

Summary report of the Fair Pensions project

An economist from Happold Consulting, Irum Malik, worked with FairPensions to establish an approach to assessing the benefits that derive to businesses from the application of the Living Wage.

FairPensions is a registered charity established to promote responsible investment by pension funds and fund managers. It was launched in 2005 and has a strong track record of persuading major investors to increase shareholder activism on environmental, social and governance issues which have the potential to affect investment returns.

In May 2011 FairPensions launched a responsible investment campaign to persuade FTSE 100 companies to pay the Living Wage to both directly employed staff and on-site contractors. The campaign has so far seen Barclays, Aviva, Friends Life, RSA, Standard Chartered and Standard Life become Living Wage employers. The definition of Living Wage is set out by the Living Wage Foundation. At present this stands at £8.30/hour for London workers and £7.20/hour nationwide.

The objective of the project was to determine how to measure the indirect benefit that investors could accrue through the application of a Living Wage by assessing the efficiencies that this would bring to companies in which they invest – both quantitatively and qualitatively; and to create a toolkit that allows the cost and benefits to companies of implementing the Living Wage to be measured by FairPensions on an on-going basis.

Irum worked with the charity to understand the complexities of the issue and recommended an approach including:

- Structured interviews with businesses that had implemented the Living Wage campaign to determine what data could be realistically collected
- Collection of data related to the costs to companies such as costs of uplift to the Living Wage, differences made to hours worked and any other on costs
- Collection of data on benefits to companies of implementing the Living Wage such as recruitment and retention benefits and savings, absenteeism improvements, productivity improvements and worker morale uplifts.

Work on the project also agreed the assignment of quantitative benefits to qualitative costs and benefits.

The data collected would be used to determine the net benefits of implementing the Living Wage for companies. This in turn would assist with the business case for implementation in other companies.

FairPensions plan to approach a number of FTSE organisations with a view to applying this methodology in order to assess the benefits to them as employers from using the Living Wage.

The charity has expressed the benefit of gaining advice on the study from an economist through Pro Bono Economics. Chief Executive, Catherine Howarth commented: "Talking to Irum about it was quite an eye-opener about the rigour of an economist's take on a problem like Living Wages!"

Irum Malik also expressed the personal benefits of working through Pro Bono Economics: "In this day and age, economists often get a bad press, and sometimes with good reason! Even for those of us working for the development and public sectors, the output of our work can sometimes seem distant. Undertaking these tasks for the third sector provides us with a much more immediate impact. It has personally enabled me to work on a much more diverse problem set and apply the skills I have learned over the last 20 years for the benefit of those who are working hard to improve people's lives. It's sustainable development in action."