

# Facilities Management from A to Z



Based on The FM Lexicon by Martin Pickard  
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## **L**iving Wage

The Living Wage is a term used to describe the minimum hourly wage necessary for housing, food and other basic needs for an individual. The Joseph Rowntree Foundation has set out a methodology to calculate the level of pay that an average family with two working adults and two children would need to earn to fulfil basic needs. It does not cover 'wants' such as a car or holidays. £7.85 is the living wage for London in March 2011. The rate varies in other parts of the UK, but £7.60 has been suggested as a national average.

This differs from the National Minimum Wage which is the lowest hourly, daily or monthly remuneration that employers may legally pay to workers. The Minimum Wage rate for workers age 21 and over in March 2011 is £5.93 with lower rates for younger workers and a bottom rate of £2.50 per hour for apprentices in their first year.

Many parts of the facilities sector feature in the lowest paying business groupings including cleaning, catering and security where many workers are paid the minimum wage or just above. Campaigners for the Living Wage concept have frequently targeted the employers of these staff.

It is argued that paying people wages at a level that provides sufficient income to secure an adequate living standard without recourse to in-work benefits is a central means of ensuring that many households remain free from poverty. It is also argued that fair pay is a sensible, beneficial, and profitable decision from a business perspective.

Evidence suggests that Living Wage policies increase worker efficiency within the organisations that adopt them. This is primarily felt through the contribution which fair pay levels have in combating the recruitment and retention problems which plague employers of low-paid workers.

The Chartered Institute of Personnel and Development (CIPD) estimated average turnover in private sector at 22.9% in 2006 and also calculated the average cost of labour turnover in 2006 as £8, 200 per leaver. Turnover costs such as these are commonly associated with low-paying sectors and represent a significant cost to facilities contractors which is then passed on to their clients.

It is also argued that fair pay policies help to increase worker productivity. Fair pay levels have been found to increase worker motivation and reduce sickness absence levels. In 2010 the direct costs of sick leave to the UK economy was more than £11bn a year, about 1 per cent of the country's gross domestic product.

Fair pay policies can also enhance the reputation of any organisation as a responsible employer and a leader in the field of good corporate governance. The benefits of cultivating the image of an ethical and responsible employer can be felt through increased customer satisfaction and an enhanced business reputation.

Payment of the Living Wage by those who employ facilities personnel and the inclusion of a mandate to pay the Living Wage in tender documentation is a growing trend pioneered by a number of major employers. Wider adoption of this strategy would have a significant impact on poverty levels in UK society.

*For more information on the Living Wage contact The Fair Pay Network [www.fairpaynetwork.org](http://www.fairpaynetwork.org) or Citizens UK [www.citizensuk.org/campaigns/living-wage-campaign](http://www.citizensuk.org/campaigns/living-wage-campaign)*