Introduction

1. The Convention of Scottish Local Authorities (COSLA) welcomes the opportunity to provide evidence to the Local Government and Regeneration Committee’s Inquiry on a Living Wage in Scotland.

Context

2. Local government is one of Scotland’s largest employers, employing around 300,000 people. Our workforce is diverse, and includes many of society’s most valued workers, including those who help our children grow and learn, those who protect our communities and care for the vulnerable and those providing the essential day-to-day services that allow people to work, live in or visit our communities.

3. With over 60% of all local government budgets spent on their staff, local government employers know that only a properly motivated, skilled and rewarded workforce can deliver the best possible services to communities across Scotland. We also understand that there are many strategic and tactical issues in how councils address pay and workforce issues. Council and wider public sector employment is critical to demand, consumption and the strength of local economies across Scotland, and as a major procurer of services, wider spending decisions also have the potential to resonate across the wider public and private sectors.

4. These considerations are particular important at a time when local government faces tough financial challenges. Councils, their communities, partners, local businesses and residents face a number of new pressures characterised by an environment of diminishing resources and growing demand. The measures open to local government as it seeks to continue the provision of essential local services, protect employment and related social outcomes, and at the same time balance the books, are limited and profoundly challenging.

5. Over the last two years, the focus of local government’s activity around pay and conditions has therefore been to secure affordable and sustainable employment through responsible management of the pay bill and associated terms and conditions. Many of the decisions that have been required would not have been contemplated in the past. In particular, pay for the majority of local government employees was determined in August 2010 when Council Leaders took the unanimous decision to make a modest pay award of 0.65% followed by a two year pay freeze for the period 2010/11 to 2012/13.
6. Difficult as that decision was, it has meant that Scotland's local government workforce is more sustainable and more competitive than ever before, and has protected vital services while successfully keeping compulsory redundancies to an absolute minimum. It also broadly reflects the pay arrangements in place for local government workers in England and Wales.

Living Wage and Income Distribution

7. Nevertheless, COSLA understands many of the drivers behind the Living Wage, including that in the last decade distribution of income across the UK population has changed very little, and that the income gap has not reduced. In Scotland we also know that the percentage of the population within the bottom 3 income deciles has remained fairly constant at around 13-14% of overall income and that employees who earn less than £7 per hour are more likely to be part-time, and across all age groups are more likely to be female. We further recognise the pressures that current levels of inflation can exert on household spending at a time of pay freezes.

8. While these are important arguments, we are also mindful that tackling poverty requires a complex and nuanced understanding of the issues. Of greatest importance is the need to maintain employment. The pay strategy that has been implemented by local government in Scotland has undoubtedly made a vital contribution to that objective. Beyond that, the Living Wage is one of a number of options that currently exist for the application of a finite financial resource to be used disproportionately to increase pay for lower paid members of the workforce and has been the subject of much attention within pay bargaining negotiations over the last 24 months.

9. Increasing pay in itself does not necessarily tackle poverty effectively. For households on low incomes, the introduction of a living wage may be offset by reductions in income received from benefits, tax credits and higher tax payments which occur automatically through the UK tax system. This may also precipitate the loss of pass ported services and benefits without an associated increase in income or precipitate failure to qualify for financial relief for charges for local services. These potentially limit the policy’s effectiveness, with employers simply replacing benefit rather than increasing the overall income enjoyed by employees. We are also mindful that welfare reform and the adoption of Universal Credit has the potential to impact on the effectiveness of a living wage policy and that issues around accessibility, childcare, skills and job opportunities can also present barriers to employment faced by those in the lowest income deciles.

Living Wage and Industrial Relations

10. The Living Wage is, of course, also of a matter of importance within the wider industrial relations agenda. In this context it is important to highlight that, with the exception of the Scottish Negotiating Committee for Teachers (SNCT), where the Scottish Government is a tri-partite partner in the negotiating machinery, national pay bargaining mechanisms and pay settlements covering local government employees are autonomous from Treasury or Scottish Government pay policies.
Consideration of the Living Wage is chiefly confined to the Scottish Joint Council (SJC), SJNC (Craft), and Police Staff groups; no teachers, including probationers, or chief officials are paid below the £7.20 threshold.

11. Moreover, the implementation of Single Status by councils has meant that terms and conditions, including local pay structures and pay rates, are now almost entirely determined locally for most staff other than teachers, and national bargaining machinery is not empowered to interfere with these. There is no single pay structure for Scottish local government; rather, each Council has undertaken a job sizing exercise and determined pay structures which reflect their local circumstances. Applying the living wage to these, however desirable, requires technical assessment, not least of all to ensure that pay rates reflect the assessment of job content achieved through job evaluation processes, and to ensure appropriate differentials in pay rates are achieved.

12. This context is important because it affects consideration of the Living Wage in two ways. Firstly, prior to negotiations on pay in 2010, the Employers had consulted councils on the potential to introduce of a living wage across Scottish local government. The results of this research found that the specific and highly localised nature of individual councils’ pay and grading structures meant that there was little potential to develop a ‘one size fits all’ approach that would be capable of effectively delivering a Living Wage on a national basis. For example, considerations including the localised nature of equality proofed pay and grading structures, different workforce profiles and local labour markets, issues around trading operations, affordability issues, and the interactions between local and national bargaining priorities meant that a mandate to take forward the Living Wage within a national pay strategy was not provided by councils. This position broadly mirrors that of the local government workforce in England and Wales, who have also experienced a pay freeze and not received any element of ‘bottom loading’.

13. Secondly, because councils report that this is a matter best considered on a council by council basis, the Living Wage does not constitute a current element of the national pay settlement for Scottish local government, albeit that local government continues to be committed to examining this at local level. This approach has proved effective in a number of authorities who have taken the decision to implement the living wage for their workforce with a number of others committed to exploring the issue in the medium term, often as one component of a negotiation to secure a wider package of workforce modernisation within the council that could allow a Living Wage to be implemented on a cost neutral basis.

14. In addition, councils remain absolutely committed to collective national bargaining, and recognise that the living wage remains part of long held trade union aspiration for pay, and has featured in the pay claims recently submitted for 2011/12 by the SJC and SJNC Craft signatory trade unions. Indeed, although the employers have intimated that they consider pay matters to have been largely settled for the current period, councils will be consulted in the coming period on the terms of this pay claim, including the Living Wage.
Conclusion

15. The living wage has been gaining increasing political support in Scotland, and has been a part of trade union aspirations in recent years. Scottish local government recognises that arguments in favour of the Living Wage have currency, and a number of local authorities in Scotland now have a living wage policy in place. However, any introduction of a living wage also requires the consideration of the impact on the wider anti-poverty agenda. In addition, a range of complex and inter-related industrial relations factors make it unlikely that a national consensus will be found on the application of the Living Wage within national pay bargaining at this time.

COSLA Employers

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