



PE1467/B

Stuart Todd
Public Petitions Committee
T3.40
Scottish Parliament
Edinburgh
EH99 1SP

05 April 2013

Dear Stuart

Living Wage Petition (PE01467)

The FSB is Scotland's largest direct-member business organisation, representing around 20,000 members. The FSB campaigns for an economic and social environment which allows small businesses to grow and prosper.

We welcome the opportunity to submit a response to Petition PE01467 on a Scottish Living Wage Recognition Scheme given that the potential introduction of such a scheme is likely to have an impact on our members.

The FSB has taken a close interest in the living wage and has responded to the Local Government and Regeneration Committee's Inquiry¹, the Procurement Reform Bill² and most recently to the Proposal for a Living Wage (Scotland) Bill.³ Naturally, this response draws heavily from these responses. It does not, however, restate all the key arguments the FSB has previously made nor does it address the complex issues with EU procurement rules as we do not have the requisite legal expertise.

Rather, this response briefly outlines why the Scottish Government should not introduce a living wage national recognition scheme. It is important to note, nevertheless, that the concerns we raised previously around legality, applicability, enforceability and the impact that this would have on small firms' ability to access local government contracts still remain and very much frame our response.

The FSB supports the aspiration to raise the living standards of low paid workers and tackle in-work poverty. We welcomed the introduction of the National Minimum Wage (NMW) in the UK in 1999 and continue to support the measure, provided the level set does not damage business competitiveness and that increases do not prevent employers from sustaining employment and managing growing business costs effectively.

¹ See: "[Local Government and Regeneration Committee's Living Wage Inquiry](#)", FSB Scotland Consultation Response, January 2012.

² See: "Procurement Reform Bill", FSB Scotland Consultation Response, November 2012

³ See: "[Proposals for a Living Wage \(Scotland\) Bill](#)", FSB Scotland Consultation Response, December 2012.

The FSB believes that all employers should aspire to pay their staff at least the living wage to maintain societal standards of living, boost the local economy and for the obvious benefits in staff retention, loyalty and morale that come with such a commitment. This is why two thirds of our members pay a proportion of staff a rate higher than the living wage while around a quarter have staff earning the living wage, the NMW and a wage in-between.⁴

We are concerned, however, that current economic conditions place an undue pressure on the smallest employers who are operating within extremely tight margins and stringent credit conditions. These margins are already being squeezed with increased employer costs relating to:

- New employer obligations in terms of pension provision.
- The rising cost of fuel and energy (86% of our members are affected⁵).
- The rising cost of raw materials (86% of FSB manufacturing members are affected⁶).
- Depressed domestic and export demand.⁷

Pressure to pay staff higher wages, even a relatively small increase such as the difference between the minimum and living wage, can have an impact on business' survival prospects or at the very least their ability to create and sustain jobs. Indeed, the uplift from NMW to the living wage (including employer NIC contributions) represents a 22% increase to the cost of paying any minimum wage employee.⁸

The FSB believe that all employers should aspire to pay their staff a living wage but ultimately this has to be a decision for the employer, whether they are located in the public, private or third sector. Notably, this view is not wholly dissimilar from the report produced by the Local Government and Regeneration Committee's inquiry.⁹

Given our position on the living wage, we are not best placed to advise the committee on how such an initiative could operate. Nonetheless, we would like to briefly explain why the FSB is opposed to the introduction of a national recognition scheme, noting that our points are broadly similar to the comments made by some MSPs during the committee debate.

Firstly, and most crucially, we question the need for such a scheme due to the number that already exist and doubt it would make a substantial difference to the estimated 18% of the Scottish labour market that are currently paid less than the living wage. Secondly, we speculate that there are simpler ways for public bodies to check whether firms are paying

⁴ See: "The FSB 'Voice of Small Business' Member Survey", Federation of Small Businesses, February 2012.

⁵ See: "FSB Voice of Small Business Survey Panel", Federation of Small Businesses, February 2011.

⁶ See: "[Small Businesses in Manufacturing](#)", FSB Scotland, July 2012.

⁷ See: CBI SME Trends Survey, October 2012.

⁸ See: footnote 2, p2.

⁹ See: "[Report on the Living Wage in Scotland](#)", Local Government and Regeneration Committee, Scottish Parliament, February 2012.

the living wage, if there was an issue relating to public contracts. Employers could also use the existing schemes to advertise or sell the fact that they pay the wage.

In addition, it is unclear from the petition how a national recognition scheme would operate. For example, how would the scheme be financed to ensure monitoring and compliance? Would the burden fall on the employers participating through an additional fee? Would a national scheme supersede existing schemes that currently operate? And lastly, it is unclear what information would be required on a national register. Would it be all employees who are paid the wage? Would it include agency staff on premises, contractors, sub-contractors and suppliers?

While we accept that the Scottish Youth Parliament's vision for the scheme is not prescriptive, the lack of detail means that we cannot compressively comment other than to raise these questions.

We hope that this contribution is useful for the committee's consideration of the petition and would be pleased to provide further comment if necessary.

Yours Sincerely

Andy Willox OBE
Scottish Policy Convenor