



Living Wage: A Guide for Employers

An initiative from the Poverty Alliance, in partnership with Living Wage Foundation, funded by the Scottish Government



Contents

- 1 *The Brass Tacks*
- 2 *Why should businesses pay?*
- 3 *Scottish Living Wage Employers*
- 4 *What are employers saying?*
- 5 *The Living Wage accreditation process*
- 6 *FAQs and where to go for more information*

1 The Brass Tacks*

** To get down to ‘brass tacks’ – engage with important facts or details. May have come from the use of brass tacks in the counter of a hardware store or draper’s shop used to measure cloth in precise units.*

Living Wage Rates

Year	National Minimum Wage	Living Wage
2011	£6.08	£7.20
2012	£6.19	£7.45
2013	£6.31	£7.65

The Living Wage is an hourly rate set independently and updated annually.

Employers choose to pay the Living Wage on a voluntary basis, while the National Minimum Wage is statutory and enforced by HM Revenue and Customs.

The rate is calculated according to the basic cost of living in the UK.

Living Wage Accreditation enables employers to be recognised for paying their staff a fair, decent wage. On becoming accredited, employers are awarded the Living Wage Employer Mark, which is a fairtrade mark for responsible pay.

2 Why should businesses pay?

There is a social case, a business case and a public policy case for the Living Wage.

The social case




For the first time, the majority of people who are in poverty in the UK are working. Working families are increasingly having to turn to help, such as food banks and unsustainable debt, to get by.

The Living Wage can provide a hand up for the lowest paid.

Living Wage employees have told us that the Living Wage allows them to access the goods and services that most people deem necessary to participate in society.

The business case

Independently conducted research on employers who have introduced the Living Wage has shown:

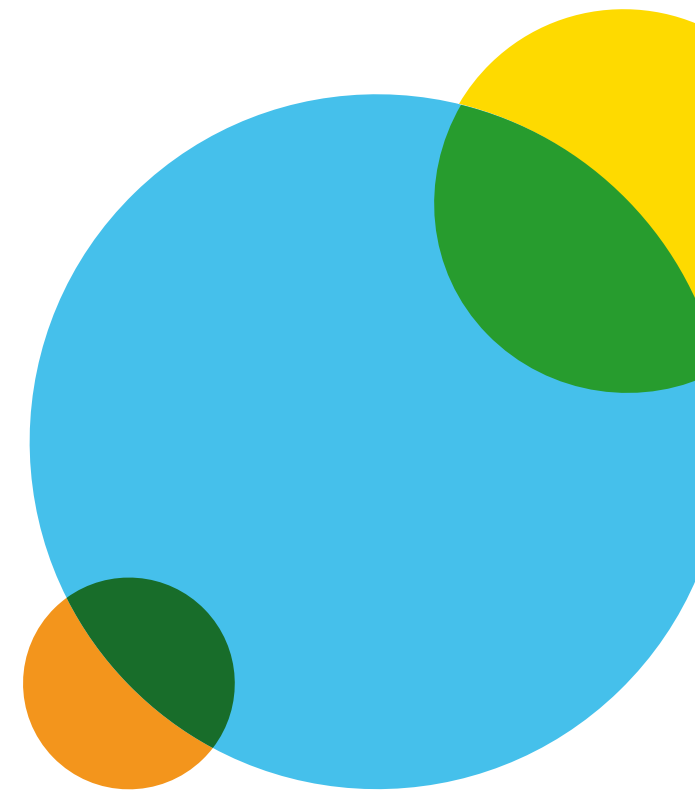
- 
 Increases in employee productivity as a result of Living Wage employees contributing a higher level of effort and an openness to changing job roles.
- 
 Cost-saving opportunities from increasing staff retention and reducing sickness absence.
- 
 Improved levels of morale, motivation and commitment from staff across the pay distribution.

The public policy case

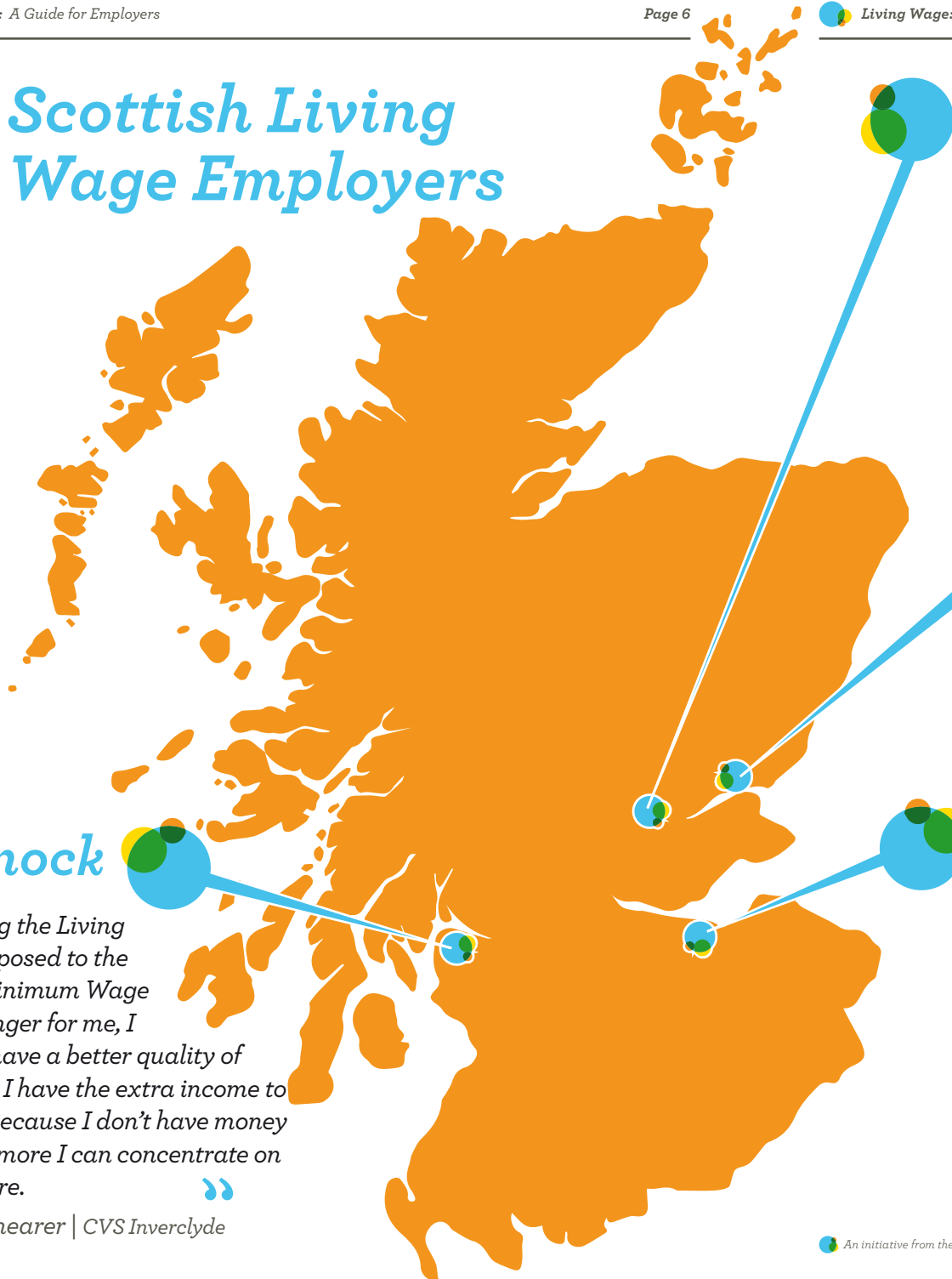
There is evidence that an increase in coverage of the Living Wage could mean the UK Treasury could gain up to £4.2 billion in increased tax revenues (£2.8 billion) and reduced expenditure on tax credits and other in-work benefits (£1.4 billion).

There could be further multiplier effects arising from putting a modest amount of disposable income into the pockets of the UK's lowest paid staff, with demand subsequently increasing in the economy.

Additionally, an increase in coverage of the Living Wage implemented together with improved skills and training could narrow or even plug the gap in levels of productivity between the UK and other G7 countries. (The UK's output per hour is 21% lower than average for the six other members of the G7 – the USA, Germany, France, Italy, Japan and Canada).



3 Scottish Living Wage Employers



Perth

“ For SSE, being a Living Wage employer is about doing the right thing for people who work for us. That’s good for our employees and it’s good for business too. But just as importantly, it is a symbol of the type of company we want to be: being responsible in all that we do in order to make a difference to people’s lives. ”

- Rachel McEwen
Head of Sustainable Development, SSE

Dundee

“ I firmly believe in paying the Living Wage. In 22 years of running businesses I have found that you get the most from people by paying them properly. ”

- Tony Marks
Chief Executive, 20|20 Business Group

Edinburgh

“ Paying the Living Wage is not only a smart business move, but it demonstrates our balanced commitment to supporting our staff as well as ethically providing services to our customers by ensuring our staff members are able to sustain their livelihood through challenging economic times. ”

- John Alexander
Group Services Director, Dunedin Canmore Group






Greenock

“ Receiving the Living Wage as opposed to the National Minimum Wage is a life changer for me, I am able to have a better quality of life because I have the extra income to allow this. Because I don’t have money worries anymore I can concentrate on my work more. ”

- Chris Shearer | CVS Inverclyde

4 What else are employers saying?

Independently conducted research on employers who have introduced the Living Wage has shown:

-  80% of employers believe that the Living Wage has enhanced the quality of the work of their staff
-  66% of employers reported a significant impact on recruitment and retention within their organisation
-  70% of employers felt that the Living Wage had increased consumer awareness of their organisation's commitment to be an ethical employer
-  A 25% fall in absenteeism
-  Improved loyalty and customer service. Fewer complaints.

5 The accreditation process

To become accredited you must confirm that all directly employed staff are paid the Living Wage, and have a plan in place for any subcontracted staff. We will work with you to develop milestones for subcontracted staff who are not being paid the Living Wage, and accreditation can be awarded on the strength of having a plan in place.

The chart on the next page outlines how employers become accredited.



The accreditation is confirmed by a signed licence agreement between the employer and the Living Wage Foundation. By signing the licence, the employer agrees to pay all relevant staff the Living Wage.



Decide you want to be a Living Wage Employer and contact us

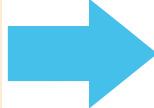
We will work with you to identify your needs and complete the steps below. (It helps to have the support of senior staff members who can drive the initiative). If you are large organisation you might find it useful to assemble a small team with representatives from for example HR, CSR, Procurement and Finance).



Are all directly employed staff paid the Living Wage?



If anyone is on less than the Living Wage then ensure they are receiving the Living Wage. Then think about...



Are contracted staff such as cleaners, catering and security staff being paid the Living Wage?

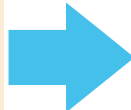


Ask your contractors to implement the Living Wage. If they can't or won't, you can still be accredited now if you provide a commitment that contracts will be renewed at the Living Wage rate.



What is the commitment on contractors?

You must develop a set of achievable milestones to apply the Living Wage across your contracts. The Scottish Living Wage Accreditation Initiative can work with you to develop this. These milestones will be included in your accreditation licence. Once this is all agreed...



Complete the accreditation licence



Completed licences will be processed within 5 working days



FAQs and where to go for more information



How long does it take for businesses to become accredited?

It depends on the size of your organisation. Some employers can be accredited straight away whilst others may need to take a while to assess their existing situation and examine the costs and benefits. If an employer has a large number of contracts they will need to identify who those contracts are with and when they are due for renewal so they can be moved up to the Living Wage.



How is the Living Wage calculated?

The UK Living Wage is set by the Centre for Research in Social Policy at Loughborough University.

The Living Wage calculation takes into account the Joseph Rowntree Minimum Income Standard (MIS) research in which members of the public identify what is needed for a minimum acceptable standard of living. This is then combined with an analysis of the actual cost of living including essentials like rent, council tax, childcare and transport costs to produce the Living Wage figure.



What happens when the rate of the Living Wage changes?

The UK Living Wage figures are announced in November of each year during Living Wage Week. Living Wage Employers have six months from the date of the announcement to implement the rise.

What is the Living Wage as an annual salary?

The calculation is an hourly figure because many low paid staff are not salaried, and because many often work several jobs in different places. People on annual salaries may get other benefits that staff on an hourly rate don't get. You can work out the annual equivalent salary by multiplying the Living Wage by the number of hours worked per week, by 52 weeks of the year.

For example:

$\pounds 7.65$ per hour x 35 hours per week = $\pounds 267.75$ per week

$\pounds 267.75$ per week x 52 weeks in the year = $\pounds 13,923$ per annum (before tax)

Can bonuses be included in the Living Wage?

Staff must receive a minimum of the Living Wage rate per hour. Guaranteed bonuses such as time away from home allowance or city living bonuses can be included. Non-guaranteed bonuses such as sales or production related bonuses cannot be included.

Who does the Living Wage apply to?

The Living Wage applies to all staff over the age of 18 that work regularly on your premises. This includes directly employed staff, contracted staff and subcontracted staff.

Regularly is defined in the licence agreement as two or more hours in any given day for eight or more consecutive weeks of the year.

Apprentices and interns

We recognise that providing training experiences for interns and apprentices can have financial and human costs for businesses. Whilst the Living Wage Employer accreditation does not require employers to provide the Living Wage to these staff members, we are delighted to say that many accredited employers do pay these staff members the full Living Wage rate. There are also examples of accredited employers paying the adult level of the National Minimum Wage to apprentices and interns who are on temporary, developmental placements. We recommend that employers who can afford to pay interns and apprentices the Living Wage should do so. We recommend that businesses follow the Department for Business Innovation & Skills Best Practice Code for Quality Internships.

The supply chain

We encourage Living Wage Employers to send out a communication to everyone they do business with letting them know they have gone Living Wage and encouraging them to consider doing the same. However the accreditation does not require your supply chain to pay the Living Wage, unless they are regularly delivering a service on your premises.

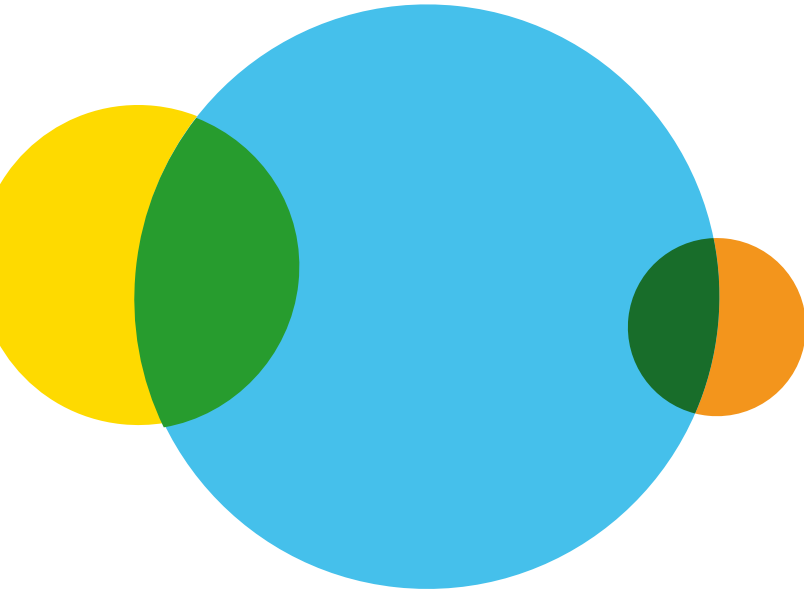
Staff outside the UK

The Living Wage is calculated according to the cost of living in the UK. We are a UK organisation and wages for staff outside of the UK are not covered by the agreement. We recommend companies consider the international Living Wage guidance provided by the Ethical Trading Initiative.

Shared buildings

Any staff that work on your premises for two or more hours a day for eight or more consecutive weeks of the year must be paid the Living Wage.

You may have cleaners that work on your premises, within a building that is shared with other tenants. This first step is to find out from your building management company whether the cleaners are paid the Living Wage. The ideal outcome would be to persuade your building management to pay any cleaners, security and reception staff the Living Wage. You might want to organise a meeting of tenants in the building and raise the issue of the Living Wage with this group. If you can get support from a group of tenants and then approach the building manager together you will have a more powerful case for persuasion. If it is not possible to persuade your tenants and building manager to work with you on the Living Wage then you can request to pay the staff the Living Wage rate for the time they are providing a service on your premises. As you are a paying client the building manager should be willing to provide you with a service agreement on the terms you require.



For more information please contact:

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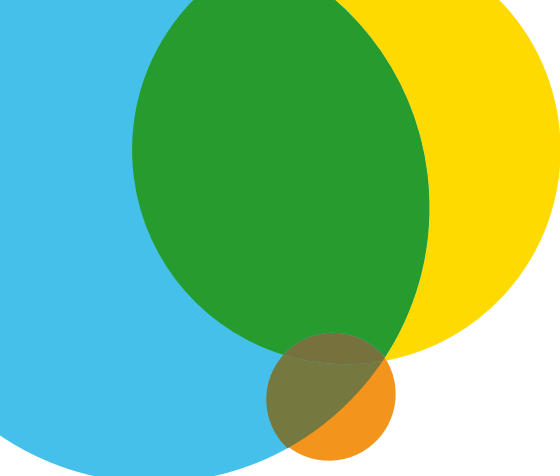
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