



Work and Equalities Institute Research Briefing

Moving beyond the business case: The Real Living Wage in the UK care sector

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Executive Summary

This briefing summarises Eva Herman and Mat Johnson’s paper “*Moving beyond the business case: The Real Living Wage in the UK care sector*” published in **Personnel Review’s** Impact Article series. Co-produced with stakeholders in Greater Manchester, the research explores whether adopting ‘**high-road’ HRM strategies**, including the Real Living Wage (RLW), can simultaneously address staff shortages, high turnover, service quality and in-work poverty. Our findings show that **the RLW can make a positive contribution** to staff morale and retention but it must form part of broader HRM bundle including training, career progression, flexible work, overtime paid at enhanced rates and fair wage structures. In turn, these bundles need to be integrated into the overall business strategy, and supported by sustainable funding mechanisms linked with greater valuation of care work. The research also underscores that **impact is non-linear** and that building trust between academic and non-academic partners takes time but is essential.



Introduction and Problematisation:

Early childhood education and care (ECEC) and elder care have faced severe financial and staffing challenges for a number of years, worsened by austerity, COVID-19, and the cost-of-living crisis. These challenges are particularly evident in Greater Manchester (GM), where the sector is vital, employing 180,000 people and contributing £4bn GVA annually, yet wages remain close to the minimum wage and staff turnover exceeds 20% per year. In response, **GM policy makers** have pursued localised solutions aimed at improving conditions of employment across the care economy including employer accreditation with the **Real Living Wage (RLW) and the local Good Employment Charter**. However, uptake has been slow: there is only one RLW-accredited ECEC employer (out of 2,600 providers locally) and 38 adult social care providers (out of 950 private providers).

The limited progress is due to inadequate funding for care services and entrenched low wages among care workers, who are mostly women. In order to better understand the challenges of upgrading employment in the care sector, UoM researchers, policy officers, trade unions, and employers undertook a collaborative research project that followed the adoption of the RLW and the Good Employment Charter within two case study organisations.

Theory on high-road HRM and the RLW:

Academic literature on high-road HRM practices emphasises fair wages, training, and employee voice (Osterman, 2018). Adequate pay is considered central, yet employers often fear trade-offs between higher wage costs and profitability. However, evidence shows that implementing the Real Living Wage (RLW) in the UK typically increases wage bills by only around 5%, even in low-paying sectors (Pennycook, 2012). Consumers may also be willing to pay more for ethically sourced services (Coulson & Bonner, 2015). Crucially, previous research also found that the RLW reduced staff turnover by up to 25% (Wills & Linneker, 2012). Beyond the financial gains, the RLW has also been shown to enhance organisational reputation and staff morale (Werner, 2021; Heery et al., 2023). Our collaborative project aimed to understand the real world costs and benefits of the RLW in the care sector, and how employers combine different HRM practices into distinct 'bundles' (Osterman, 2018).

Approaches and processes:

An informal coalition of **local authority actors, employers, trade unions, campaigners, and researchers** came together to analyse and develop responses to workforce challenges in Greater Manchester's care economy. This partnership emerged from years of collaborative research and campaigning, including work on public nursery provision, the GM Good Employment Charter, and the RLW campaign.

Through a series of meetings and workshops, the coalition identified a number of **entrenched issues** such as staff shortages, high turnover, and poor pay and conditions. We also identified a number of obstacles to improving job quality including funding constraints, limited HR capacity, and varying levels of employer engagement. **The RLW was seen as an important platform** for raising the visibility and value of care work across GM.

Our co-produced research project sought to examine different employer motivations for pursuing RLW accreditation, and how organisations implement and measure the impact of high road HRM policies. From the beginning of the project, impact was understood to be a non-linear process with a range of potential outcomes. By undertaking longitudinal case studies, we sought to explore the costs and benefits of the RLW from the perspective of management, workers, and local campaigners.

The case study organisations

Our research focused on two employers **OP Care** (an elder care provider) and **Early Years Group** (a Nursery provider) who had recently become RLW accredited and were GM Good Employment Charter members. Both case study organisations allowed researchers to track their three-year journey of RLW implementation through interviews with managers, staff, and policy actors, triangulated with financial and HR documents.

These organisations were already known to the researchers and local policy actors as they had a **good reputation as ‘ethical employers’**, but in common with many care providers they had also faced financial challenges in respect of improving pay and conditions for staff. Given that the majority of the workforce at OP Care were affected by the RLW adoption costs were significant at around £500,000, whereas for Early Years Group only their lowest graded nursery workers were affected and costs for adoption were lower at £60,000.

The employers’ reasons for deciding to become accredited varied. OP Care pursued RLW accreditation to strengthen their reputation as an ethical provider, to secure higher contract prices from local authority commissioners, and to improve staff recruitment and retention. Early Years Group integrated the RLW into its five-year strategy, subsidising costs from other services and using accreditation to legitimise and reinforce their organisational mission of fighting against poverty and inequality. Both organisations highlighted the importance of both the moral and business cases for RLW adoption.

Impact on workers

The impact of the RLW on workers can be categorised as *material* and *symbolic*.

Material

At the point when the RLW was adopted in 2023, the hourly rate was £10.90. This was 10.1% higher than the previous year’s RLW and **14.7% above the statutory minimum wage**. Therefore a full-time RLW worker could earn an additional £2,730 annually. However, **rising living costs** (particularly food and fuel) combined with **benefit ‘clawbacks’** (where individuals lose in-work benefits in line with wage increases) significantly eroded these gains. While many workers viewed the RLW as a positive gesture from management, they were more sensitive to changes in overall household income on a weekly or monthly basis rather than hourly rates of pay.

Symbolic

The way organisations implemented the RLW strongly shaped how workers perceived it. At *OP Care*, the RLW was presented by the CEO as an important recognition of staff contribution and value at a celebratory launch event. In contrast, *Early Years Group* introduced the RLW without consultation or clear communication, leaving many staff unsure why their pay had increased. Across both organisations, the RLW was generally viewed as a positive step in its own right, but there were **other HR practices** that workers considered to be equally as meaningful – such as access to regular overtime, predictable and family-friendly schedules, opportunities for training and career progression, and strong mechanisms of employee voice. Furthermore, while higher pay was generally welcomed, **care workers still felt undervalued** compared with similar jobs in healthcare and education, where salaries are around 30% higher.

Organisational Impact

The **organisational impact** of the Real Living Wage (RLW) also **varied between OP Care and Early Years Group**. For example, the higher number of workers affected by the RLW uplift at OP Care meant that they struggled to absorb higher staff costs (including higher social security contributions), and the RLW had not led to increased contract values from local authority commissioners. These factors meant that the RLW policy was revoked in 2024.

In contrast, Early Years Group embedded the RLW into its mission of tackling poverty and inequality. With fewer entry-level staff, costs were lower, and the RLW was complemented by a broader bundle of high-road HR practices, including career progression, flexible schedules, and training. This was reflected in recognition of the organization as one of the UK's "Best Companies" to work for.

Wider Impact

Reflecting on these two case studies, we can see that while neither organisation was necessarily reflective of the sector as a whole, their experiences revealed a number of lessons that were taken forward by the group. For example, follow up workshops were held to increase the **visibility** of the sector and promote the **value** of the workforce. The research helped inform the GM Early Education and Childcare Workforce Campaign which aims to boost recruitment and retention in the sector by 'celebrating and valuing' the ECEC workforce. **The researchers** continue to work with the RLW campaign to promote uptake across low paying sectors, and are supporting the GM Good Employment Charter implementation unit as they consider ways in which to support the caring economy.

Concluding thoughts

The project highlighted the importance of **building strong relationships** and long-term dialogue with **actors beyond academia** for research to be able to build meaningful impact. The project also revealed that organisations **should not view the RLW as just a recruitment and retention tool**, but as one element of high-road HRM bundle that includes career progression, voice, and family-friendly policies. For long-term sustainability, **high-road HRM must be embedded** within the organisation's overall business strategy and culture.

