



Inquiry into a living wage in Scotland

The UNISON Scotland Submission to the Scottish Parliament's Local Government & Regeneration Committee on their call for Written Evidence on their Inquiry into a Living Wage in Scotland

November 2011

**Scottish Parliament Local Government & Regeneration
Committee
Call for Evidence: Inquiry into a Living Wage in Scotland**

Introduction

UNISON Scotland welcomes the opportunity to respond to the call for written evidence from the Scottish Parliament's Local Government & Regeneration Committee regarding the above inquiry. UNISON Scotland is in favour of a living wage being introduced across Scotland.

What is a Living Wage?

A living wage is intended to provide a level of pay that adequately allows workers to provide for themselves and their families. It champions the need for income deprivation to be more closely related to increases in average earnings and an acceptable - rather than basic or minimum - standard of living. It further recognises the need for ethical employment practices through fair terms and conditions for workers.

How is it calculated?

The living wage figure is based on research carried out by the Joseph Rowntree Foundation which looked at developing a formula for calculating a minimum income standard. For their purposes, a Living Wage could be defined as the level of income needed to provide an acceptable standard of living in Britain to ensure good health, adequate child development and social inclusion.

There are different thresholds for calculating low pay and hence how much a living wage is. The Joseph Rowntree Foundation (JRF)'s Minimum Income Standard (MIS) Project defines the minimum income needed by a family or individual to ensure an acceptable standard of living.

As of August 2011 the living wage for Scotland has been up-rated from £7.15 to £7.20.

How will the figure be calculated in future years?

Using the formula from the JRF Minimum Income Standard Project, it is necessary to routinely update the Living Wage to ensure it keeps pace with inflation and any increases in the cost of living.

Who pays the Living Wage?

The idea behind the Living Wage is to encourage employers across the country to raise their own rates of pay – and those of contracted staff - to at least £7.20 an hour.

In London, where there has been a London Living Wage since 2005, over 100 public, private and voluntary sector employers now pay the living wage to both their directly employed and contract staff.

Benefits of the Living Wage

Research from the London Living Wage has highlighted that the adoption of the Living Wage creates value for an employer by:

- helping to create more stable, reliable services, and
- enhancing the organisation's reputation by gaining public accreditation as a Living Wage employer.

Experience has shown that the increase in costs is less than might be first thought because paying higher wages reduces turnover and absenteeism costs and makes workers more motivated to keep their job.

Queen Mary, University of London, where cleaners were brought back in-house in early 2008, found that, "In reality, the introduction of the 'living wage' has not been the big drain on resources predicted by its opponents: the in-house cleaning service came in only slightly more expensive than that provided by sub-contractors - including start-up costs. When looked at over a two-year period the expected budget for 2008/9 is almost identical to the expenditure spent on contract cleaners in 2006/7. "

The Chartered Institute of Personnel and Development (CIPD) calculated the median recruitment cost of filling a vacancy as £2,930 in 2010. Living wage employers have found that they have made significant savings by reducing absenteeism and turnover and improving productivity.

As Guy Stallart, Director of Facilities for KPMG Europe says: "Many people see paying Living Wages as only something to worry about only when the economic cycle is buoyant. Such a perspective is extremely short term. A really motivated workforce is in many ways even more important when businesses are facing really challenging times".

How many local government employees would benefit?

The same benefits to employers as highlighted above would accrue to local authorities who introduce the living wage. The Scottish Living Wage Campaign recently submitted freedom of information requests to all Scottish local authorities asking for details of numbers earning less than £7.20 per hour (the recently-revised living wage threshold). Across the 32 local authorities 7% of directly employed staff were earning less than £7.20 per hour, although this proportion varied across local authorities from 0% to 15% (see table below).

Local Authority	The total number of employees directly employed	The number of employees directly employed less than £7.20 per hour	% of employees earning less than Living Wage
Aberdeen City	8,418	459	5.5
Aberdeenshire	15,445	1,878	12.2
Angus	6,141	371	6.0
Argyll & Bute	4,725	176	3.7
City of Edinburgh	19,464	1,825	9.4
Clackmannanshire	2,999	199	6.6
Dumfries & Galloway	7,844	1,159	14.8
Dundee City	7,841	342	4.4
East Ayrshire	6,617	802 (inc. casual workers)	12.1
East Dunbartonshire	4,433	0	0.0
East Lothian	4,862	136	2.8
East Renfrewshire	4,616	282	6.1
Falkirk	7,674	644	8.4
Fife	21,028	1,989	9.5
Glasgow City	22,708	196	0.9
Highland	11,246 (9,038 FTE)	525 (245 FTE)	4.7
Inverclyde	4,649	594	12.8
Midlothian	4,369	547	12.5
Moray	5,893	506 employees in 644 jobs	8.6
North Ayrshire	6,117	273	4.5
North Lanarkshire	16,788	237	1.4
Orkney Islands	2,467	2	0.1
Perth & Kinross	5,744	57	1.0
Renfrewshire	7,221 (headcount)	695 (headcount)	9.6
Scottish Borders	5,659	497	8.8
Shetland Islands	6,080	407	6.7
South Ayrshire	5,747	242	4.2
South Lanarkshire	15,368	2,052	13.4
Stirling	4,330	167	3.9
West Dunbartonshire	6,407	317	4.9
West Lothian	7,963	856	10.7
Western Isles (Comhairle nan Eilean Siar)	2,500	0	0.0
Total	263,363	18,432	7.0

Can the public sector use procurement rules to enforce living wage?

UNISON Scotland is keen to promote the living wage and would like to see all public sector organisations encourage their contractors to pay the living wage. UNISON Scotland believes that using current procurement rules, public sector organisations can encourage such contractors to adopt the living wage. This would also apply to the many voluntary organisations which compete for council contracts and often end up in a 'race to the bottom' to undercut one another in order to win council contracts.

It is important that companies who benefit from public money can demonstrate that they are putting something back into their communities.

UNISON Scotland would also like to see the Scottish Government establish a Scottish Living Wage Unit – similar to that established within the Mayor of London's Office. This unit, as well as promoting the living wage across all employment sectors in Scotland, could be responsible for ensuring that the living wage level is annually reviewed and updated.



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