



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

LOCAL GOVERNMENT AND REGENERATION COMMITTEE

Wednesday 14 December 2011

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LOCAL GOVERNMENT AND REGENERATION COMMITTEE
14th Meeting 2011, Session 4

CONVENER

*Joe FitzPatrick (Dundee City West) (SNP)

DEPUTY CONVENER

Kevin Stewart (Aberdeen Central) (SNP)

COMMITTEE MEMBERS

*Kezia Dugdale (Lothian) (Lab)

*Mark Griffin (Central Scotland) (Lab)

*Margaret Mitchell (Central Scotland) (Con)

*David Torrance (Kirkcaldy) (SNP)

*Bill Walker (Dunfermline) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Julie Amory (Olympic Delivery Authority)

Margaret Burgess (Cunninghame South) (SNP) (Committee Substitute)

Councillor Michael Cook (Convention of Scottish Local Authorities)

David Coyne (Glasgow City Council)

Caroline Innes (East Renfrewshire Council)

Lorraine Martins (Olympic Delivery Authority)

Paul McGowan (West Dunbartonshire Council)

Kay McVeigh (South Lanarkshire Council)

Elma Murray (North Ayrshire Council)

Jeremy Skinner (Greater London Authority)

CLERK TO THE COMMITTEE

Eugene Windsor

LOCATION

Committee Room 1

Scottish Parliament

Local Government and Regeneration Committee

Wednesday 14 December 2011

[The Convener *opened the meeting at 10:00*]

Decision on Taking Business in Private

The Convener (Joe FitzPatrick): Good morning. I welcome everyone to the 14th meeting in session 4 of the Local Government and Regeneration Committee. As usual, I ask everyone to check that they have switched off their mobile phones and any other electronic equipment.

I have received apologies from Kevin Stewart, who has been substituted by Margaret Burgess.

Agenda item 1 is a decision on taking business in private. Do members agree that we should take item 4 in private?

Members *indicated agreement.*

Living Wage Inquiry

10:00

The Convener: Agenda item 2 is an oral evidence-taking session in our inquiry into the living wage in Scotland. This is the second of the three evidence-taking sessions that we are holding this month as part of our examination of living wage policy among local authorities.

We have two panels of witnesses. Our first panel, which joins us live from London city hall via videoconference link, represents public sector organisations in London that operate a living wage policy. I invite our witnesses to introduce themselves and perhaps say a little about their organisations.

Jeremy Skinner (Greater London Authority): I am the senior manager for economic and business policy at the Greater London Authority, which is the overall strategic authority for London. It serves the elected mayor of London.

Julie Amory (Olympic Delivery Authority): I am the head of equality and inclusion at the Olympic Delivery Authority. We are the public body responsible for designing and delivering the infrastructure and venues for the Olympic and Paralympic games.

Lorraine Martins (Olympic Delivery Authority): I am the former head of equality, inclusion, employment and skills at the Olympic Delivery Authority. I am also a trustee for the Trust for London, which is a charitable organisation that funds and campaigns for the London living wage. Therefore, I will talk a little bit about those experiences and the campaign as well.

The Convener: Thank you very much.

How was the case for the living wage made in London and what were the implementation challenges?

Lorraine Martins: One of the key drivers of the case for the living wage in London was Citizens UK, which is a national charitable organisation. It wanted to make the Olympic games the first living wage games—

Temporary loss of sound.

The Convener: I am sorry, Lorraine, but we are having difficulty with our sound recording. I suspend the meeting for five minutes or so to try to fix the problem and ensure that what you are saying is broadcast.

10:04

Meeting suspended.

10:07

On resuming—

The Convener: We need to start again, as the previous session may not have been recorded. I apologise to the panel in London and invite each panel member to say again who they are and a little bit about the organisation that they represent.

Jeremy Skinner: That is absolutely fine.

I am the senior manager for economic and business policy at the Greater London Authority, which is the strategic authority for the capital. It supports the elected major, Boris Johnson, and members of the London Assembly, who scrutinise the activity of the executive mayor.

Julie Amory: I am the head of equality and inclusion at the Olympic Delivery Authority. We are the public body responsible for the design and build of the venues and infrastructure for the Olympic and Paralympic games.

Loraine Martins: I am the former head of equality, inclusion, employment and skills at the Olympic Delivery Authority. I am also a trustee for the Trust for London, which is a charitable organisation that tackles poverty and inequality. We also fund the London living wage campaign in London.

The Convener: Thanks very much.

How was the case for a living wage made in London and what were the challenges with its implementation?

Loraine Martins: Two things contributed to the case for the London living wage, which I will discuss in no order of priority. There was external influence from Citizens UK, which is a charitable organisation. It saw the opportunity for the Olympic games to be the first-ever living wage games, and it has been very vocal and active in ensuring that people in the east of London benefit from jobs and training opportunities that are related to the Olympic and Paralympic games. It entered into dialogue with the Olympic Delivery Authority and the London Organising Committee of the Olympic and Paralympic Games—LOCOG—to get us to work with it to introduce the London living wage.

Parallel to that, the Olympic Delivery Authority had several priority themes, and it used the major investment in the games to demonstrate best practice in a range of areas, from health and safety to equality and inclusion, sustainability and inclusive design. The ODA saw that as an opportunity to ensure that everyone who was

working in the construction of the Olympic park was paid a good rate that was commensurate with the significant investment that was being made in the area.

Given that the eyes of the world were upon the Olympic Delivery Authority, and given the external pressures that were coming from a quite vociferous and helpful charitable organisation, the London living wage sat quite neatly in our priority themes. There was not therefore much need to make a case, because the living wage fitted well with our values for the games, which were to use the games as a catalyst for change. The change will be in ensuring that everyone's terms and conditions are upheld, and that all the construction workers are treated appropriately and fairly and that they are not in any way impoverished by working on the construction of the Olympic park.

The east end of London has very high levels of unemployment and low-paid workers, so the park was an opportunity for the ODA to use its resources to ensure that there was some rebalancing of those traditional indices.

Julie Amory: You asked about the challenges. At the beginning, one of the challenges that we faced was that some of the contractors and contracts had been involved with the games before the Olympic Delivery Authority came into being. They were London Development Agency contracts and contractors, and they were involved in the early enabling works. Once we started to introduce the London living wage as part of the Olympic Delivery Authority tier 1 contracts, those who had started earlier with the LDA did not have the same conditions in their contracts. That was one of the challenges that we had to deal with.

Jeremy Skinner: Of course, the living wage has a relatively long history in London. The previous mayor, Ken Livingstone, included the living wage in his 2004 election manifesto. The role of Citizens UK, and its London branch, was important in persuading the then mayor to take up the cause of the living wage. The origins were therefore in the moral case for the living wage, which has subsequently and increasingly been underpinned by the business case; I am sure that we will come on to that. In the subsequent election campaign in 2008, both mayoral candidates pledged to continue the living wage and there is obviously strong cross-party consensus in support of the living wage in London.

I have been at the Greater London Authority for nearly seven years, and the living wage predates me, so it has been around in London for a while.

Loraine Martins: The living wage campaign has been around for about 10 years or so.

Julie Amory mentioned the challenge that we faced as a result of contractors having different

timings for coming in situ, but there was also a challenge in that different sectors were involved. For the construction industry in particular, there was a working time agreement that we were careful not to undermine by introducing the London living wage. We had to be quite mindful of the terms and conditions that existed between union agreements and the industry sectors that were involved. If you were minded to introduce the living wage in Scotland, I suggest that you would need to take those considerations into account to ensure that everything is aligned and that your relationship with the unions is positive. That has been a crucial factor for us in enabling the introduction of the living wage.

10:15

A further challenge was knowing that the living wage was being paid and being able to monitor that individuals were in receipt of it. One way in which the ODA was able to do that was by having a perimeter fence around the park, so there was a fixed environment and everybody entered through a single gate, which we were able to monitor. We monitored the situation by using a voluntary questionnaire in which individuals declared whether they were in receipt of a living wage. We looked at those figures and if we found that individuals were not in receipt of a living wage, we would have a conversation with the contractors involved and work with them to get them to implement the living wage.

We did not have any powers of compulsion. The ODA did not have any enforcement powers to make the living wage happen, partly because of Olympic games restrictions and partly because we had introduced it into our contractual arrangements latterly. However, we asked all our contractors to use their best endeavours to implement the living wage. It was important for us to understand the extent to which it was being introduced.

As I said, the monitoring of the introduction of a living wage was facilitated by having a perimeter fence and a single gate that people would go through. The questionnaire was voluntary, but there was a high level of responses and they suggested that the majority of people were being paid the living wage. Particular sectors that were vulnerable were catering and security. The monitoring process provided us with good information and we could have discussions with those sectors. It is important to verify that people are receiving the living wage, so we had to inform individuals what the rate was so that they could indicate whether they were receiving it.

Margaret Mitchell (Central Scotland) (Con): Good morning, panellists. I have a question on the contractual experience for Jeremy Skinner and the

other panellists. The GLA has a long history with the living wage. What proportions of contracts have been awarded to employers who pay the London living wage and to those who do not? Do those who pay it have any difficulty in bidding for and ultimately winning contracts in competition with contractors who do not pay it?

Jeremy Skinner: I do not have those statistics to hand, unless my colleague on my right, whom you cannot see, can pass me a piece of paper.

It has taken some time to roll out the living wage to contracts across the whole of the GLA group. We estimate that about 3,000 employees are now paid the living wage. The ODA's experience is perhaps more relevant in that it indicates to the committee that, depending on the environment, implementing the living wage is not a straightforward business and contracts may need to be revisited. Employers sometimes just need to be told that this is the policy and these are the expectations, as there is often an information gap.

There have been some contractual and legal difficulties about whether it is possible to specify the living wage in tender documentation. The office of Government commerce has been particularly concerned with a European Court case about whether it is legal for us to specify the living wage. I think that the law is still a bit uncertain on that point, but in practice we have had two fairly bullish mayors who have championed the living wage irrespective of that. As far as I am aware, no employer has ever taken any part of the GLA group to court, and we do not anticipate that anyone will do so. In that regard, the roll-out will continue.

The other point is that it is a voluntary policy. With regard to the wider economy, we set the annual figure and leave it to individual firms to decide how they will implement it. We have had a number of internal discussions about whether we should be more prescriptive about the time within which employers should uprate their contracts after we announce the living wage. However, we believe that it is sufficient for us to set the living wage and then leave it to individual organisations, unions, employers and their staff to negotiate how it will be implemented in practice. That approach seems to have worked reasonably well here in London, but my colleagues' experience may be more relevant.

Loraine Martins: The ODA and LOCOG specified in the pre-tender, prequalification questionnaire documentation that both organisations—LOCOG is a private sector organisation—expect their contractors to implement the London living wage. As Jeremy Skinner said, there is no compulsion or enforcement, but it is clearly stipulated as one of the elements that we expect.

To my knowledge, at the peak, we had more than 12,000 people working on the Olympic park, and on average about 85 per cent of them were paid the London living wage. Those who were not tended to be apprentices or in incidental trades. I do not want to call those trades insignificant, but it would not have been appropriate for those people to be paid the London living wage. From our perspective, that is quite a good success rate.

I am not aware that any of our contractors have resisted implementing the living wage on economic or contractual grounds. We were able to benefit from the zeitgeist—the spirit of the times—in wanting contractors to do their best by all members of their workforce. We couched our expectation in terms of best practice and the need to ensure that we were delivering economic as well as physical and social regeneration. That seemed to be sufficient for our contractors; they embraced it, and it became almost part and parcel of what they were expected to do.

This is slightly anecdotal, but we found that, where organisations were not paying the London living wage, other challenges were presented by the way in which they employed their workforce. There is a relationship between standards of recruitment and employment practice and the living wage, which we did not necessarily anticipate when we introduced it. Does that answer your question?

Margaret Mitchell: It does—up to a point. From what you have said, it seems that unless a contractor heeded the procurement specification to look at the living wage, they would not win the contract. If you have any statistics on that, I would like to see them. I would like to know how many companies that did not pay the living wage won contracts, and, in relation to equality and fairness, whether there was a link with those organisations that might find it challenging or unsustainable in these difficult economic times to bid for contracts. I am just looking at the other side of the coin.

Loraine Martins: I am not sure that any contractors did not win contracts because they were not paying the living wage. Once they were contracted, that was part and parcel of what we expected them to deliver. As far as I know, most of our contractors implemented it; they were not prevented from being successful as contractors by not paying it in the first place. Does that make sense?

Margaret Mitchell: Yes. I understand that a lot would depend on value for money and other factors. However, in the context of the carrot-and-stick analogy and all of that, I wonder whether their paying the living wage was a huge factor. Some statistics on that would be very much appreciated.

Loraine Martins: Okay.

Bill Walker (Dunfermline) (SNP): Good morning from sunny, warm Edinburgh.

Loraine Martins: It is just the same in London.

The Convener: Bill Walker is being sarcastic.

Bill Walker: Never, convener.

I have a devil's-advocate question about the level of the living wage. I do not know quite how you established the London living wage. Have you discovered that, in terms of differentials, the amount that is paid is enough to attract applicants for the work? You mentioned that there is a lot of unemployment and relative poverty in east London. Is the differential enough, using the carrot-and-stick approach, to encourage people to apply for the jobs? My question is for Loraine Martins.

Loraine Martins: That is a really good question. We have not studied the extent to which that was one of the factors that attracted people to the jobs. There were a range of issues. The ODA was dealing with the construction industry in particular, and the project was a unique initiative with worldwide exposure. Some of the trades in the construction industry are well respected and well paid anyway, and some of the skills that we needed were specialist skills, so they would have been okay. The sectors in which the living wage has impacted most—this would probably be true in Scotland, too—are catering and security, because those sectors have traditionally been underpaid.

I do not have any evidence to suggest that we had an increased number of applications because people were going to be paid the London living wage, but our levels of retention were good. One could argue that that was because people were being paid well, but it could also have been because they were involved in a unique project. I cannot extrapolate which of those factors was the most important, but we know from talking to the contractors' workforce that there were good levels of attendance, retention and productivity. The project finished just before time and on budget, and all those things—including the London living wage—contributed to that success.

Bill Walker: I thank Loraine Martins for her comprehensive answer. I am pleased that the project is so prestigious that people have wanted to be involved in it. It is good to know about the high level of staff retention, the quality of the work and the fact that the project was finished on time, which ensured a successful outcome. Thank you for your answer.

David Torrance (Kirkcaldy) (SNP): Good morning, everybody. From the briefing papers that we have been given, I note that the living wage

has been in place in London for some time. You say that over 100 employees have signed up to it.

The Convener: Employers.

David Torrance: Sorry—over 100 employers have signed up to it and are ready. How can you encourage more employers to do that? Have you had any legal challenges to your tendering process from private sector companies?

10:30

Jeremy Skinner: I guess that that question is in two parts. The first is on the overall take-up across the London economy. The ODA can answer the question on challenges—I am not aware of any substantial legal challenges, although we have occasionally had the odd query.

Is the figure of 100 good? We could certainly do better. Knowledge of the living wage policy is still relatively weak and we need to do more work with Citizens UK to promote the benefits of the living wage. There is more to be done if we are to see major take-up.

We have been very successful in the sectors in which employees are already paid well. In financial and business services, there has been almost a majority take-up among financial, legal and major accountancy firms. The big challenge is to persuade the major retailers, because they employ large numbers of people and pay them just below or significantly below the living wage. We would very much like to land a major retailer and we are hopeful—dare I say it?—that we will do so. Once a really big employer starts to lift the threshold and pay the living wage to a large number of people who are currently paid less, the overall zeitgeist—to use that word again—will become much stronger. I do not think that we have quite reached that tipping point, even though we are six years into the policy.

There is more to be done. The mayor is conscious that, in these difficult economic times, it is harder to champion the living wage policy. I stress again that it is a voluntary policy, which is an aspect that we muse about. For instance, it would be invidious to expect a new start-up business, the owners of which may pay themselves nothing for a year or so, to start paying the living wage from day one, but as businesses mature, grow and become successful, we believe that the moral imperative and business case for paying the living wage become stronger. The evidence that we have indicates that staff turnover and absenteeism go down and morale, productivity, flexibility and relationships between employers and employees all improve. All those things are to the living wage's credit.

In my view, the overall economic backdrop is one of the major impediments to the successful uptake of the policy.

Loraine Martins: The living wage campaign has provided me with some information. It says that 140 employers have formally signed up to the London living wage and 12 local authorities have committed to it in principle, of which four are already implementing it across their contracted workforce, which comprises between 1,000 and 3,000 individuals. The London living wage has also been implemented by 12 higher and further education employers, including the London School of Economics, Birkbeck, University of London and Queen Mary, University of London. That impacts on 50 to 100 workers.

Approximately 70 non-governmental organisations have implemented the living wage, and one high-street chain has done so: Lush Ltd. The campaign is in negotiations with Tesco, John Lewis and Marks and Spencer. The private sector organisations that have implemented the living wage include Deloitte, Unilever, JP Morgan and Coca-Cola, as well as Barclays and KPMG in financial services, which Jeremy Skinner mentioned. Indeed, Barclays recently introduced the living wage across the United Kingdom.

The campaign is burgeoning. Jeremy Skinner is right to say that the current economic climate is not helpful, but the campaign is about raising people out of poverty and there is a fair bit of in-work poverty that the living wage can help to alleviate. If you are minded to take it on, the benefits for individual employees are significant.

Kezia Dugdale (Lothian) (Lab): I very much appreciate the documents and evidence that witnesses have submitted. I want to ask about the kudos of the Olympics. Perhaps people who are hostile to the idea of a living wage in Scotland might think that it is easy for the London Olympics to do it with no blanket conditions because of the kudos that the Olympics brings. Can you shatter that illusion?

Loraine Martins: I would love to shatter the illusion outright, but I do not know that I can, because I think that kudos is a significant factor. What has been important for us is that the contractors have said that they are looking to take forward to other initiatives the good practice that they have implemented as a consequence of being part of the Olympic games. I think that the London Olympic games and the Commonwealth games in Scotland will be catalysts for good practice. It is about how to use the investment and resource to demonstrate the good that can be done for individuals and communities, and for the physical area. Kudos is one thing, but the practices that the contractors have developed in employing, retaining and diversifying their

workforces and in diversifying the supply chain are a consequence of being part and parcel of the Olympic games. Those are the good elements that I would advocate for you and which you could sell to contractors.

I agree that the games provide kudos in the sense that Kezia Dugdale indicated, but what is wanted is implementation of exemplary employment practices, ensuring that contractors' workforces are treated well and that nobody is impoverished by working for them. The living wage speaks to that.

Jeremy Skinner: There is obviously slightly less kudos if you work for one of the 12 local authorities involved, which represent about a third of London's 33 local authorities, or if you are a cleaner working on the London tube network, for example. Almost by contrast, the living wage is an important safeguard for people who carry out essential duties that help the city economy continue but who are often not recognised for their work.

Kezia Dugdale: Thank you. I will pick up on a point in the Olympic Delivery Authority's written submission, to which Lorraine Martins hinted earlier, about how to make progress after the Olympics. Your submission referred to the need for stronger contractual arrangements in the future in order to progress the case for a living wage. Do you have any ideas about how that might be done, and what governance framework or political leadership you need?

Lorraine Martins: The political leadership of both mayoral administrations in London have been very helpful. It is important to ensure that the contractual arrangements are made as early as possible. We stipulated a best endeavours basis but, as Julie Amory mentioned, we did not introduce it until we had the LDA contracts, which we inherited. It is about ensuring that contractual requirements or obligations are set as early as possible so that everybody understands what will be expected of them.

One of the other helpful things that the ODA was able to do was to take a collaborative approach with our contractors. Although we talk about a carrot-and-stick approach, it has actually been about working together to understand circumstances and financial positions in order to ensure that everybody wins from introducing the living wage. I was hinting in my submission at taking a holistic approach that is about collaboration and having political drive from the mayor in London. However, there is all-party support for the living wage in London, which has been helpful.

That political backdrop is important, particularly in supporting the public sector. The private sector

has understood the business case for the living wage and has worked at it. One case in the financial sector was of a chief executive who was earning something like 26 times what their lowest-paid member of staff earned. If you could raise that lowest-paid member of staff's standard of living by giving them a living wage, you would want to do that. There is no magic bullet. A collection of activities needs to coalesce to create an environment in which a living wage can sit and be delivered.

Julie Amory: As Lorraine Martins said earlier, a key aspect for us was that we had the living wage within our procurement processes so that people were aware of it; if you tendered for work for the Olympic Delivery Authority, the living wage was included in our invitation to tender and our prequalification information. We wanted people to demonstrate how they were going to assist us in raising the standards of employment practices across the construction sector. Having the living wage in the process early, and putting monitoring processes in place so that you can check that people are paying the living wage is all really helpful.

Mark Griffin (Central Scotland) (Lab): How successful has the living wage unit in the mayor's office been in driving the policy across London? Would Scotland benefit from the creation of such a unit within the Scottish Government?

Jeremy Skinner: I do not want to raise expectations about the living wage unit. We have an organisation within the Greater London Authority group called GLA economics, which provides data and analysis across the GLA group. As an aside—although it is an important point—lots of city authorities around the world have separate economic units that all argue with one another. When the GLA was originally established, we felt that it was extremely important to have an economic unit that would serve the London Development Agency, Transport for London, the Metropolitan Police and the Greater London Authority, so GLA economics is a semi-independent organisation within the GLA.

I spoke to my colleagues earlier about the resources that are required to calculate the living wage. Essentially it is a six-month task for less than one full-time equivalent member of staff. There is a cycle in the work of collecting data, writing up the annual report and promulgating the figures. The role of the living wage unit is very much to do independent analysis and to gather data rather than to promote the living wage. We have always felt that that separation of duties is important.

It is up to the mayor to champion the living wage, so he directs the staff. We do that through individual meetings with private sector firms, local

authorities and other players in London's economy. We usually take up those opportunities to champion a number of social causes including take up of apprenticeships, and we talk to them about the moral and business case for the living wage. The quid pro quo is that we hear private sector concerns about London's economy and we often take up their issues about taxation, regulation and various other matters with central Government. It is therefore very much a two-way thing.

Broadly speaking, the resources that are required are not extensive. It is important to have full confidence in, and respect for, the living wage figure and for that to be independent of the promotion and take up of the living wage.

10:45

Margaret Burgess (Cunninghame South) (SNP) (Committee Substitute): I have one brief question first, which is perhaps just for confirmation. You talked about contractors voluntarily signing up to the living wage—but I am not sure that I picked this up right—does that also apply to subcontractors?

My second question is for Loraine Martins. I took your point—you made it very well—that the living wage improves working conditions and is the fair rate for a job, but I want to drill down to discover how effective it is in tackling poverty. Given that many low earners are in receipt of means-tested benefits and of housing benefit and council tax benefit, they would effectively only have 15p of any pound. If they were to lose 85p of their benefits, how much better off would they be?

Loraine Martins: The short answer to your first question is yes.

The second question is a much wider debate. We are doing research at the Trust for London; we funded research by the Institute for Public Policy Research into the precise impact of the living wage and the extent to which it alleviates in-work poverty. I cannot answer yet; we should have the research within the next year or so. Anecdotally, for London the rate is such that it is alleviating in-work poverty and people do feel better off. What is happening is that people are not doing two jobs and can be sustained. Jeremy Skinner mentioned the point about flexibility in work and greater confidence in tenure; those things are coming out anecdotally at the Trust for London. The question is a very good one

Jeremy Skinner: I would add only that in-work benefits are taken into account in calculating the living wage. If means-tested benefits were not taken into account—tax credits, housing benefit and council tax benefit—the living wage would be approximately £10.40 per hour. However, we have

taken the view that in-work benefits and tax credits must be taken into account because the tax and benefits system is redistributive, which is why we arrived at the figure of £8.30 per hour.

The Convener: In Scotland, local authorities and the public sector have recently gone through a single-status evaluation of various jobs, partly to determine differentials for different jobs. Has single status caused difficulty in London for public sector employers?

Jeremy Skinner: Negotiating contracts across a wide area potentially causes problems. We are, in a sense, fortunate in London in that we have a highly interconnected economy and are able to set a living wage across London's economy that is becoming more accepted although, as Loraine Martins mentioned, only 12 local authorities—about a third of the total—have so far taken it up. Clearly, there are barriers to take-up in the other 20 and we will be talking to them. Mostly, the barriers are straightforward financial barriers. Here, there will be significantly greater variety across the various cities of Scotland. If you were to introduce a living-wage policy it would necessarily have to be more flexible than the one that we have in London, because of the variety of conditions here. I am not sure that I can offer advice as to how you would work your way through that.

The Convener: I thank very much the panel in London. The evidence has been really helpful and very enlightening and will help us with our inquiry.

10:49

Meeting suspended.

11:02

On resuming—

The Convener: I welcome our second group of witnesses, who represent Scottish local authorities. I ask each of the witnesses to introduce themselves.

Paul McGowan (West Dunbartonshire Council): I am a human resource business partner from West Dunbartonshire Council.

Kay McVeigh (South Lanarkshire Council): I am head of personnel for South Lanarkshire Council.

Councillor Michael Cook (Convention of Scottish Local Authorities): I am a councillor in the Scottish Borders Council, and I am the Convention of Scottish Local Authorities spokesperson on human resources issues.

Elma Murray (North Ayrshire Council): I am chief executive of North Ayrshire Council.

Margaret Mitchell: I am a committee member and an MSP for Central Scotland.

David Coyne (Glasgow City Council): I am head of business and economy at Glasgow City Council.

Caroline Innes (East Renfrewshire Council): I am deputy chief executive of East Renfrewshire Council.

The Convener: This is a round-table session, so it will be a bit more interactive than normal committee meetings. I will kick off by asking our witnesses to tell us about some of the difficulties that they have experienced in introducing the living wage, and how they got over them.

Councillor Cook: Do you want me to give a global view?

The Convener: Okay.

Councillor Cook: It is perhaps worth beginning by explaining the position of local government vis-à-vis that of central Government. The negotiating machinery for pay bargaining in local government is autonomous from UK Treasury pay policy and from Scottish Government pay policy. Within that, it is important to recognise, particularly since the advent of single status, that the only significant issues that have been reserved to national level have been cost-of-living pay increases and sick pay. Apart from that, pay structures and terms and conditions are largely matters for local determination.

Therefore, the first thing that I am keen to get across to the committee is that, ultimately, it is for each of the 32 local authorities in Scotland to look at the issues in their particular context, to look at their pay structures and to assess the merits of a living wage in that light.

David Coyne: Glasgow City Council's relationship with the living wage goes back to the beginning of 2009, when it was looking at creating the workforce of the future. Three key issues made up the workforce planning agenda: workforce balance, attendance management and the living wage. There was a recognition that all the research—which was primarily Joseph Rowntree Foundation research—indicated that the living wage made a significant contribution to poverty reduction. There was also anecdotal evidence that it helped to reduce labour turnover and to increase productivity.

The council was keen to embrace the living wage and did so not by changing any of the organisation's pay scales but by looking at the grade 1 posts, in which there were two levels—entry and proven—and moving everyone who was at the entry level to the proven level, which took them above the living wage threshold. Therefore,

the human resources administrative process was not very complicated.

Paul McGowan: West Dunbartonshire Council considered implementation of the living wage in 2009 and implemented it in 2010. As is detailed in our submission, the constraints around implementation related to construction of our pay model and its links to evaluated outcomes of jobs. That caused us some concerns and difficulties from an equalities point of view, even though there was the will to implement the living wage at political level.

We did a fair bit of research on that, in which we looked at the risks and the vulnerability that the council might be exposed to in the future. The solution that we came up with was not to implement the living wage by altering our pay structure and the links to evaluation outcomes, which came about after a long period of single-status implementation, but to do it through pay supplement which, in effect, would top up the bottom grade so that it reached the living wage threshold. The vehicle through which we implemented that was a collective agreement with the trade unions. There was consensus among all parties that that mechanism would implement the living wage but would also protect the authority from potential legal challenge.

Kay McVeigh: South Lanarkshire Council has taken a slightly different approach to implementing the living wage. We addressed issues with our grading structure. As a result, it has become more administratively difficult to implement, but we have managed to do it. At the same time, we looked at implementation of a payment of at least £250 to anyone who was earning less than £21,000 for a 37 hours a week full-time equivalent. South Lanarkshire Council is a little bit different from some other Scottish local authorities in that we had settled single status very early on, so we came at the issue from a different perspective.

Implementing the living wage has been quite an expensive exercise for us, as is evident from the papers that I have submitted, but it has had a positive impact on our gender pay gap and on recruitment and retention.

Caroline Innes: East Renfrewshire Council implemented the living wage earlier this year. It was an important local political priority, which we announced as part of the budget for this year. We faced a number of challenges in implementing it, but there was a recognition that the council had gone through quite a significant programme of change and that the many service redesigns and efficiency programmes were having an impact on the workforce. In addition, it was not long since we had concluded quite a protracted period of negotiations with the trade unions and had

managed to reach collective agreement on a harmonised set of terms and conditions.

Both those areas of activity had delivered quite considerable savings to the council. In recognition of the impact on the morale of our workforce and the considerable savings that had been delivered, the council made a political decision to introduce the living wage. The on-going wage freeze contributed further to that. The challenge of affordability was overcome through those areas of activity in the council. We made considerable savings that allowed us to pay what we considered to be a reasonable cost to the council.

A second challenge, which has been alluded to, was to do with the integrity of pay and grading structures. Through our equalities impact assessment and the advice that we were given, we overcame that challenge by introducing a supplement. That approach was mentioned earlier.

It feels as though the process has been relatively straightforward for East Renfrewshire Council. It is early days, but I believe that the living wage has brought many benefits locally—certainly, to industrial relations. We are a good employer and we want to set out our stall as such. It was important to the authority to set an example to other employers in East Renfrewshire because we are the largest employer in the area. We believe that the measure has had an impact on morale, particularly among the low paid. It is perhaps a little too early to say, but we hope that it will also have an impact on recruitment and retention although, because of the current economic conditions, that is less of a challenge than it has been in recent times.

Elma Murray: I will not repeat some of the things that my colleagues have said. North Ayrshire Council introduced the living wage for the financial year 2011-12. It was part of our budget considerations last year and will be part of those considerations this year, as we are uprating from £7.15 to £7.20 for next year. We were clear about the need to retain the relativity of our pay structures and we have not had to change our pay structure to achieve the living wage.

The decision was a cross-party one and was a value judgment for councillors. A key objective for the council—certainly in the past two to three years—has been to regenerate our communities. As 78 per cent of the council's workforce live in North Ayrshire, ensuring that our lowest paid are paid the living wage is a key consideration for us. We feel that the measure has had an impact, because people who live in the area also spend in the area. Therefore, the living wage has a circuitous benefit for the local economy.

A further factor is the pay restraint that all local government has taken on board from 2010-11 through to the end of 2012-13. The living wage was a way for us to recognise that our lower-paid staff are valued. We wanted to ensure that they are remunerated appropriately.

The Convener: Do witnesses have experience of implementing the living wage in arm's-length companies, and therefore not for direct employees?

Elma Murray: I probably do not have as much to say about that as David Coyne does because we do not have as many arm's-length companies as Glasgow has, but when North Ayrshire introduced the living wage our main arm's-length company, which is our leisure company, wanted to embrace the approach too, and the council supported that. We gave the company financial assistance in the first year to allow it to introduce the living wage speedily. Thereafter, it has had a sustainable programme in place.

David Coyne: All the arm's-length external organisations in Glasgow have implemented the living wage. In some cases, it predated the council's implementation and in other cases the organisations were spun out from the council after the council had made the decision, so they took the conditions with them. The living wage is implemented in City Parking, City Property and all the other main external functions.

The Convener: So, you have implemented the living wage even at the level of cleaners and so on.

David Coyne: Yes. It has been implemented across all staff and grades in the ALEOs.

The Convener: Do witnesses have experience of pushing the living wage beyond direct employees and into the procurement process?

11:15

Elma Murray: I do not think that we have progressed particularly far in that respect, but it is something that we are looking at. The issue for us is that the legal advice is somewhat mixed on the extent to which we can take a black-and-white view of how the living wage could be implemented contractually. There is a requirement that, when we go out to contract and tender for work, we allow competition to come through. That is the basis of contracting and tendering, as well as best value.

We have not introduced anything specific at this stage, but we are about to introduce, as part of the council's contracts, a standard question that asks contractors whether they are living-wage employers, so we will at least start to get a picture of those who are. From that point of view, I

suppose that we are starting to exert a bit of influence in relation to people considering it as an option.

David Coyne: In the procurement process, we ask whether organisations pay the living wage, but we do not use the question as part of the evaluation of the tender bid. In the community benefits section of the tender evaluation, we look at new entrants to the labour force and the number of apprentices or trainees that the organisation will take on as part of the contract, because there is legal guidance that allows us to do that.

As Elma Murray said, we cannot use the payment or non-payment of the living wage as an assessment criterion. However, we are keen to promote it, and by signing up companies in Glasgow as living-wage employers, we are trying to create a positive and self-reinforcing environment around it. There are positive reputational benefits to be gained from being a living-wage employer, and we think that that is starting to have some impact. Recently, we let a significant contract for residual-waste management, and the company that was selected as the preferred bidder said from the outset of the tendering process that it would pay the living wage throughout the contract, although we had not specified that that would be necessary.

Caroline Innes: We have no preconditions on our tenders for contractors to pay the living wage. We would have some unease about such a rule for some of the reasons that have been mentioned, including its legality.

A bigger issue is monitoring and policing of the living wage. Any indication from a contractor that they are paying it is simply taken on trust, because there is no mechanism in place for checking or policing that. We are interested in looking at including something about the living wage and whether a contractor is paying it, but it would not be a material factor in letting a contract. Our focus in the procurement process and our major procurement is on community-benefit clauses and local employment and training opportunities. That is where we put our energies and focus in East Renfrewshire.

Paul McGowan: I reiterate my colleagues' comments. The legal advice that West Dunbartonshire has received on procurement precludes the inclusion of any such specific clauses. The approach to date has been voluntary take-up by employers in our area.

Kay McVeigh: Procurement is not my field. However, I am aware of the varying legal opinions on it.

The Convener: Do other members have questions?

Mark Griffin: Do the panel agree with the Greater London Authority that the living wage has benefits in terms of better staff retention, lower turnover, reduced sickness absence and increased morale? I also invite the witnesses to comment on the disadvantages of implementing the living wage in the current economic climate.

The Convener: Kay, would you like to start?

Kay McVeigh: Yes, certainly. On recruitment and retention, we are projecting a turnover figure this year for our employees of around 1.9 per cent, which is remarkably low. That could be attributed to the current economic climate, but it could also be attributed to the implementation of the living wage in that our highest turnover tends to be among those at the bottom end of our pay scales, such as the cleaners and caterers who were referred to earlier. Our sickness absence rate is down this year and we project another 0.1 or 0.2 per cent off the figure for the total year. Again, there is a variety of reasons for that, but I suspect that the living wage is one of them.

Councillor Cook: I can comment on the issue in both general and specific terms for Scotland. On the general aspect, I was interested in Jeremy Skinner's reference to 12 councils in London progressing the living wage and 20 that have yet to come to that point. The picture in Scotland is not dissimilar to that, because eight councils have implemented the living wage, another is expected to do so in 2012 and possibly another two already pay all their staff at a rate above the living wage. Eleven Scottish councils—about 34 per cent of the total—are in the ballpark, which means that Scottish councils have broadly the same position on the living wage as councils do in London, which is significant.

On the specific aspect, I am the COSLA spokesperson and a member of Scottish Borders Council. It might have been interesting to have had a council represented here today that had not implemented the living wage, but all the councils represented at the table have implemented it. It is interesting to consider each council's experience and position in that regard, because we have done it in different ways and have had different expectations of the living wage.

As an individual politician, I am like some of those to whom you spoke earlier in that I am persuaded that the living wage is a moral imperative. However, as a council, we did it on the basis of asks. We quite consciously negotiated with the unions about what they would give us in exchange for what we were prepared to give them. We therefore negotiated a deal in which the unions agreed on the basis of collective bargaining in the council that they would relinquish increments over a series of years and that, in return, we would give them a no compulsory

redundancy deal for the whole period and deliver the living wage.

As a result of that, we will have delivered net efficiencies of around £5 million by the end of March 2014. That is significant because we had a best-value aspiration for what we were trying to achieve as well as a belief that the living wage was a moral imperative.

One has to say that that will not be the experience in every council. My colleagues at the table will have had a different experience from ours of the appetite of trade unions to give up some of the things that we were able to negotiate on.

Bill Walker: I have the same question that I asked the London Olympics people earlier on the differential. I accept and am pleased to hear that once people join an organisation, whether private or public, work improves, absenteeism is lower and all that sort of thing, which is great. However, how about the initial recruitment? Is the differential between the living wage and the benefit package enough to encourage people, especially those with a small family who might get a relatively large income from benefits, to go for jobs that are paid at the living wage or above? I am not proposing that we immediately increase the living wage, but is it adequate for solving the problem of recruiting more people?

David Coyne: We have experience in Glasgow of working with long-term and short-term unemployed people applying for jobs in a variety of contexts. An important part of the process is doing the better-off calculation and money advice work with people as they approach employment. Historically, minimum-wage jobs have struggled to make sense financially, particularly for families. Living-wage jobs make much more sense and are more attractive. All the direction of travel in benefit policy is for in-work benefits to reduce, so I anticipate that living-wage jobs will become more attractive than minimum-wage jobs.

Elma Murray: Councillor Cook talked about the differentials that can be found across Scotland. The cost of living will be markedly different in one area compared with another. For example, the cost of living in North Ayrshire is very different from the cost of living in Glasgow, which is only a 30-minute drive away. We have mainly second-tier shopping outlets and the cost of housing, for example, is significantly lower than in a major city such as Glasgow. What the living wage can bring to a council's recruitment differs quite a lot from one council area to another.

Clearly, we are all implementing this at a time of major recession in the country. People see local authorities as good employers. From that point of view, I would not want to say that the living wage

definitely makes a difference; it is just part of the package that we have.

Margaret Mitchell: I would like Kay McVeigh to talk me through the £250 pro rata. Does it take people above the living wage if they are earning under £21,000?

Kay McVeigh: This was in response to the suggestion that anyone earning less than £21,000 across the year should receive at least £250 in the way of a pay increase. It is pro rata, so if someone is a part-time worker, they will get a part-time equivalent of the £250. It is not a case of one figure fits all. We based our £250 on a 37-hour working week. Depending on what number of hours someone works, they will earn that number of thirty-sevenths of £250 or the equivalent. Because we changed our grading structure, the average increase for employees was just over £300. That was really just to facilitate the changes in the grades within grade 1 and grade 2.

Margaret Mitchell: You say in your submission that, for those earning less than £7.16 an hour, the proposals represent an average increase of £1,100 per annum and you refer to the average increase through spinal column point movement for the remaining employees earning less than £21,000. Does that suggest that they would be earning more than the living wage?

Kay McVeigh: Yes, absolutely. The employees who received an increase to take them up to £7.16 were all those earning less than the living wage.

Margaret Mitchell: But for some, getting the £250 would take them over it. The fact was that they were earning less than £21,000. That was the criterion, rather than their hourly rate.

Kay McVeigh: The employees who were paid at less than spinal column point 11 on our scale went up to £7.16 an hour. The employees who were earning less than £21,000 across a 37-hour week got an equivalent uplift in their spinal column point, which was at least £250. We took the £250 ethos and built that into the change to the grading structure, so for some it was more.

Margaret Mitchell: Forgive me for being obtuse, but does that mean that some people might be earning more than £7.16 as a result?

Kay McVeigh: If someone was earning less than spinal column point 11, the maximum increase that they would have got would have been to take them up to £7.16 an hour, if that answers your question.

Margaret Mitchell: So nobody would be over that.

Introducing the living wage cost £3.5 million, which is a huge amount of money. What decisions did you make about service delivery, which is the

key function of a local authority, in implementing the policy pretty widely? Were there any trade union agreements? I think that some councils said that they looked at moving from, say, fortnightly to monthly payments or going online, which of course would lead to cost savings.

Kay McVeigh: There are probably a couple of aspects to highlight in response to that question. You heard earlier that a number of national diagnostic projects were on the go across all the Scottish authorities looking at elements such as management and supervisory structures and how we conduct our administration. South Lanarkshire Council took a substantial sum of money out of the organisation on the back of those. We also had changes that were not linked to our introduction of the living wage, such as changes to travel and subsistence, which also had an impact on our workforce.

The introduction of the living wage was about giving something back and it was seen as a positive move for us in setting out our stall as a good employer and setting out where we stood within South Lanarkshire. Like many other Scottish authorities, we are the largest employer in the area, so what we do has a big impact.

11:30

Margaret Mitchell: I understand that you are leading by example, but was it ever discussed that, if you did this, it would impact on potholes, increased charges and charging in areas where you had not charged before? What discussion did you have about the balance?

Kay McVeigh: This was all considered within the financial strategy and the package of savings that was put together for this financial year, so it went before the executive committee.

Kezia Dugdale: Are the panellists inundated with calls from other local authorities asking how they did it? Do they find that burdensome and would they prefer a living wage unit run by the Scottish Government to help them to identify and overcome some of the problems and to map poverty pay? In particular, do they think that there is any clarity or guidance that the Scottish Government could issue to local authorities that would allow them to be a bit bolder in procurement and to take more risks?

Paul McGowan: It is certainly not a burden sharing best practice with other authorities, and that has been the experience in the recent past with the living wage. In many areas of pay and human resources, when an authority takes the initiative, does the background work and shares that practice, that seems to be an approach that works well within Scottish local government.

In answer to your question on procurement, I think that some further clarification and guidance about the legal minefield that is procurement would certainly help local authorities to progress some of these issues.

Councillor Cook: Again, it is important to remember that it is very much a matter of local autonomy. It is up to each local authority to look at its particular circumstances and budgetary considerations and come to a view. I am in no doubt that you are beginning to see a progression across Scotland. It is significant that, although some councils were very early to the table over the living wage, there is a battery of opinion building up and there has been significant progress over the past two or three years in implementing the living wage.

I recognise that, even though I am the spokesperson for human resources in Scotland, I am a member of Scottish Borders Council. I know the rub of the green in Scottish Borders Council; I know what the issues are in our locality, what our budget requirements are, what the external factors are and what the local economy is, and I can make judgments about that, but I have to be slightly more careful before being so presumptuous as to tell others what to do. What I am prepared to do is to impress on colleague members that I think that this is a good way forward and something that councils might want to explore, but I will leave the judgment as to whether they apply this approach to them. They are politically mandated to do it, as they were elected to make decisions in their council areas, so it is their decision.

Elma Murray: To add to what Councillor Cook has said, if Government was minded to issue some best practice, if that is what you mean by guidance, that would clearly be very helpful and would allow councils to share best practice much more easily—and not just councils but other parts of the public sector as well. However, we have to be extremely mindful that the legal liability will rest with the contractor, which in this case will be the council, so, regardless of the nature of guidance, the council will have to recognise that it is the one taking the risk and it is the one that will be subject to potential legal challenge. It therefore needs to have its own views on exactly how to manage that.

Margaret Mitchell: Of course, everyone wants to be the best employer, but huge amounts of money are involved—in South Lanarkshire's case, the cost is £3.5 million. How much attention has been paid to the fact that, because of the very tight financial settlement, the adoption of that approach can often lead to increased charges for services, free services becoming paid-for services and services being stopped? What thought has been given to the balance between the local authorities'

role as the providers or enablers of services and the effect that the policy is having on people who are struggling with difficult financial situations and are worried about their jobs and their mortgages and are having to face increased charges for services or to cope with the withdrawal of services? Is it realistic for a local authority to be an exemplary model at the same time as those people are expected to deal with those circumstances?

Caroline Innes: I reiterate that it is very much for each local authority to consider its own individual circumstances in relation to local service delivery, local priorities and its budget challenges.

As I said earlier, the decision to introduce the living wage in East Renfrewshire was about giving something back in recognition of the substantial work that had been undertaken to generate significant savings. The sums of money that we are talking about in East Renfrewshire were small, in the context of the wider savings that we were able to generate through our public service excellence programme, which involved service redesign and the rolling-out of efficiencies across the organisation, and through negotiations with trade unions about changing packages of terms and conditions.

That is the context in which the policy was implemented. If there had been a straight choice between potholes, which you mentioned earlier, and the living wage, potholes might have won the day.

David Coyne: We saw the introduction of the living wage as part of a package as well. It was one of three measures, along with redeployment and attendance management, that we feel will give us an effective workforce for the future.

Kezia Dugdale asked what the Government might do. The living wage is a young and inexact science. A lot more evaluation work needs to be done, as well as a lot more econometric analysis of the flows of benefits, taxes and so on. The Government could make a contribution in that regard, as it could take a larger-scale approach.

Procurement can get quite complicated. It is not as simple as just including clauses in contracts to ask people to take on some apprentices, because there are cross-boundary issues. If a council buys a service, it might be buying it from a manufacturing plant in Scunthorpe or Manchester. What is the living wage there? How would it apply to the service that is being provided here? There is also a European issue, because we are dealing with European law, which means that there is a UK angle as well, as it is the member state. There are a number of issues that need to be worked out in that regard. Having said that, I think that we

would be keen to get more out of the procurement process.

Councillor Cook: With regard to Margaret Mitchell's question, as I was explaining, not only was the process that we went through in the Borders not a cost, it enabled us to deliver a net saving. That is a significant consideration. Of course, not every council will find itself in that position. For some, there will be a cost. It is important to think about the kind of thought process that will be going on in relation to that. I cannot speak for other councils, but I would say that that could range from a political aspiration to introduce the living wage through to the much more pragmatic approach that we took, which was about delivering a saving, although it also had a moral angle. There will be a spectrum of views on the issue.

Each council will look at a range of considerations in relation to its budgetary position. We know that, across Scotland, we face quite a difficult position. To give the committee a simple but hugely significant statistic, the talk is that there might be a £3.8 billion gap in the resourcing requirement for local government by 2016-17.

Councils need to look at the living wage as part of a package but in the context of a huge array of financial considerations. The living wage sits together with potholes and a number of other matters. It is important to recognise that the 1,200 or so elected members who sit on councils in Scotland are used to dealing with such information, working out where they want their budget to be headed and making political judgments about such issues. Indeed, they are mandated to do that. It is their responsibility, having been elected to the councils, to make judgment calls about where they want money to be spent. For one council, that might mean the living wage, but you are right to say that, for another, the priority might be to blitz every pothole in the land.

Bill Walker: I come back to Margaret Mitchell's question and to Kay McVeigh's explanation about packaging the living wage into what the council gets out of it.

I should perhaps have declared an interest at the beginning, as I am still a councillor in Fife. I was shocked when I learned a few years ago about the level of absenteeism among Fife Council's employees. I say immediately that I do not think that Fife was different from any other council. From what has been said, it appears that a positive effect of the minimum wage is that it seems to have reduced absenteeism. Perhaps this might partially answer Margaret Mitchell's question. Can you do a calculation that shows that absenteeism will go down by, for example, 1 per cent, when the living wage is introduced for lower-

level people, who I believe tend to be absent more than others? In that case, its introduction could be justified, because the taxpayer has to pay for absenteeism. Does anyone have any experience of such modelling?

Kay McVeigh: It is quite straightforward to calculate what reducing the absence rate by 0.1 or 1 per cent equates to in salary costs across the organisation. That calculation can be done, but the issue is that a number of factors other than the introduction of the minimum wage influence absenteeism. For example, at this point the economic environment could be a factor, as it is with recruitment and retention. You will therefore not get an absolute answer to that question. All that I can say is that there is a downward trend in absenteeism across the council.

The Convener: There is a lot of nodding of heads.

Elma Murray: I add another point, so that the committee does not think that paying the living wage will necessarily result in a reduction in absenteeism. In North Ayrshire Council, we altered our absence management procedures for 2010-11 and, as a result of that, we achieved a significant reduction in our absence levels. The living wage was introduced at the start of financial year 2011 and our absence levels are up on this time last year.

As Kay McVeigh said, absence can be the result of a range of complex factors that affect people. We have not done specific modelling, but we can calculate a simple reduction in cost if absence levels comes down. I would not necessarily want directly to link a reduction in absence levels to the living wage.

Caroline Innes: I agree. We have experienced a significant reduction in absence levels, but at no point have we attributed that to the living wage; we have attributed it to a number of other policy changes in the council, better training, greater awareness and a number of other issues that we are addressing in the council. If the living wage is having an effect, we do not see a direct correlation, but it is perhaps too early to say. There has been an improvement in absence levels and we have implemented the living wage only recently, so there is no direct correlation locally for us.

11:45

Paul McGowan: I reiterate the comments made by colleagues. I also make the point that the introduction of the living wage in West Dunbartonshire affected a relatively small number of employees among the bigger council workforce and, as such, the absence statistics have not filtered through.

I will touch on the initial point about the balance of priorities for councils—this takes us back to the pothole question. From West Dunbartonshire Council's point of view, the costs of implementing the living wage were relatively small in comparison to the benefits to the local economy. As other colleagues have said, councils tend to be the largest employer in a socio-economic area. West Dunbartonshire is an area of high deprivation and unemployment, and the judgment call was made to look at the costs against risk and service improvements, while not forgetting the council's strategic priorities in regenerating the local economy, sustaining employment and other factors.

Kezia Dugdale: I will go back to a point in the South Lanarkshire Council submission that Margaret Mitchell developed. I want to clarify for the record that the £3.5 million cost was not exclusively for the delivery of the living wage but in part due to bonuses. What proportion of the £3.5 million was due to the living wage? I have done a crude calculation and put the bonuses at about £1.9 million of the £3.5 million, but I do not know whether that is accurate.

I have a general point about poverty pay. That cost was attributed to applying the living wage to 2,234 South Lanarkshire Council employees living in poverty pay, as the Poverty Alliance would put it. Do you agree that those people are the most susceptible to changes in council services, such as charging and the service withdrawal that Margaret Mitchell mentioned? There is an added value to the living wage in that sense.

Kay McVeigh: We never separated out the total figure of £3.5 million into the two components—the living wage and the uplift for those who were earning less than £21,000 after we changed the grading. We did not do that calculation, and it is not something that I would go back and do at this point.

We in South Lanarkshire have felt for a number of years that it would be consistent with our overall council policy to do something for those employees who are at the bottom end of the salary scales and those who are in most need. That is consistent with our service delivery ethos, too. Applying the living wage was a substantial benefit to those at the bottom end of the pay scales.

At the time, there were lots of discussions about how, when we provide money at that level, it is spent locally because the employees are local residents. I can reassure the committee that, with the other arrangements that were put in place to make savings for this financial year, we have not had vast increases in costs for service users. We have a healthy roads investment programme, and the roads in South Lanarkshire are well maintained.

We feel strongly that there is a good equality argument for applying the living wage to those at the bottom end of the scales, and that is what we followed.

The Convener: I will take that point about equality further. Does anybody have information on how the application of the living wage has impacted on gender equality? There is still a gap across society between what women and men are paid.

Councillor Cook: I can certainly say something about that.

It is perhaps worth retreading a wee bit. All the witnesses who are around the table are from local authorities that have implemented the living wage, but it is important to reflect that other councils are looking at it and have not yet made the same judgment, for a number of reasons. One anxiety that remains pervasive is that the application of the living wage would perhaps give rise to equal pay claims. There is also an anxiety that job schemes may be impacted in some way because there would be an erosion of the differentials between clusters of jobs that are set out on a council's pay scale.

As an individual local authority, we looked at that issue and considered the implications and risks. When it came to working out the legal risk, we concluded that there is very probably a material factor defence that is principally based on the improvement that the living wage creates in the gender position. For example, of the 626 employees who were beneficiaries in our council, 530 were women.

You can begin to understand from that rough-and-ready equation that the impact on women, who were predominantly at the lower end of the pay scale, was going to be significant. That was an overall consideration for us in implementing the scheme and I do not doubt that it has been a consideration for others and how they have approached it.

Caroline Innes: If it would be helpful to the committee, I can elaborate on the gender split in my authority. The split was 76 per cent female to 24 per cent male in the people who benefited from the change. The other interesting fact was that 84 per cent of the workers involved were part time and 16 per cent were full time. That meant a largely female population of low-paid workers, the majority of whom are part time, were affected.

Margaret Mitchell: It is obvious that it is good to address the pay gap and pay equality. Local authorities will have to do that work anyway under the Equality Act 2010, although it seems to be a by-product of that act. The gender pay gap was not deliberately targeted by the legislation, so councils could have addressed it anyway.

The bigger question is that a lot of people out there in small to medium-sized businesses in which employers are struggling are not earning the living wage. Those employers might just be managing to keep their businesses going and are earning less than the living wage themselves. Could they resent local authorities because their taxes are going to pay for a guaranteed higher standard of living than they can hope to achieve?

Councillor Cook: I will pick up the first point about the gender pay gap not being the primary motivation. It is important to recognise that, by introducing single status, local authorities across the board have tried to deal with equality issues in their workforce. We have invested enormously in achieving that. As I and others have explained, the gender aspect was a consideration in the overall approach. It is not as though local authorities have a one-track perception of the issues. We are used to contemplating a range of factors. We might have a range of objectives and we will pursue them; that is quite proper.

You raise the question of public perception—the man or woman in the street looking in on the local authority, making a judgment about the living wage and saying, “Hang on a minute. How dare you use what I am paying through council tax or taxation generally to achieve that?” However, it is important to recognise that council members are elected politicians and they stand or fall on such decisions. Ultimately, it is up to them to make them, and they need to be able to justify them to the electorate. If the electorate do not like a decision and are unhappy with the situation, they can vote the other way.

Mark Griffin: I do not think that it is about a member of the public feeling resentful towards a public sector worker getting a living wage. The situation becomes aspirational. If local authorities and the public sector took the lead, private sector workers would use that example to campaign to get the living wage as well.

Margaret Burgess: My question is in the same vein. Local authorities often work hand in hand with the third sector. How can local authorities that pay their employees the living wage encourage or assist the third sector, which they fund, to meet that goal as well?

Elma Murray: That question goes back to the nature of the relationships and the extent to which they are contractual relationships with the third sector for service delivery. We seek to encourage the third sector to pay the living wage when that is at all possible.

The evidence that the committee received via videoconference this morning about how the living wage has been implemented in London was very helpful. A sensitive approach was taken to smaller

organisations, and voluntary and third sector organisations fall into that category, given how they operate and the funds at their disposal. I probably agree with what you heard earlier from London on that. However, we could not absolutely insist on the living wage being paid in those organisations.

Margaret Burgess: My point is that if we are encouraging local authorities to pay the living wage and local authorities fund the voluntary sector and therefore pay the wages in that sector, should local authorities increase funds to the voluntary sector, although we are in a time of recession? How do we bridge that gap so that the voluntary sector can pay the living wage too?

Elma Murray: The point that I was trying to make was that those arrangements are usually contractual, so we are working within a procurement process. It is not just a case of making funds available for something; a procurement process is being gone through.

The Convener: I ask David Coyne whether the fact that Glasgow has a large number of arm's-length companies makes it easier for the council to have similar arrangements with the third sector.

David Coyne: The degree of governance that the council exercises over the arm's-length companies allows that influence to be brought to bear. For third sector organisations, which are further away than at arm's-length, although there is a financial relationship with the council through the council's grant programmes, in many cases it is not a contractual relationship—the service has not been procured—so there is no control mechanism. We insist that third sector organisations that receive grant funding are legally compliant with disability discrimination legislation for example, but the living wage has not thus far been part of the discussions on that, for good reasons.

The starting point in the development of the quality of the services in many third sector organisations is to provide them with the business support that they need to make best use of the resources that they have been given. It must be said that those resources are reducing. Given the timing, insisting on increased wage rates would perhaps be ill-advised.

Margaret Mitchell: The evidence that we received last week suggested that less is going through grants to the third sector, which is having the opposite effect—third sector organisations that have paid the living wage in the past can no longer do so. In some places, there has been a massive payout, although I entirely take the point that East Renfrewshire Council considered the balance and thought that there would be a net saving and

advantages from the living wage. However, that might not apply to other councils.

To respond to Mark Griffin's point, in a flourishing economic climate, to lead by example with the aim of coercing other organisations into paying the living wage would of course be the way to go, but employers just now are not being awkward—they are really struggling and they cannot afford to pay the living wage. That is where the living wage becomes unrealistic. Resentment will build up in people who pay their taxes when they see gold-plated conditions in the public sector but their employer cannot afford to pay the living wage and is struggling to keep the workforce ticking over.

The Convener: Okay. That is your view, which might or might not be shared by other members.

As members have no further issues to raise, I ask whether the witnesses have any final points.

Kay McVeigh: I would just say that £7.16 is not gold plated from my perspective. I point out that employees who earn at that level spend money locally and the money goes back into local businesses.

Councillor Cook: I have one thought, which relates to the difficulties that local authorities encounter. As I said, you have assembled around the table people who all have a positive experience of implementing the living wage, but it is important for the committee's deliberations overall to contemplate that some local authorities are wrestling with the issues, and for good reasons. If I can be impolite, in considering the further implementation of the living wage, the committee needs to take on board that point and consider why local authorities are struggling with it. There are a number of issues associated with that. Some of them are financial and others are to do with the risks that are associated with a legal challenge and the financial consequences that flow from that. There are certainly issues of legal competence in relation to the third sector and procurement. The committee needs to take cognisance of all those issues.

The Convener: I thank the witnesses for their evidence. It might be that, in our deliberations and discussions, we think of other questions to ask you as representatives of councils that have implemented the living wage. We might contact you about that.

12:00

Meeting continued in private until 12:18.

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Published in Edinburgh by APS Group Scotland

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e-format available
ISBN 978-1-4061-8007-7

Printed format published
ISBN 978-1-4061-8073-2

Printed in Scotland by APS Group Scotland
