1. INTRODUCTION

SCVO welcomes the opportunity to give evidence to the Local Government and Regeneration Committee on the issue of the Living Wage campaign.

Low pay is an issue which is of keen interest to much of the third sector given the objective for many charities of tackling inequality and poverty. Addressing low pay by ensuring everyone earns at least enough to be able to pay for basic essentials helps alleviate many of the consequences of living in poverty, with benefits for physical and mental health in particular potentially helping the Government save money on public services in the long-run.

While the legal minimum wage has clearly helped move low pay in the right direction, it is apparent from research funded by the Joseph Rowntree Foundation\(^9\) that the current minimum wage is insufficient to ensure people do not live in income poverty. A Living Wage – the level of which is calculated by robust analysis of living costs for various household types\(^10\) – would help ensure that people earn enough to maintain a minimum standard of living.

2. KEY POINTS

An aspect of the campaign which has generally not been given as much publicity as the focus on the public sector is that of pay in the third sector itself. The Living Wage campaign is clear that it sees the third sector as one of its targets. Precise figures on pay in the third sector in Scotland are not available but the general consensus is that there is a significant minority of employees in the sector earning less than £7.20 an hour, with many of those employed in the social care sector – although low pay is by no means unique to this part of the third sector.

There are a number of barriers which help explain why some charities may pay lower than £7.20 an hour.

Critically, many of the third sector organisations which are contracted by local government to provide services find the value of the contracts and grants they are awarded is simply too low to pay much more than the minimum wage, regardless of whether or not they would like to pay their staff more. This has become more of a problem in recent years as public spending cuts have come into effect.

In addition, the small size and low turnover of many charities makes implementing a Living Wage more difficult, although the desire to do so may well be there. For example, the third sector in Scotland includes 45,000 formally constituted voluntary organisations.


\(^10\) [http://www.minimumincomestandard.org/downloads/working_papers/living_wage_detail_and_rationale.pdf](http://www.minimumincomestandard.org/downloads/working_papers/living_wage_detail_and_rationale.pdf)
organisations, over 65% of which are grassroots organisations with an income of less than £25,000 a year.

There is also a concern about a potential unintended consequence of the Living Wage campaign being implemented by the public sector, particularly local authorities, in that it could potentially diminish the amount of money available to pay for services contracted to the third sector, thus squeezing the finances of charities even further than they are already and making it harder to afford to deliver services, let alone pay a minimum of £7.20 an hour. This is a similar issue to that created by the policy of no compulsory redundancies in the public sector, which anecdotal evidence suggests has contributed to funding cuts for third sector organisations with public sector contracts or grants. We would not wish, however, for this to be taken as an argument against paying a living wage to public sector staff.

ABOUT US

The Scottish Council for Voluntary Organisations (SCVO) is the national body representing the third sector. There are over 45,000 voluntary organisations in Scotland involving around 137,000 paid staff and approximately 1.2 million volunteers. The sector manages an income of £4.4 billion.

SCVO works in partnership with the third sector in Scotland to advance our shared values and interests. We have over 1300 members who range from individuals and grassroots groups, to Scotland-wide organisations and intermediary bodies.

As the only inclusive representative umbrella organisation for the sector SCVO:

- has the largest Scotland-wide membership from the sector – our 1300 members include charities, community groups, social enterprises and voluntary organisations of all shapes and sizes
- our governance and membership structures are democratic and accountable - with an elected board and policy committee from the sector, we are managed by the sector, for the sector
- brings together organisations and networks connecting across the whole of Scotland

SCVO works to support people to take voluntary action to help themselves and others, and to bring about social change. Our policy is determined by a policy committee elected by our members.11

Further details about SCVO can be found at www.scvo.org.uk.

---

11 SCVO’s Policy Committee has 24 members elected by SCVO’s member organisations who then co-opt up to eight more members primarily to reflect fields of interest which are not otherwise represented. It also includes two ex officio members, the SCVO Convener and Vice Convener.
REFERENCES

Scottish Voluntary Sector Statistics 2010, SCVO

Nick Waugh
Policy Officer
e: nick.waugh@scvo.org.uk
t: 0131 474 8001

25 November 2011