOG2) 7 skilled trades (KOG5) 10 f/t and 6 p/t</p>	<ul style="list-style-type: none"> <li>Hierarchical structure but endeavour to keep this as flat as possible.</li> <li>Company has a five-year strategy – against which it is progressing well.</li> <li>Longer term employees have seen the company go from small to six-figure projects.</li> <li>Company considers itself an attractive employer and is</li> </ul>	<ul style="list-style-type: none"> <li>Flexible working environment and culture affording high levels of trust and employee autonomy providing work is delivered as required.</li> <li>Keen to see all employees progress.</li> <li>Established ethical policy which is fundamental to company founder and, although low key, afforded</li> </ul>



<b>Participant</b>	<b>Interviewee role/s</b>	<b>BHLW</b>	<b>Size</b>	<b>Employees</b>	<b>General business model</b>	<b>Operational highlights</b>
					currently recruiting quite quickly.	high importance as means to give back to developers' local communities – not just being Brighton and Hove.