SUBMISSION FROM DANNY WILLIAMSON, PCS SCOTLAND

1. INTRODUCTION

PCS Scotland is pleased to submit written evidence to the Scottish Parliament’s Local Government & Regeneration Committee regarding the above inquiry. PCS has campaigned against low pay and for a living wage for many years across the UK and in Scotland. We have traditionally called on employers to implement the Council of Europe Decency Threshold which stands at £15560 and have also been active in promoting the London Living Wage, currently £8:30 per hour. We see the introduction of a Scottish Living Wage (SLW) as an important step on the road to eliminating low pay and the misery it causes for workers and their families.

2. WHO WE REPRESENT

PCS has 30,000 members employed in Scotland in areas mainly related to central government functions. We have members employed in UK Departments such as the DWP, HMRC, Home Office, DfID and the MoD. We represent staff in Scottish Government, most of its NDPBs and Executive Agencies and in Non Ministerial Departments. We also represent staff in statutory bodies such as the Scottish Parliament Corporate Body and in private companies where functions have been transferred from central government.

3. OUR EXPERIENCE OF THE SCOTTISH LIVING WAGE

PCS first raised the Scottish Living Wage as a measure of pay decency in 2009. We reached agreement with Scottish Enterprise and Highlands and Islands Enterprise to implement the SLW as part of their annual pay reviews that year.

We support the Scottish Living Wage Campaign and were pleased to see the Scottish Government include the SLW as a key metric for employers to deliver in its Public Sector Staff Pay Remit Guidance for 2011-12. Employers covered by this guidance include:

- Architecture and Design Scotland
- Bòrd na Gàidhlig
- Cairngorms National Park Authority
- Caledonian Maritime Assets Ltd
- Communities Scotland (staff who retained existing terms and conditions of employment)
- Creative Scotland (includes former Scottish Arts Council and Scottish Screen Agency staff)
- Crown Office and Procurator Fiscal Service
- Dundee Airport Limited (part of HIAL)
- Highlands and Islands Airports Limited
All of the above will be required to pay the Scottish Living Wage by the end of the current pay round. PCS represents 13,000 staff in these areas. However the majority of our members in Scotland work for UK departments and agencies and commercial sector employers who are not covered by this guidance and so many still face low pay and all that means.

We welcome the decision to include an uprated SLW as a key requirement on employers in the Scottish Government’s Public Sector Pay Policy for 2012-13 although imposing a second pay freeze on those who earn more than £21,000 and a meagre £250 pa underpin for those below will be counter-productive.
4. DEFINING THE SCOTTISH LIVING WAGE IN SCOTTISH GOVERNMENT AREAS

While the requirement on employers covered by the Scottish Government Pay Policy to introduce the SLW was a major step forward in the campaign for pay decency there has been a problem even in these areas.

The Technical Guide for employers on the Pay Policy defines the SLW at paragraph 2

2.10 The Scottish Living Wage of £7.15 per hour should be applied as requiring public bodies to introduce an annual gross base salary of £13,996. This has been assessed as the applicable rate for the 2011-12 pay round. Any uprating will be considered as part of the 2011-12 pay policy decision making process.

2.11 The gross annual salary is used as this is consistent with the Joseph Rowntree Foundation definition of the living wage (i.e. the amount that an individual must earn, before tax, to afford a basic but acceptable standard of living) from which the level of Scottish Living Wage is derived. The annual gross salary is calculated on a 37.5 hours working week in line with methodology used in the Joseph Rowntree Foundation funded Minimum Income Standard project.

Initially most employers interpreted this as requiring them to pay a minimum salary of £13996 pa. However, some employers lobbied for a new definition to reduce the minimum annual salary.

Scottish Government Finance and Pay Policy unit acceded to their pressure and issued the following to replace the first sentence above:

“*The Scottish Living Wage of £7.15 per hour should be applied as an annual salary of £13,996 (full time equivalent, based on 37.5 conditioned hours per week) before tax but, in circumstances where conditioned hours are less than 37.5, the full-time annual salary must correspond to an hourly rate of at least £7.15.*”

This resulted in several employers paying less than the defined annual rate of £13996

- Visit Scotland calculated the SLW on a 35 hour week and so they consider the SLW to be £13063 – **over £900 a year less than** the declared amount in paragraphs 2.10 and 2.11 of the guidance and completely at odds with the methodology applied to determine a living wage.

- National Museums of Scotland have also said they will apply £715 to a 37 hour week giving an annual figure of £13810 pa despite the fact that the only occasion NMS currently uses an hourly rate is for calculating overtime payments and these are based on a 42 hour week.
It remains the view of PCS that, despite the changes, the guidance still clearly states the Living Wage is calculated from a minimum annual standard of £13996 for 2011-12 as determined by the methodology applied by the Joseph Rowntree Foundation.

It is worrying that some employers have been allowed to claim they are paying the SLW when staff receive less than the amount needed to deliver a basic but acceptable standard of living as defined by Scottish Government and the Joseph Rowntree Foundation.

It is all the more concerning as most employers in our sector have working weeks of less than the 37.5 used to calculate the hourly rate for the Scottish Living Wage. Typically our members work a 35 or 37 hour week.

The Scottish Living Wage should be set as a minimum at the annual amount required to achieve its aims.

5. ECONOMIC AND SOCIAL BENEFITS OF THE LIVING WAGE

The overwhelming consensus of all reliable research in the field of pay and employment remuneration in the UK is that for the last thirty years the “pay gap” between those at the top of the pay scales and those at the bottom has been widening, and has now reached a level of disparity not seen since Victorian times.

Recent research by the High Pay Commission found that the top 0.1% of earners now command 4.5% of the national income, which could expand to 14% by 2030 if current trends continue. Looking beyond simply income to actual marketable wealth, the richest 1% of the UK’s population own 21% of marketable wealth, whilst the bottom 50% own just 7% of the wealth (and if the value of their houses are removed, that figure stands at a mere 1%).

The new High Pay Commission report, More for Less, shows that the FTSE 100 Chief Executives are currently paid 145 times the average wage – or £3.7m. By 2020 this will increase to 214 times the average. The report also finds that last year (2010) top executives saw their salary increase by an average of 3%, whilst salary for the rest of the UK workforce barely rose at all, at an increase of 0.1%.

Key findings include a recognition that pay inequality leads to a lack of social mobility and that the policy solutions which will improve opportunities for those facing the greatest disadvantage are those which will reduce poverty.

Recent research by Richard Wilkinson and Kate Pickett detailed in their book The Spirit Level: Why More Equal Societies Almost Always Do Better lends support to this argument. Their research documents the level of health and social problems against the level of income inequality in 20 of the world’s richest nations, and in each of the 50 United States. What they find is that, in states and countries where there is a big gap between the incomes of rich and poor, mental illness, drug and alcohol abuse, obesity and teenage pregnancy are more common, the murder rate is higher, life expectancy is shorter, and children’s educational performance and literacy
scores are worse. Countries that have the smallest differences between higher and lower incomes, have the best record of psycho-social health. The countries with the widest income gulf and the highest incidence of most health and social problems, are Britain and the United States of America.

Societies where incomes are relatively equal have low levels of stress and high levels of trust, so that people feel secure and see others as co-operative. In unequal societies, by contrast, the rich suffer from fear of those with nothing. Those lower down the income scale experience status anxiety, looking upon those who are more successful with bitterness. Those on low incomes grew obese on comfort foods and took more legal and illegal drugs. In 2005, doctors in England alone wrote 29m prescriptions for antidepressants, costing the NHS £400m.

Wilkinson and Pickett show us that a wide range of social problems stem from income inequality and form circuits or spirals. Babies born to teenage mothers are at greater risk, as they grow up, of educational failure, juvenile crime, and becoming teenage parents themselves. They show quite clearly that in societies with greater income inequality, more people are sent to prison, and less is spent on education and welfare.

Thus, ignoring increasing inequality is not an option, but rather a disastrous course with inevitable social and political consequences.

The Scottish Government’s aspiration of achieving a Scottish Living Wage will go some way to alleviating these problems if it is applied across the Scottish economy.

The Scottish public sector should therefore set the example to the rest of the economy by introducing the SLW not only in all public bodies but insisting it is a minimum requirement of all contractors who procure public sector contracts.

6. IMPLEMENTING THE SCOTTISH LIVING WAGE

We share the view of UNISON Scotland that it would be a step forward for the Scottish Government to establish a Scottish Living Wage Unit – similar to that established within the Mayor of London’s Office. This unit, as well as promoting the living wage across all employment sectors in Scotland, could be responsible for ensuring that the living wage level is annually reviewed and updated.

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For PCS Scotland

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