SUBMISSION FROM SCOTTISH LIVING WAGE CAMPAIGN

The Scottish Living Wage Campaign (SLWC) is led by the Poverty Alliance and the STUC and supported by the Church of Scotland, Unison, Unite, GMB, PCS, Oxfam and the Child Poverty Action Group. The campaign has played a key role in establishing the principle of a Living Wage in Scotland and has welcomed the introduction of the Living Wage in parts of the public sector. The Scottish Living Wage is £7.20 and calculated using a methodology developed by the Living Wage Foundation and the Centre for Research in Social Policy at Loughborough University who produce the Minimum Income Standard (MIS).

1. INTRODUCTION

The SLWC is pleased to submit evidence to the Committee Inquiry on the Living Wage in Scotland. The fact that the Inquiry is taking place is testimony to the increasing recognition of the role that a Living Wage has in poverty reduction and as a step to ensuring that no one in Scotland has to survive on poverty pay.

The Living Wage has gathered increasing prominence in Scotland mainly in the public sector. Since 2008 an increasing number of low paid workers have benefited from the Scottish Living Wage. The Labour Party, SNP and Greens opted to support the Living Wage to differing degrees in their manifestos for the 2011 Scottish Parliament elections.

The Scottish Government introduced the Living Wage for directly employed staff, staff in its agencies and the NHS. In local government 7 local authorities have adopted the Living Wage. This has generally been as a result of local negotiation as there is currently no requirement that local authorities should pay the Living Wage. The SLWC estimate that around 15,000 workers in the public sector have benefited from the adoption of Living Wage policies.

Despite this progress there is much still to be done. A Freedom of Information request reveals that there are around 18,000 directly employed staff in local government who earn less than £7.20. There has been limited progress in Scotland in including the Living Wage in public sector procurement – a key lever for ensuring that workers in the private and voluntary sectors benefit from the Living Wage. The campaign estimates that there are around 350,000 workers in Scotland paid less than the Living Wage. The majority of these are women who work in the retail and hospitality sectors and we are aware of issues in the private care sector.

2. THE BENEFITS OF A LIVING WAGE


2 The Poverty Alliance (2010) Low Pay in Scotland: a Poverty Alliance briefing
The SLWC believes that the Living Wage benefits employers, employees, communities and the economy more generally. This is particularly the case when household budgets are under pressure with rising energy and food bills and a downward pressure on wages generally. Whilst the rhetoric continues to be about ‘making work pay’ the reality is that low pay, reductions in the adequacy of terms and conditions, a lack of affordable childcare and the likelihood of increased conditionality and sanctions around benefits are likely to make work unaffordable for many. It should be recognised that a Living Wage is not a panacea. Nevertheless in the context set out above it does at least tip the scales somewhat in favour of hard pressed individuals and families and has a vital role in protecting those on very low incomes.

There is evidence that employers benefit from paying a Living Wage. The Greater London Authority (GLA) commissioned an independent report into the business benefits of implementing a London Living Wage. The study concluded that there were significant benefits for employers in terms of worker’s morale and motivation, lower rates of absenteeism and sick rates, evidence of enhanced quality of work. In addition there were benefits in relation to recruitment and retention of staff. Employers reported:

- Significantly lower rates of staff turnover
- Substantial cost savings on recruitment and induction training
- Employees more likely to stay with organisation
- Increased tenure of workers and continuity of workforce

In the same report employees reported the wage difference not only made them far happier in their work but improved their standard of living enabling them to better manage their bills, have a better standard of family life and pay for education and training. They also took a more flexible approach to change in the workplace with many more willing to implement change in their working practices.

Paying a Living Wage should also benefit local communities and economies. People living on a low income are more likely to spend in their local area. A report by Unison, the New Economics Foundation and Staffordshire University looking at the income of care workers in Stoke on Trent found that:

“By combining survey evidence on care workers’ spending in local businesses with estimates of local business spending in the local economy, we calculated a local economy multiplier for care workers’ income of £1.63. This means that for every £1 of additional income paid to public-sector care workers the local economy benefits by an additional £0.63 of income creation. (Or for every £1 of additional income paid to private-sector care workers under a “fair wages” policy the local economy would

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benefit by an additional £0.63 of income creation.) This multiplier of £1.63 is in line with other studies.4

A Scottish Government analysis of paying the Living Wage (at that time £7.00 per hour) found that compared to the minimum wage and after taking tax, national insurance and benefits into account different household types saw their income increase from between 9 and 18 per cent.5

It is clear that paying a Living Wage can benefit employers, employees, communities and the economy. The evidence presented here largely relates to developments in England, The SLWC believes that these benefits will apply equally in Scotland as they do elsewhere. Nevertheless more work is required in a specific Scottish context which focuses on the benefits of paying a Living Wage and how these benefits can be extended to greater numbers of employers, employees and communities. This should be a key role for a Scottish Living Wage Unit which is explored in more detail below.

3. IMPLEMENTATION IN LOCAL authori ties

The SLWC believes that that no Scottish worker should be paid poverty wages.

The focus of the campaign in the first instance has been on the public sector. We believe that the public sector should lead the way in paying workers a Living Wage that will benefit them as employers, employees and the communities they serve. There has been significant progress in achieving this aim. None of the 31,000 workers directly employed by the Scottish Government should be paid less than the Living Wage. In addition seven local authorities protect their lowest paid workers with a Living Wage policy. This means that just over a quarter of all local authority staff benefit from the Living Wage.

We welcome the fact the 2011 Spending Review commits to paying Scottish Government and NHS employees the uprated Living Wage of £7.20. There is however a real need for progress to be made in extending this to all directly employed public sector workers. If this is to be done then all workers in local authorities must be protected by a Living Wage policy. A Freedom of Information request shows that in 2011 across all local authorities 7% of directly employed staff were earning less than £7.20 per hour, although this proportion varied across local authorities from 0% to 15%.

Seven local authorities have adopted a Living Wage policy. The campaign welcomes the fact that the Living Wage has been used in local negotiations but believes that there needs to be an agreement reached between the Scottish Government and local authorities that the Living Wage should be adopted by all authorities. Whilst

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4 Jackson I & Pugh G (2005) The regeneration effects of fair wages: The economic benefits to Stoke on Trent of closing the gap between private and public sector pay for residential care work. Staffordshire University for Unison

5 Scottish Government (2010) Low Pay and Income Inequality in Scotland
welcoming the fact that a number of local authorities have introduced a Living Wage, the Scottish Government have so far left these decisions to authorities themselves on the basis that the Scottish Government pay policy does not extend to local authorities. We believe that as a Living Wage employer, negotiating a settlement with local government, the Scottish Government are in a prime position to build on their support for the Living Wage by ensuring that the Living Wage is part of that settlement.

4. PROCUREMENT

Including a Living Wage provisions in public sector contracts is a crucial element in ensuring that increasing numbers of workers are protected by a Living Wage. Such provisions are central to demonstrating that the public sector is leading on the spread of the Living Wage in Scotland and that no public money spent on wages is paid as poverty pay.

The EU Public Procurement Directive implemented in the UK in January 2006 makes explicit the scope to take social and environmental issues into account at the relevant stages of the procurement process. The Directive allows a contracting authority to use award criteria aiming to meet social requirements.

The SLWC are aware of the arguments against the inclusion of a Living Wage provision in public sector contracts but note that these are largely technical. Procurement policy, whilst obviously influenced by European legislation, is a devolved matter. There is therefore a role for the Scottish Government in determining how best to include a meaningful Living Wage provision in contracts.

There are examples in the public sector in London of where procurement has been used to promote social objectives in general and the Living Wage has been included as part of this. The London Mayor reports that the Living Wage has been implemented in in a number of support services contracts totaling £5.5m across the GLA group, leading to almost 400 staff realising the associated benefits.

The GLA introduced the London Living Wage provisions into its catering and cleaning contracts at City Hall in 2005 and 2006. As part of their tenders for these contracts, bidders were required to indicate whether they would accept a London Living Wage clause as part of the contract, including ensuring that other employment conditions were not reduced as a result of paying a Living Wage. This proved to be a successful approach. Lewisham Council includes the provision of a London Living Wage in service contracts awarded by the authority to help ensure that the outsourcing of services or

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6 Cabinet Secretary for Finance and Sustainable Growth answer to Parliamentary Question (S4W-02479)

7 The Mayor of London (2005) Responsible Procurement Report
contracting with external providers does not drive down the rates of pay for members of staff employed by companies to work on Lewisham contracts\textsuperscript{8}.

We believe that the Scottish Government, as a Living Wage employer, should review their procurement, contract and best value policies to ensure that, the Scottish Living Wage is the minimum paid to all staff working on public sector contracts either in the private or voluntary sectors.

5. A SCOTTISH LIVING WAGE UNIT

The SLWC campaign believes that there is a need for the establishment of a Scottish Living Wage Unit. The unit should be established by Government. As the numbers of workers receiving the Living Wage increases and interest in Living Wage policies grows among workers and employers outside the public sector we believe that a Scottish Living Wage unit would have a key role in a number of respects:

- A unit would have a role in setting the Living Wage in a Scottish context building on the work of the Centre for Social Policy at Loughborough University and the Living Wage Foundation.
- The Unit would have a crucial role in advising employers on adopting the Living Wage and could also play a part in the accreditation of Living Wage Policies. Again this could build on work already started in England.
- The Unit could also have a role in reviewing and advising on the Living Wage in relation to procurement.
- Promotion of the Living Wage with all employers but particularly in the private sector is essential and could be a part of the work of a Living Wage unit.
- Mapping low pay in Scotland. Specifically Scottish data on the extent and geography of low pay in Scotland is patchy and inconsistent. A Living Wage unit could have a key role in mapping low pay across all sectors and all parts of Scotland. This would inform not only the development of a Living Wage policy but wider policy social and economic policy.

\textsuperscript{8} Lewisham Council (2011) Public Accounts Committee: In-depth Review Scoping Paper: Fairness in the Council’s budget, procurement and employment policies
6. CONCLUSION

The increasing numbers of Scottish workers protected by the Living Wage is welcome. There is little doubt that increasing the incomes of the poorest workers in society at a time of great economic uncertainty is good for them but also benefits employers, communities and the wider economy. The vast majority of those who benefit from the Living Wage are in the public sector although around 18,000 workers in local government still receive poverty pay. This is a situation that could be rectified through an agreement between the Scottish Government who are keen to promote the Living Wage and local authorities. A significant challenge is ensuring that the Living Wage benefits workers in other sectors. Ensuring that public sector contracts contain a Living Wage provision is the first step towards this. At the same time establishing a Scottish Living Wage Unit will support the development of the Living Wage in Scotland and, crucially, promote the benefits to employers in the private sector.

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