SUBMISSION FROM COSLA

Impact of Living Wage on Councils' Trading Services

The committee may wish to consider the potential impact of the Living Wage on external trading operations operated by councils in Scotland. These services, in areas such as catering and cleaning, operate within a highly commercial environment where competition for contracts with private providers can be intense.

Many private sector employers are paying the national minimum wage and cutting costs to break-even point, or beyond. With workforce costs often accounting for the majority of overall operating costs, the concern is therefore that where a council chooses to apply the Living Wage across its workforce, this has the effect of paying a significantly higher hourly rate than other bodies who could deliver the same service. There is the potential that these increased costs for the Council could therefore lead to an inability to compete for contracts, and potentially challenge the viability of trading services, jeopardising employment for staff employed in these areas, who might then ultimately need to find work in private sector providers who offer a significantly poorer overall reward package.

Not all councils operate such trading operations, and in those that do, the employee groups affected as a proportion of the workforce are relatively small. Nevertheless, the Living Wage does have the potential to make it more challenging for councils to demonstrate best value in some service areas, potentially resulting in loss of external income, or further externalisation of some services. On that basis, any “market forces” argument for a living wage requires careful consideration.

COSLA Employers Team
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