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Political devolution and employment relations in Great Britain: the case of the Living Wage

Edmund Heery, Deborah Hann and David Nash

ABSTRACT

This article examines the role of the devolved governments of Scotland and Wales in promoting the voluntary Living Wage. It shows that active promotion of the Living Wage standard has emerged in both countries from a broader commitment to an economic policy of 'inclusive growth'. Employment law is not a devolved matter, and the article identifies a broad range of economic incentives and soft forms of regulation that have been used by the devolved governments to promote the Living Wage in the absence of hard power to legislate. Non-legislative forms of state intervention are often regarded sceptically, but the article shows that the attempts of devolved governments to spread the Living Wage have been impactful, particularly in Scotland.

1 INTRODUCTION

The creation of devolved national governments in Scotland and Wales is the most substantial change in the internal structure of the British state of recent decades, establishing 'a new constitutional settlement among the various parts of the United Kingdom' (Bogdanor, 2019: 196). The effect of this change has been to generate variation in public policy across the constituent nations of Great Britain, including variation within the field of employment relations where the devolved governments of Scotland and Wales have developed distinctive policies that differentiate them from the UK government at Westminster. Thus, Bacon and Samuel (2017) have observed that the devolved governments have evinced a strong commitment to social partnership in the governance of public services, which contrasts sharply with the union-exclusionary stance adopted at UK level. Others have noted the retention of statutory wage-setting machinery in agriculture in Scotland and Wales when it has been abolished in England and the readiness of devolved governments to adopt distinct and stronger versions of the Public Sector Equality Duty (Foster, 2015; Williams and Scott, 2016). Another area of policy where Scotland and Wales have adopted distinctive positions is with regard to the Living Wage. The latter is a voluntary employment standard that has emerged from the community organising movement and which is promoted by Citizens UK and its sister organisation the Living Wage Foundation (Heery *et al*., 2017). The Scottish and Welsh governments have

❒ Edmund Heery, Cardiff Business School, Cardiff University, Cardiff, UK, Deborah Hann, Cardiff Business School, Cardiff University, Cardiff, UK and David Nash, Cardiff Business School, Cardiff University, Cardiff, UK. Correspondence should be addressed to Professor Edmund Heery, Cardiff Business School, Cardiff University, Cardiff, UK.
Email: heery@cardiff.ac.uk

not only adopted this standard and ensured that it is applied to their own employees but also actively promoted the standard, encouraging other employers to pay the Living Wage. In taking action of this kind, they contrast sharply with the UK government. Neither the adoption nor the promotion of the Living Wage is a policy of the UK government, which has remained obdurate in the face of attempts by campaigners to persuade it to commit to the standard.

In what follows, we first examine *why* the devolved governments of Scotland and Wales have tried to promote the Living Wage. Part of the answer to this question lies in political control: the Welsh Government is a Labour-led coalition, and the Scottish Government is formed by the Scottish National Party (SNP). Both governments are broadly social democratic in their political philosophy, committed to pursuing redistributive polices of which the Living Wage is an exemplar. In addition, however, both governments are committed to an economic strategy founded on the concept of 'inclusive growth' (Lupton *et al.*, 2019), and it is this approach to economic development that has underpinned their commitment to the Living Wage. It is new thinking in economic policy that has provided a rationale for promoting the Living Wage standard. Second, we consider *how* the governments of Scotland and Wales have tried to diffuse the Living Wage. Under the reserved powers form of devolution, employment law is a matter reserved to the UK Government, and the Scottish and Welsh governments have no power to legislate for a Living Wage. In the absence of this capacity, devolved governments have relied upon soft regulation and a variety of economic and reputational incentives to encourage employers to adopt the Living Wage. The promotion of the latter exemplifies the reliance on relatively soft forms of intervention that has come to characterise much state policymaking with regard to the labour market (Deakin *et al.*, 2012), and our purpose is to map the range of interventions of this type used by devolved governments. Third and finally, we gauge the *outcomes* of these policies by presenting original data on the numbers of employers adopting the Living Wage and the number of workers benefiting in Scotland and Wales compared with England. This comparison assumes two forms. On the one hand, we compare levels of Living Wage adoption in public services in Scotland, Wales and England, as employers in these industries are most likely to be affected by government policy. On the other hand, we examine how many workers are covered by and benefit from the Living Wage standard across the economies of the three countries, including the separate regions of England whose economies are closer in scale to those of the devolved nations. Earlier research on the impact of devolution on employment relations has tended to focus on policy development, and our aim is to go further, establishing whether distinctive policies in Scotland and Wales have generated significant labour market outcomes.

The Living Wage itself comprises an hourly wage standard derived from research into the expenditure needs of low-wage families (Cominetti, 2019). Separate rates are calculated on an annual basis for London and for the rest of the UK: in mid-2020, these rates were £10.75 and £9.30, respectively. If an employer adopts the standard, then they must pay these rates to all direct employees and ensure that they are also paid to the employees of contractors who work normally on the employer's premises. The rates apply to all direct and indirect employees aged 18 and over with the exception of apprentices. If an employer commits to the standard, they can be accredited formally as a Living Wage Employer by the Living Wage Foundation in return for an annual subscription. In Scotland and Wales, this task of accrediting employers is performed by partner organisations: the Poverty

Alliance in Scotland and *Cynnal Cymru* in Wales. Since 2011, when the accreditation scheme began, more than 7,800 employers have signed up to the Living Wage, directly employing more than 2.4 million workers.

2 RESEARCH METHODS

In exploring the spread of the Living Wage in the devolved nations, we have drawn upon a range of research methods. Examination of the first two questions, dealing with why and how devolved governments have promoted the Living Wage, draws principally upon qualitative methods. The main qualitative method has been documentary analysis: we have collected and analysed Scottish and Welsh government reports, policy statements and web pages that deal with inclusive growth and the Living Wage. Supplementing this analysis of documents has been a programme of interviews with Living Wage campaigners, trade unionists, employers and representatives of the devolved governments. In total, we have carried out more than 90 interviews between June 2015 and August 2020, though only a portion of these have dealt centrally with the Living Wage policies of Scotland and Wales. We have also supplemented the documentary analysis with observation, attending dozens of meetings and campaign events at which national politicians have advocated the Living Wage.

The third question is examined using primarily quantitative evidence. With the support of the Living Wage Foundation, we have assembled a database of all organisations that were accredited as Living Wage Employers between 2011 and the start of May 2020. This database contains information on the location of employers, the sector and industry in which they operate and their size, measured by employee headcount. It also contains information on the impact of the Living Wage on employees and records the number of workers reported by employers to have received a pay increase at the point of accreditation. It is these data on employer take-up, coverage and employee benefit from the Living Wage that we use to assess the effectiveness of the policies for Living Wage promotion of the Scottish and Welsh governments.

3 RATIONALE

According to Lee (2018: 424), in recent years, inclusive growth has provided a 'new mantra for urban and regional policy'. The term denotes an approach to economic development that prioritises redistribution and seeks to stimulate economic activity explicitly in order to reduce poverty and inequality. Such an approach starts from a conviction that conventional policies for economic development have generated widely unequal outcomes and have excluded many from tangible benefits. The central objective of inclusive growth is to reverse this pattern and ensure that in the future, those previously excluded do reap gains from investment in economic activity (Inclusive Growth Commission, 2017; Lupton *et al.*, 2019). It is opposed fundamentally to the claim that the benefits from economic growth 'trickle down' and reach all corners of the economy (Beatty *et al.*, 2016).

The economic policies adopted by the current Scottish and Welsh governments both declare that fostering inclusive growth is a central priority. In Scotland, the government's economic strategy, adopted in 2015, identifies inclusive growth as one of 'four broad priority areas' to be addressed, alongside investment, innovation and internationalisation (Scottish Government, 2015). In Wales, inclusive growth has been placed at the heart of the government's Economic Action Plan and defined in terms of ‘a fairer distribution of the benefits of economic growth both at an individual level and between different parts of Wales’ (Welsh Government, 2017b: 1). Beyond the devolved nations, regional and city authorities in England, such as the Greater Manchester Combined Authority and the Greater London Authority, have embedded inclusive growth in their strategic planning (Sissons *et al.*, 2018). The preoccupation of the devolved nations with inclusive growth forms part of a broader trend.

Associated with the concept of inclusive growth and sharing assumptions and prescriptions with it are two other economic development concepts that have also shaped policy in Scotland and Wales. One of these concepts is that of ‘community wealth building’, an approach that emphasises the need to extend local, democratic control of the economy by expanding not-for-profit and worker and community-owned forms of organisation, returning outsourced services to public ownership and relying on local procurement (Guinan and O’Neill, 2020). The Scottish Government has been particularly receptive to this concept and has launched initiatives to boost local procurement by major employers and ensure that wealth is retained within local communities. The other concept is that of the ‘foundational economy’, which has exercised significant influence over policymaking in Wales. Theorists of the foundational economy seek to shift the attention of economic policy makers away from infrastructure and high-technology industries towards industries that are ‘foundational’, such as health, social care, retail, hospitality and utilities. These industries provide the necessary, quotidian services that underpin local communities but often have been neglected by economic policy makers (Foundational Economy Collective, 2018). In the foundational economy literature, there is also an emphasis on experimenting with new forms of organisation to provide foundational services and on a need to raise employment standards both as an end in itself and as a prerequisite for raising service quality. In Wales, initiatives to support the foundational economy have included financial support for business through a Foundational Economy Challenge Fund, a programme to bolster medium-sized firms grounded in local communities and attempts to coordinate public sector procurement through newly established Public Service Boards in each local authority area.

The notion of inclusive growth and the other development concepts with which it shares an affinity arguably represent a new paradigm in thinking about economic development. This paradigm is formed by a number of basic shifts in policy direction, all of which have pointed towards adoption and promotion of the Living Wage by the governments of Scotland and Wales. These paradigmatic shifts are as follows:

1. *Change in relationship between government and business*. Conventional approaches to economic development have often placed a premium upon attracting business to invest in a particular region or area. Low taxes, discounted facilities, grants and lightly regulated labour markets have been offered as a means to attract inward investment and the jobs and supporting economic activity to which it gives rise (Bentham *et al.*, 2013). The pursuit of inclusive growth seeks to put the relationship between government and business on a different footing. The concept of ‘social licencing’ has been used to express this new relationship, with its emphasis on business accepting social and other responsibilities if it is to be supported by government (Foundational Economy Collective, 2018). The new paradigm seeks to establish a ‘something-for-something’ relationship between the two parties, in which business accepts a civic, community and environmental responsibility that goes beyond simply

establishing a viable enterprise. In Wales, significantly, the new framework for business support is labelled the Economic Contract, which encompasses an Economy Futures Fund to support investors but which expects action to increase 'the availability of fair work and decarbonisation' in return.

2. *New forms of organisation*. Economic development policy has often been targeted at private corporations, encouraging large businesses to make inward investments. It has been argued by advocates of inclusive growth, however, that businesses of this type may not act as good corporate citizens, essentially because the ownership and governance structures in which they operate make it difficult for them to do so. It has been argued, for example, that the financialisation of the economy has required businesses operating in traditionally low risk/low return sectors, such as utilities, to make returns on investment that traditionally are associated with much higher risks. The consequence has been sweating of assets and the erosion of staffing levels and conditions of employment to allow high rates of return on invested capital (Foundational Economy Collective, 2018). For reasons of this kind, advocates of inclusive growth have favoured channelling investment through non-traditional forms of organisation, a preference that is shared with theorists of community wealth building and the foundational economy (Lupton *et al*., 2019). The return of services to public ownership or their provision through cooperatives, mutual and social enterprises is a central plank of the new development paradigm.
3. *Localism*. Much development policy in the past has been aimed at connecting the local to the global by creating an attractive context in which global property developers, retailers, construction firms and manufacturers will invest. In the new paradigm, there is a shift away from this orientation towards a pronounced localism (Hawking, 2019). This localism can be seen in attempts to direct investment through local businesses that are rooted in and which identify with a particular locality, to shorten supply chains and contract more with local providers and to ensure that jobs and training opportunities created through economic development are filled by local people, including those from deprived or minority communities (Lupton *et al*., 2019). Localism is also associated with a focus on what are termed 'anchor institutions'. The latter include public authorities, including the devolved governments of Scotland and Wales, but they can also include other large employers from both the public and private sectors that occupy a nodal position within local economies (Guinan and O'Neill, 2020). For advocates of inclusive growth, there is a key part to be played by these anchor institutions in stimulating local economic development; through their procurement, investment and community engagement practices, they can exert positive leverage on local business activity, raising employment standards.
4. *Fair work*. A primary objective of traditional economic development policy has been to generate employment, to encourage investors to create jobs. For critics, however, the quality of many of these jobs is wanting, and there is growing concern about the spread of precarious, low-wage employment and the growth of in-work poverty (Inclusive Growth Commission, 2017). As a consequence, deliberate and direct action to raise the quality of jobs occupies a central part within policies of 'inclusive growth' (Lupton *et al*., 2019). In the labour market strategy developed by the Scottish Government, for instance, there is an intention to create 'more jobs, better quality jobs, and jobs that work for every

individual in terms of skill, pay, security and prospects' (Scottish Government, 2016b: 3). This intention is echoed elsewhere amongst adherents to the new paradigm with specific proposals to increase job opportunities and training, reduce gender and other forms of inequality, reverse the trend towards precarious work and foster employee engagement and voice. Measures of this kind, moreover, are promoted not simply because they are socially just but because they can have positive consequences for the economy. Fair work is promoted within the new paradigm through a 'business case' (Fair Work Convention, 2016; Welsh Government, 2017b).

5. *New performance indicators*. A final shift that is apparent in the new paradigm concerns the indicators used to guide and track economic development. The shift in this case is towards reliance on a broader set of indicators of economic performance, which go beyond conventional measures of growth or job creation and which seek to capture qualitative dimensions of economic activity and contribution to human well-being. To this end, advocates of inclusive growth have developed toolkits that can be used by public authorities (Beatty *et al.*, 2016). Both the Scottish and Welsh governments have followed this course. In Scotland, the government's National Performance Framework includes a broad set of indicators, including several relating to the attainment of 'fair work'. In Wales, National Wellbeing Indicators have been developed by the Future Generations Commissioner, which include the percentage of people on permanent employment contracts, the percentage paid at least two-thirds of the UK median wage and the gender pay gap (Welsh Government, 2016b).

The Living Wage has been identified as a means of progressing each of these paradigmatic shifts. Thus, payment of the Living Wage can form one of the new expectations government has of business, not-for-profit providers may be more able and more willing to adopt the Living Wage and anchor institutions can require that the Living Wage standard is implemented by their local suppliers. The Living Wage is also invariably one of the elements of fair work identified within inclusive growth initiatives, and the spread of the Living Wage and the percentage of workers being paid at or above the rate can be used as new indicators of economic performance. Policies of inclusive growth have led the governments of Scotland and Wales to the Living Wage, therefore furnishing a rationale for its promotion. We turn now to consider the practical measures that they have taken to promote the Living Wage standard.

4 PROMOTING THE LIVING WAGE

As was explained earlier, the governments of Scotland and Wales have had to rely upon non-legislative action to promote the Living Wage. One such method is to act as an employer, and both the Scottish and Welsh governments were early adopters of the Living Wage, applying the standard to their own employees and to the employees of contractors in the first years of the accreditation scheme. The Scottish Parliament and *Y Senedd Cymru* were also both early adopters of the Living Wage. There is a long tradition of public authorities acting in this way, adopting prevailing standards of good employment practice, partly in order to provide a model for employers elsewhere (Beaumont, 1992), and the implementation of the Living Wage by the Scottish and Welsh governments is a recent expression of this commitment. In addition to acting as an employer, the devolved governments have adopted other roles to promote the Living Wage. They have sought to use their economic power, acting as purchasers and funders to encourage employers to adopt the standard. Other roles include that of (soft) regulator, issuing codes and advice, institution builder, creating new labour market institutions, and ideologue, exhorting business to adopt the Living Wage through government communications. What is striking is the broad range of policy instruments that have been brought to bear on spreading the Living Wage in the absence of the hard power to legislate.

A feature common to both Scottish and Welsh government efforts to promote the Living Wage is that they form part of a wider initiative to encourage 'fair work'. Support for the specific Living Wage standard has emerged from a more general commitment to the reform of employment relations, which has itself grown from the wider policy of inclusive growth. In Scotland, the government established a Fair Work Convention in 2015, a new institution to support its intention of making fair work a defining feature of the Scottish economy by 2025. The first task performed by the convention was the formulation of a Fair Work Framework, comprising five principles, the application of which are believed to underpin good-quality employment. These five principles are effective voice, opportunity, security, fulfilment and respect. In elaborating these principles, the convention declared that an important guarantee of security is 'paying the Living Wage (as established by the Living Wage Foundation)' (Fair Work Convention, 2016: 15). The Fair Work Framework, together with its attendant commitment to the Living Wage, has been incorporated into other areas of the Scottish Government policy, including the government's labour market strategy and its guidance on public sector procurement (Scottish Government, 2016b; 2018). The percentage of Scottish employees being paid at or above the Living Wage is one of Scotland's National Indicators within the National Performance Framework (Scottish Government, 2018).

In Wales, developments have run along a broadly similar path. In 2017, the government created a tripartite Fair Work Board, followed in 2018 by the establishment of an independent Fair Work Commission. The Commission reported in March 2019 and produced both a definition of fair work and a long series of policy recommendations. The definition stated that, 'the Welsh Living Wage (equating to the Real Living Wage) [should provide] the *minimum* wage floor for all working hours', while policy recommendations included the adoption of the Living Wage by the Agricultural Advisory Panel, which sets minimum wage rates in Welsh agriculture and tracking the percentage of the Welsh workforce receiving the Living Wage over time (Fair Work Commission, 2019). The Welsh Government fully accepted the Commission's report and has subsequently created a new institution—a Social Partnership and Fair Work Directorate within the Office of the First Minister—to oversee the implementation of recommendations. As part of this work, the Directorate has commissioned advice on the tracking of fair work in Wales, including the Living Wage.

Another way in which the Living Wage has been connected to other attempts to promote fair work is through its inclusion in charters of good business practice that national governments have promoted to employers. The Scottish Business Pledge was launched in May 2015 and consists of 10 actions to which participating businesses are asked to commit. Three of these commitments are required of all who participate, while member businesses must give an undertaking to make progress on five of the remaining issues. The three 'core Pledge elements' are payment of the Real Living Wage, no inappropriate use of zero-hour contracts and action to address the gender pay gap. The other elements include action to promote employee engagement and development as well as non-employment items, such as action to support local communities or to reduce environmental impact. The Welsh equivalent of the Pledge is the Code of Practice on Ethical Employment in Supply Chains, released by the Welsh Government in 2017. The Code emerged from the government's policy on Modern Slavery (Welsh Government, 2016a) and deals with a number of employment issues, including modern slavery and human rights abuses, blacklisting, false self-employment, and unfair use of umbrella schemes and zero-hour contracts. It also encourages signatories to 'consider paying all staff the Living Wage Foundation's Living Wage as a minimum and [to] encourage … suppliers to do the same'. The Code asks employers to consider but does not require Living Wage accreditation.

The Code of Practice seeks to promote the Living Wage within supply chains, and another feature of Scottish and Welsh government policy has been to promote the standard through public procurement. In Wales, this intention is set out in supplementary advice to the Code of Practice (Welsh Government, 2017a). The latter advises that a Fair Work Practices question be inserted into the tendering process, which asks those bidding for contracts whether they pay the Living Wage or are accredited as a Living Wage Employer. In the wake of the report of the Fair Work Commission, the Welsh Government is considering strengthening these provisions and is proposing a Social Partnership Act that will require designated Welsh public bodies to adopt a procurement strategy that embraces the pursuit of fair work (Welsh Government, 2019). In Scotland, developments have been similar. Through the Procurement Reform (Scotland) Act 2014, the Scottish Government has required all public authorities engaged in procurement to develop a formal strategy and has imposed a 'sustainable procurement duty', which obliges them to embed fair work, including the Living Wage, in their procurement activity (Barnard, 2017; Scottish Government, 2016a). The government has also issued specific guidance on promoting the Living Wage through procurement. The latter encourages public authorities themselves to become accredited Living Wage Employers and urges them to use the power of procurement to encourage suppliers to adopt the Living Wage standard (Scottish Government, 2018). The guidance makes clear that suppliers cannot be mandated to pay the Living Wage but provides detailed advice on the information that can legitimately be sought from contractors and how this can be taken into account in the award of contracts.

In addition to promoting the Living Wage as a purchaser, the Scottish and Welsh governments have tried to promote the standard as funders of economic activity. In 2019, the Scottish Government adopted a new Fair Work First policy that seeks to use the government's 'financial power to make fair work the norm'. The aim of the policy is to extend fair work criteria 'to every type of grant, funding stream, and business support budget', using the funds allocated to business through Scottish Enterprise and other agencies to leverage fair work, including payment of the Living Wage. A similar policy has been recommended for Wales by the Fair Work Commission. The Welsh Government has already created the Economic Contract, a framework to govern its relationship with business, which strives to link financial support to responsible business activity, including fair work. The recommendations of the Fair Work Commission were that the 'ask' of business through the Economic Contract be made both more explicit and more binding and that a requirement to adopt fair work measures be extended to other funding streams (Fair Work Commission, 2019). It has been proposed that an obligation to pay the Living Wage should become a specific component of the Economic Contract.

In public services, similar attempts to link funding to adoption of the Living Wage have been made, often through the annual remit letters that Scottish and Welsh ministers issue to service delivery agencies. In her 2017 letter to the Higher Education Funding Council for Wales (HEFCW), for example, the Welsh Education Minister expressed disappointment that only one Welsh university had adopted the Living Wage and asked HEFCW, 'to begin working with institutions to create a living wage sector, in line with the Welsh Government's Code of Practice on Ethical Employment in Supply Chains'. The letter also committed the government to implement in full the recommendations of the Diamond Review into Welsh university funding in line with the wishes of the sector. Subsequently, both HEFCW and all but one of the Welsh universities have become accredited Living Wage Employers. In Scotland, similar processes are in place, at the centre of which is an annual government statement of pay policy for the Scottish public sector. The latter applies to all branches of Scottish central government, including non-departmental bodies, public corporations and NHS Scotland, and requires public sector employers to incorporate the policy within their own pay arrangements. Since 2013, the pay policy has required all Scottish public bodies to pay the Living Wage to direct employees.

A third economic measure that national governments have taken to spread the Living Wage is to subsidise the payment of the rate by other employers. The most striking action of this kind to date has been taken by the Scottish Government, which announced in 2016 that the Living Wage should be paid to all frontline workers delivering adult social care on publicly funded contracts. An equivalent subsidy for publicly funded childcare was introduced in 2020. The commitment to fund the Living Wage in adult social care 'has led to sums of public money being transferred to external providers through re-negotiation of contract prices, fees (including fees agreed under the National Home Care Contract) and hourly rates for paid service delivery' (Cunningham *et al.*, 2018: 8). This transfer of public money has gone from central government to local health and social care partnerships and thence to Scotland's 32 local authorities, which have incorporated the subsidy in their contracts with private and not-for-profit care providers. While welcome, the transfer of funds has not been without problems, such as the compression of pay differentials and resulting difficulty in recruiting team leaders, and has not addressed other fair work problems in social care, including short hours and unpredictable work schedules (Cunningham *et al.*, 2018). These problems have led the Fair Work Convention to make further recommendations for Scottish social care, which go beyond the Living Wage subsidy (Fair Work Convention, 2019). One recommendation is to develop a job-evaluated pay structure for the industry, which will restore differentials and provide a job ladder that incorporates the Living Wage as the bottom rung. Another recommendation is to establish an industry-level body, composed of representatives of employers, employees, experts and other interests, which will develop employment standards for the industry and which, in time, may evolve into a forum for collective bargaining. The purpose of this body would be to provide coherence to a fragmented industry and provide voice to care workers themselves. If created, it will exemplify the role of devolved governments as institution builders, creating a collective, representative body to address the issue of low pay.

In Wales too, there have been calls for government to subsidise payment of the Living Wage, and Citizens Cymru Wales has secured the agreement of the First Minister to a 'social care summit' at which this and other issues will be discussed. There has also been a call from the Fair Work Commission for a Fair Work Forum to be established for the industry, a body broadly equivalent to that recommended in Scotland (Fair Work Commission, 2019). In addition, there is public discussion of the Welsh Government using its tax-raising powers to introduce a hypothecated tax to improve social care provision, including payment of the Living Wage to care workers. If followed through, this reform would add government's fiscal role to the repertoire of methods used to promote the Living Wage. Beyond social care, the Welsh Government has already subsidised payment of the Living Wage in the health service. To help resolve a national pay dispute in 2014, the Welsh Government agreed to separately fund a Living Wage allowance for all direct employees of NHS Wales, benefiting about 5,000 low-paid employees—'cleaners, catering assistants, administrators and healthcare support workers' (Welsh Government Interview, 2016). In a context of austerity, the scope for devolved governments to subsidise wages in low-paying industries is limited, but in both Scotland and Wales, action of this kind has been taken.

Another form of subsidy to promote the Living Wage is confined to Scotland. Since 2014, the Scottish Government has provided funding to the Scottish Living Wage Initiative, the programme to promote the Living Wage and accredit employers that is run by the Poverty Alliance. This subsidy has allowed a seven-strong Living Wage team to be appointed, a dedicated resource for promoting the Living Wage in Scotland. In Wales, there is no subsidy of this kind, and *Cynnal Cymru*, the accrediting body for the Living Wage in Wales, is much less well resourced. In addition to providing financial support, the Scottish Government has given operational assistance to the Living Wage campaign. Ministers and civil servants have facilitated contact directly with employers and with other government agencies that can assist with employer recruitment. A civil servant explained to us that she had made contact with, 'our enterprise agencies, Scottish Enterprise, Skills Development Scotland, the Funding Council, and asked them to encourage the organizations they support to think about becoming accredited Living Wage employers … A lot of the work I do is trying to make introductions and looking for other networks to put Poverty Alliance in touch with when we've seen the gap' (Scottish Government Interview, 2017). She also described ministers, including the First Minister giving speeches in support of the Living Wage, appearing at Living Wage publicity events and promoting the Living Wage directly to employers.

The use of soft power of this kind has also been seen in Wales, where successive first ministers have supported the Living Wage and promoted it through speeches and personal appearances. In both Scotland and in Wales, the First Minister has often announced the new Living Wage rate during Living Wage Week in November. A distinctive feature of this promotional work in Scotland has been to infuse the Living Wage with a patriotic register. The Living Wage is described as the *Scottish* Living Wage even though the rate is the same as that in other parts of the UK, and it is promoted through schemes like the *Scottish* Business Pledge. Reflecting this patriotic inflection to the Scottish campaign, many quintessential Scottish companies, brands and products have become accredited. Scottish corporates, such as RBS and SSE, are accredited Living Wage Employers as are makers of oatcakes, porridge oats and Scotch whisky. A.G. Barr, the manufacturer of Irn Bru, is a Living Wage Employer. In Wales, campaigners have tried to follow suit and recruit 'archetypal Welsh brands' but so far with limited success. The difference is perhaps due to the SNP's character as a nationalist political party. Particularly under Nicola Sturgeon, the SNP has espoused a form of social democratic nationalism, seeking to fuse the politics of redistribution with those of Scottish nationalism, not least in order to appeal to erstwhile Labour voters (Bacon and Samuel, 2017). Active promotion of the Living Wage as a distinctively Scottish labour market standard symbolises this orientation.

5 SPREAD OF THE LIVING WAGE IN ENGLAND, SCOTLAND AND WALES

The previous section mapped the variety of roles and capacities that the Scottish and Welsh governments have used to promote the Living Wage. It demonstrates the broad repertoire available to public authorities when seeking to influence the labour market behaviour of employers even in the absence of the hard power to legislate. In this section, we seek to gauge whether these soft forms of influence have been effective. This exercise is performed in two stages. First, we establish whether public service organisations in Scotland and Wales have been more likely to become Living Wage Employers than their English counterparts. The 'political contingency' (Batstone *et al.*, 1984), the influence of elected governments over employer behaviour, operates with greater force in the public sector, and therefore, one would anticipate higher levels of accreditation in Scotland and Wales, given the pro-Living Wage policies of the devolved governments. In the second stage, we cast the net more broadly and examine the extent to which the Living Wage standard has diffused across the economies of Scotland, Wales and England. At this stage, we incorporate comparison not just between the three countries but also between the devolved nations and the English regions. The latter are closer in scale to the Scottish and Welsh economies, and as will be shown, there are striking differences in Living Wage adoption within England that complicate the comparison of national economies.

Table 1 shows the level of Living Wage accreditation across the main branches of public service in the three countries of Great Britain and reveals that distinct national patterns have emerged. The pattern in Scotland is distinguished by a high level of accreditation in all branches of public service, with the exception of health. Only one of Scotland's health boards is an accredited Living Wage Employer, NHS Lanarkshire, and while other parts of NHS Scotland are required to pay the Living Wage to direct employees under the Scottish Government's public sector pay policy, other boards have refrained from signing up, probably to avoid extending the Living Wage to indirect employees. Another noteworthy feature of Living Wage accreditation in Scotland is that a majority of employers have adopted the standard in both central and local government. One possible explanation of this pattern is that the SNP has served an integrating function, extending the Scottish Government's commitment to the Living Wage to SNP-controlled councils: at one council, we asked why the Living Wage had been adopted and were told 'because it's an SNP city' (Local Government Interview, 2019). Another is the Scottish Government's subsidy for the Living Wage in social care, which has made it easier for Scottish councils to embed the standard in outsourced services.

This pattern of relatively even take-up of the Living Wage across different branches of public service is not seen in Wales, where accreditation is concentrated in central government and amongst Welsh universities. The more outlying branches of public service have proved less susceptible, and Cardiff is the only currently accredited Welsh local authority (another signed up for a short period but has since abandoned its accreditation). The Welsh Labour Party has seemingly failed to fulfil the integrating function of the SNP in Scotland, and perhaps more significantly, the lack of central government support for extending the Living Wage to social care has made adopting the standard too costly for much of Welsh local government. More

Table 1: Living Wage accreditation in public service industries in the countries of Great Britain

	Scotland		Wales		England[1]	
	Living Wage Employers[2]		Living Wage Employers		Living Wage Employers	
	Number	%	Number	%	Number	%
Central government[3]	53	56	12	28	17	3
Health[4]	2	9	0	0	20	4
Police and fire[5]	2	100	1	10	20	16
Higher and further education[6]	29	62	8	35	68	16
Local and regional government[7]	21	66	2	9	60	17

[1] Under the UK's asymmetric devolution, there is no devolved government in England; figures for central government refer to UK government institutions.
[2] All employers accredited for paying the Living Wage between 2011 and May 2020, including employers whose accreditation has lapsed.
[3] Central government employers, including the Scottish and Welsh governments, national legislatures, ministerial departments, non-ministerial departments, executive agencies, public corporations and other significant public bodies.
[4] NHS Scotland, NHS Wales and NHS England, including trusts, health boards and clinical commissioning groups; primary care providers are not included.
[5] Police Scotland, Scottish Fire and Rescue Service and regional police and fire services in England and Wales, including police and crime commissioners.
[6] Universities, university colleges and further education colleges.
[7] Principal local authorities in Scotland, England and Wales, including the Greater London Authority and regional combined authorities in England.

generally, the later and less robust promotion of the Living Wage by the Welsh Government when compared with its Scottish counterpart appears to have resulted in less extensive coverage across Welsh public services.

In England, there is a third pattern, the inverse of that seen in Wales. The institutions of UK central government have the lowest level of accreditation in England, while the highest rate is found in local government. It is in those branches of public service most remote from central government, where the political contingency is attenuated, that support for the Living Wage is strongest. In the absence of strong encouragement from central government, other contingencies have pressed English local authorities, universities, colleges, and police and crime commissioners to adopt the Living Wage. These sources of pressure include trade unions and Living Wage campaigners (Lopes and Hall, 2015; Prowse and Fells, 2016; Wills *et al.*, 2009). They also include locally elected politicians, with representatives of the Labour Party being particularly to the fore: more than 80 per cent of accredited local authorities in England are Labour controlled. Just as devolution has provided an opportunity for left-of-centre politicians to promote the Living Wage in Scotland and Wales, so regional and local government has provided a similar opportunity in England.

Table 2 shows the spread of the Living Wage across the economies of Scotland, Wales and England, with data also presented for the English regions. Three sets of

Table 2: Spread of the Living Wage across the countries of Great Britain

	Living Wage accreditation			Living Wage coverage			Living Wage impact		
	LWEs[1]	Businesses[2]	Rate of accreditation[3]	Employment in LWES[4]	Jobs[5]	Rate of coverage[6]	Recipients of LW[7]	Jobs below LW[8]	Rate of impact[9]
	%	%		%	%		%	%	
	N (000s)	*N* (000s)		*N* (000s)	*N* (000s)		*N* (000s)	*N* (000s)	
	7.84	1,373		2,433	34,850		194	6,535	
Scotland	27	7	21.77	20	8	169.45	23	8	86.78
Wales	4	4	4.96	3	4	42.49	5	5	27.24
England	69	89	4.47	77	88	61.79	73	87	24.69
London	30	18	9.62	44	18	173.70	36	14	77.31
East Midlands	3	7	2.34	2	7	19.76	2	8	6.98
West Midlands	4	8	2.52	4	8	31.16	5	9	16.40
East of England	4	10	2.37	3	9	18.44	3	9	8.93
North East	2	3	3.75	2	3	41.23	2	4	11.61
North West	8	10	4.37	7	11	44.58	11	12	27.23
South East	9	15	3.35	10	14	50.09	6	12	14.89
South West	6	9	3.44	4	9	31.15	6	9	19.39
Yorks and the Humber	4	9	3.29	2	8	20.17	2	9	7.17

(Continues)

Table 2. (Continued)

	Living Wage accreditation			Living Wage coverage			Living Wage impact		
	LWEs[1]	Businesses[2]	Rate of accreditation[3]	Employment in LWES[4]	Jobs[5]	Rate of coverage[6]	Recipients of LW[7]	Jobs below LW[8]	Rate of impact[9]
	%	%		%	%		%	%	
	N (000s)	*N* (000s)		*N* (000s)	*N* (000s)		*N* (000s)	*N* (000s)	
	7.84	1,373		2,433	34,850		194	6,535	
England excluding London	40	71	3.19	34	70	33.43	37	73	14.77
Great Britain	100	100	5.71	100	100	69.81	100	100	29.61

1 All Living Wage Employers accredited between 2011 and May 2020, including employers that have abandoned their accreditation.
2 Private businesses with at least one employee, 2019; figures from Business Population Estimates 2018 produced by the Office for National Statistics (https://www.ons.gov.uk/).
3 Accredited employers per thousand private businesses with at least one employee.
4 The headcount of Living Wage Employers at the point of accreditation; the figure does not include indirect employees working for contractors who are eligible for the Living Wage.
5 Total employee jobs in 2018 reported by NOMIS (https://www.nomisweb.co.uk/).
6 Direct employees of accredited Living Wage Employers per thousand jobs.
7 Direct and indirect employees reported to have received a pay increase as a result of Living Wage accreditation at the point of accreditation.
8 Employee jobs paid below the Living Wage in 2018, reported by the Resolution Foundation (https://www.resolutionfoundation.org/).
9 Employees benefiting from the Living Wage per thousand jobs paid below the Living Wage.

indicators are shown, measuring the level of Living Wage accreditation amongst employers, the percentage of workers covered by the standard and the percentage of employees reported to have received a pay increase at the point of accreditation. In each case, ratios have been calculated—rates of accreditation, coverage and impact—which relate the spread of the Living Wage to the scale of each national and regional economy. It must be acknowledged that these are not ideal measures: the rates of coverage and impact are calculated by dividing employer by geographical data, and one consequence is to inflate the coverage and impact figures for London as large, London-based employers often have employees spread across the UK. Despite this flaw, we are confident that the ratios provide meaningful estimates of the spread of the Living Wage across the different parts of Great Britain.

The most striking finding in Table 2 is the leading position occupied by Scotland. Scotland accounts for more than a quarter of Living Wage Employers but only 7 per cent of businesses, a fifth of covered workers but only 8 per cent of jobs, and nearly a quarter of Living Wage recipients but only 8 per cent of low-paid jobs. The estimates of the rate of accreditation and the rate of impact are highest for Scotland. The evidence in the table reinforces that for public services and suggests strongly that the policies of the Scottish Government have proved effective in spreading the Living Wage across the Scottish economy. The findings for Wales are altogether less eye catching, but it is nevertheless the case that Living Wage take-up in Wales is roughly proportionate to the size of the economy and that Wales outperforms England with regard to rate of accreditation and rate of impact. Wales also outperforms all of the English regions, excepting London, on all but the measure of coverage. The findings for Wales in Table 2 reinforce the impression of Table 1, of government policy promoting the Living Wage but without the consistency or robustness found in Scotland.

The other striking finding in Table 2 is the high take-up of the Living Wage in London, which sits alongside Scotland as the other main hotspot for accreditation. Partly this pattern is due to the fact that the Living Wage campaign began in London in 2001 and that the city is the main bastion of Citizens UK, the community organisation behind the Living Wage (Wills *et al.*, 2009). Another reason for the high take-up of the Living Wage in London, however, is political devolution, but at an English regional scale. The Greater London Authority under successive mayors has actively promoted the Living Wage, often in concert with supportive London boroughs. Under Ken Livingstone, a dedicated unit was established to calculate the value of the London Living Wage, while under Boris Johnson, the London Olympics of 2012 was deemed a 'Living Wage Games', and the Mayor took an active part in promoting the Living Wage to large corporates based in the City of London. This policy has continued under Sadiq Kahn who has used some of the same methods employed by the devolved governments of Scotland and Wales to promote the Living Wage. London has its own Good Work Standard for employers, for example, which includes payment of the London Living Wage as one of its elements.

The effect of the strengthening of English regional government on the spread of the Living Wage is also visible in the evidence for the North West region. The relatively high levels of accreditation, coverage and impact in the North West are concentrated in Greater Manchester, where the Metro Mayor, Andy Burnham, has also offered support to the campaign, including launching a Greater Manchester Good Employment Charter, which includes the Living Wage as one of its elements. The strengthening of English regional government by the creation of strategic authorities with directly elected mayors is a secondary effect of devolution, designed to provide a voice and a degree of autonomy to English cities that corresponds to that conferred on Scotland and Wales (Bogdanor, 2019; Sissons *et al.*, 2018). This regional level of government has also provided an opportunity to Living Wage campaigners and the new tier of regional political leaders have been particularly strong advocates of the Living Wage standard. The spread of the Living Wage has been shaped, therefore, not just by political devolution to the smaller nations of Great Britain but also by changes to the structure of the state within England.

6 CONCLUSION

This article contributes to the small but growing literature on the impact of political devolution on employment relations and, like others, has drawn attention to variation flowing from constitutional change. The indicator that we have used is the Living Wage, a labour market standard that has been actively promoted by the Scottish and Welsh governments but which has not found backing at Westminster. In seeking to explain why the devolved governments have promoted the Living Wage, we have followed Bacon and Samuel (2017) in adopting a political explanation. Devolution has allowed for the election of social democratic governments in both countries, and both have used the Living Wage to advance a classically social democratic policy of redistribution. Beyond this political commitment, however, the Living Wage has been adopted to advance a new paradigm in economic development, characterised by the notion of 'inclusive growth'. It is this novel link between policies of economic development and policies for the labour market that we believe is noteworthy. In Hyman's (2008) review of forms of state intervention in employment relations, he stresses the widespread adoption of supply-side policies, which focus on skills development and the creation of a pliant and flexible workforce, attractive to inward investors. Promotion of the Living Wage is significant, we feel, because it has grown from the rejection of policies of this kind.

Hyman also notes that governments can assume a variety of roles when they intervene in employment relations, as employer, economic regulator and as legislator. Our study has added to this list. In promoting the Living Wage, the governments of Scotland and Wales have done so as employers, purchasers, funders, subsidisers, (soft) regulators, institution builders and (patriotic) ideologues. In the future, they may also use their fiscal powers to support the Living Wage. What is striking about the devolved governments, we feel, is the range of methods that have been deployed to try and influence the labour market and the fact that this repertoire has continued to evolve and become more radical over time, especially in Scotland. Employment law and employment relations are not devolved matters at present, and the Scottish and Welsh governments do not possess the authority to legislate directly for a Living Wage. This lack of legislative authority does not mean they are powerless, however, and our study, attests to the multiple forms of intervention that are available to devolved governments to shape employment relations.

Our comparative evidence on the distribution of the Living Wage across the constituent nations of Great Britain indicates that these methods can generate substantial effects. The situation in Scotland is particularly striking, with the country emerging as the principal hotspot for Living Wage accreditation. The situation in Wales is less striking, but there is still clear evidence of policy boosting accreditation in central government and higher education, and Wales leads all of the English regions, apart from

London, in its rate of Living Wage accreditation. Another main finding to emerge from the comparative analysis is the concentration of Living Wage accreditation in London. There are multiple reasons for the latter, but a contributing factor, we believe, is the supportive policy of the Greater London Authority under successive London mayors. Our study attests to the effects of national devolution in shaping employment relations, but it also points to the positive effect of regional devolution.

The dominant interpretation of state intervention in the labour market within industrial relations is framed by what might be termed the 'neoliberalism thesis'. The defining feature of the latter is a claim that unitary states have implemented a neoliberal programme over the past four decades, which has focused on releasing market forces and freeing employers from the influence of legal constraints and other institutions that inhibit capacity to respond to market signals (Baccaro and Howell, 2017). Adherents to the thesis also commonly de-emphasise political variables, ascribing responsibility for neoliberal restructuring to governments of both left and right. This interpretation has been challenged in other fields (Hindmoor, 2018), but it remains dominant within industrial relations. We believe that our study of the Living Wage, while small in scale, serves as a partial corrective to this orthodoxy. The findings indicate that not even the British state is unitary and point to the distinctive policies developed within devolved government, part of a global trend towards 'unbundling', the strengthening of subnational levels of government (Ayres *et al.*, 2018). The findings also attest to the significance of political parties and highlight the emergence of a new social democratic politics of the labour market of which the Living Wage forms a part. In the UK, we believe, social democracy has begun to chart a fresh course within devolved national and regional government.

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