

One of the arguments made in the FSB's response is that the Living Wage is unaffordable for many small businesses on top of all the other costs they have to pay in the current economic climate. Whilst I agree that running a small business at the moment means that tough decisions about costs must be made, I believe that paying at least the Scottish Living Wage to all employees is a good choice for small businesses. An independent study of the business benefits of implementing a Living Wage policy in London, where a number of employers have committed to pay a Living Wage to all employees, found that more than 80% of employers believe that the Living Wage has enhanced the quality of work of their staff, while absenteeism has fallen by around 25%. Two thirds of employers reported a significant impact on recruitment and retention within their organisation and 70% felt that implementing a Living Wage policy had increased customer awareness of their commitment to be an ethical employer. Paying employees the Scottish Living Wage makes it more likely that a business can retain its best staff, more likely to attract high quality applicants for vacancies, more likely that their employees will work harder and be more committed to their jobs. On this basis, I believe that it's a sensible decision for small businesses. It will also hopefully reassure the FSB to know that, like with the points raised above, as the proposed Recognition Scheme is entirely up to employers to opt in to if they wish, if a business feels that it can't afford to pay a Scottish Living Wage then my petition would not force it to do so.

I would also disagree with the FSB's view that a Scottish Living Wage Recognition Scheme would make little impact on the figure of 18% of the workforce (around 390,000 employees) who currently earn less than the Living Wage. When you consider that the Scottish Living Wage is calculated to reflect the level of pay people require to meet an acceptable minimum standard of living - as determined by views from members of the public - then this figure appears startling. The Living Wage campaign originally stemmed from citizens who reported that they needed to take on extra work in addition to a full-time National Minimum Wage job, as it was not enough to meet a minimum standard of living for their family. Given that the recent announcement of the National Minimum Wage rates from October 2013¹ sees them once again fail to keep up with the rate of inflation, this is a situation that is likely to get worse rather than better. When you consider this, together with the fact we are now at a stage where payment of the Living Wage is virtually universal in the public sector in Scotland, having almost one-in-five Scots paid less than a minimum income standard is totally unacceptable, and makes increased action to encourage employers to pay the Scottish Living Wage essential.

I believe that a Scottish Living Wage Recognition Scheme would make a positive impact on this figure and would encourage employers of all sizes from the private and voluntary sectors to pay all their staff at least the Scottish Living Wage. Naturally, the extent of this impact would depend on the details of the Scheme itself, and the Scottish Government and FSB join the Committee in being interested in the details. As I pointed out in my original submission and in oral evidence the Scottish Youth Parliament is not prescriptive about the exact details of how a Scheme should operate. However, this is due to a desire not to unduly restrict the Scottish Government in how they might implement a Recognition

¹ <http://www.bbc.co.uk/news/business-22153007>

Scheme rather than a lack of careful consideration about how the Scheme might operate in practice.

Given this, and the desire for further details, I would be delighted to assist with some information on what we have considered as a way the Scottish Living Wage Recognition Scheme could operate effectively and limit costs to the Scottish Government or employers. Some of the details below are inspired by information kindly provided to us by the Living Wage Foundation on the operation of their Living Wage Employer Mark, and are worthy of consideration when decisions on what a Scheme could look like are made. Other elements are derived from the Glasgow Living Wage scheme and other established employer recognition schemes such as Investors in People.

Membership of the Scheme

As mentioned above, the Scottish Youth Parliament envisages that any Scottish Living Wage Recognition Scheme would operate on an opt-in basis - there would be no requirement on any employer who did not wish to do so to join. We would hope that the benefits of adopting a Living Wage policy and joining the Scheme would become apparent to employers, and for those that already pay their staff at least a Living Wage it would present an opportunity to gain public recognition for it.

Benefits to employers of membership

On successfully being admitted to the Scheme, employers would be granted the right to describe themselves as an official 'Scottish Living Wage Employer' and the right to use a kitemark in their publications, branding and communications. They could also receive public high-profile recognition at a Scottish Living Wage Awards where they would be presented with a certificate or plaque by the First Minister, or a Cabinet Secretary. This would allow participating organisations opportunities for publicity and be able to promote themselves as having a fair and social responsible pay policy, as officially recognised by the Scottish Government.

Joining the Scheme

Membership of the Scheme would be open to any employer operating in Scotland who pays all its employees at least the Scottish Living Wage. The level of information required at the outset would be a decision that would need to be taken - ideally it would balance a need for a robust scheme that ensures employers who join actually do pay their staff at least a Living Wage, and not presenting an excessive administrative burden on the Scottish Government or the employers themselves.

One solution which appears attractive would be to require employers applying for membership of the Scheme to sign a legally-binding declaration that all their employees are paid at least a Living Wage. They would not necessarily need to provide excessive detail or documentary evidence at this stage, but the declaration would give the right for the 'Scottish Living Wage Employer' status to be removed if they were unable to supply evidence upon request. The Living Wage

Foundation operates a similar system for their Living Wage Employer Mark and appears to present a neat solution that satisfies the competing demands.

Sub-contractors and suppliers

A key consideration at an early stage of the Scheme's development would be to what extent the requirement for Scheme members to pay all employees at least the Scottish Living Wage would extend to people working on sub-contracted projects, or as suppliers of services to organisations. It is possible to operate the Scheme without this being a requirement; with a commitment to ensure that sub-contracted staff are paid the Living Wage 'wherever possible'; or as a requirement for all sub-contracted workers and suppliers to be paid the Living Wage included in the terms of the Scheme membership.

In our engagement with the Procurement Reform and Living Wage Bills, the Scottish Youth Parliament have argued for sub-contracted staff working for public bodies with a Living Wage policy to also be paid at least the Living Wage. This would help prevent the positive benefits of employers paying all centrally contracted staff at least a Living Wage and proudly declaring this to be the case, whilst at the same time making savings by outsourcing work to organisations where the staff providing these services are paid less than a Living Wage. It would also maximise the impact of the Living Wage policy as a number of services contracted in from suppliers, such as cleaning and catering, will be in traditionally poorly paid jobs where the rate of workers earning less than the Scottish Living Wage is high. It would be our preference for a Recognition Scheme to include at least some commitment from participating employers that workers providing a service to them through sub-contracts are also paid at least a Living Wage.

The requirements for other schemes and the views of organisations campaigning for a Living Wage appear to vary. However, the Living Wage Foundation's scheme includes a requirement for participating organisations to ensure sub-contracted workers are paid a Living Wage, and other campaigners, such as the Scottish Living Wage Campaign, Unison and SCVO have considered procurement as a key element in a wider roll-out of a Scottish Living Wage.

As I outlined earlier, as I envisage the Scottish Living Wage Recognition Scheme as a voluntary, opt-in scheme for employers, with its restrictions technically terms for licence rights to a brand, so it does not seem to me that the European law restrictions on public procurement would apply here. Likewise I am not aware of particular restrictions on private businesses or voluntary organisations that would prevent them requiring suppliers pay their workers at least a Living Wage. However, I would be interested to learn more about the practical realities of this, and this would of course be a factor in the considerations for the Scottish Government if they were to develop the Scheme.

Ensuring compliance

Ensuring effective compliance with the terms of the Scheme would be crucial to its success in making sure that those who declare themselves to be Scottish Living Wage employers actually are in reality. In line with my comments above on the

conditions for joining the Scheme, a monitoring and compliance system would need to balance up a need to ensure that the Scheme is sufficiently robust, without requiring an unreasonable amount of bureaucracy.

The solution of the Living Wage Foundation is worthy of consideration. As part of the signed declaration to join their Living Wage Employer Mark, employers agree to provide information or evidence of their compliance upon request. This appears to be done on a reactive basis responding to reports from workers who are not paid the Living Wage. However, it would be possible to build in a random monitoring element into a Scottish Living Wage Recognition Scheme if it were thought that it increased its effectiveness without being prohibitively costly.

Costs to employers

The Scottish Youth Parliament's clear preference is for the Scheme to be free of charge for employers to join. As pointed out in the response from the FSB, every penny counts for small businesses, and the same is true for many small voluntary organisations. We would be keen that the ability to pay a fee to join the scheme would not present a barrier to businesses and organisations who have a policy of paying all their staff at least the Scottish Living Wage from joining the Recognition Scheme. If this proves entirely impossible then we would hope that any fee would be as small as possible.

Some schemes elsewhere charge fees for participation such as the Living Wage Foundation's Living Wage Employer Mark, Investors in Volunteers and Investors in People. These often appear to be levied based on the size, type or turnover of the organisation and can range from a few hundred to several thousand pounds. Other schemes, such as the Glasgow Living Wage Employer scheme appear to be free of charge, although this may depend on the level of monitoring and compliance carried out.

Costs of establishing the Scheme

As I outlined at the Petitions Committee meeting on 1st March, we would anticipate that the Scottish Government would fund the Scheme. The specific costs would very much depend on exactly how the system would be administered and would vary based on the outcome of a number of decisions as I have outlined above. There would be some one-off startup costs involved such as the design of the kitemark and creation of a specific set of criteria, as well as some ongoing costs such as administering applications from employers, dealing with any compliance issues and organising an annual Scottish Living Wage Employer Awards. As these costs will greatly depend on decisions on how the Scheme would operate as well as not knowing details of the Scottish Government's costings procedures it would be difficult for me to put an exact figure on the costs of a Scottish Living Wage Employer Recognition Scheme. However, the amount of work involved in putting together the Scheme as I have outlined above does not appear to be completely prohibitive.

It would be our intention that the Scheme would be subsidised by the taxpayer, but are confident that the money saved in terms of preventing in-work poverty

through an increased number of organisations paying staff the Scottish Living Wage, would save the taxpayer money in the long term as the costs of dealing with the effects of poverty would be reduced. The Scottish Youth Parliament believes that allocating taxpayers' money to tackle poverty in Scotland is not only justifiable but a vital priority.

Relation to existing schemes

It is not our intention that a Scottish Living Wage Recognition Scheme would either supersede or duplicate existing schemes. Rather, we would intend the Scheme to complement other schemes, of which no comparable equivalent exists on a Scottish level. The other schemes we are aware of are either local (e.g. Glasgow Living Wage), UK-wide (e.g. Living Wage Employer Mark) or do not include a monitoring or compliance element (e.g. the Scottish Living Wage Campaign's Scottish Living Wage Employer Awards or SYP's own One Fair Wage Pledge).

Benefits of establishing a distinct Scottish Living Wage Recognition Scheme

We strongly believe that a Recognition Scheme backed by the Scottish Government and free of charge to employers would fill a distinct gap for Scottish based businesses and organisations of all sizes who would not be eligible for other schemes or unable to afford the costs of joining them. Having the endorsement of the Government would add enormous credibility and weight to a scheme that would be an attraction to employers that other schemes run by local or voluntary organisations cannot hope to match, despite our best efforts.

As I have outlined above and in my original submission, I believe there would be considerable benefits to Scotland if the Scottish Government were to establish a Recognition Scheme. In creating a high-profile opportunity for employers to demonstrate that they have a fair and socially responsible pay policy worthy of recognition, it is likely to encourage more organisations to adopt a Living Wage policy, particularly if the publicity enabled them to attract more business, improved their staff retention rates and increased productivity. The Scheme would enable existing Scottish Living Wage employers who are unable to access existing schemes to gain recognition for their efforts. It would create opportunities for many Scottish businesses and voluntary organisations to generate publicity in Scotland.

Most importantly, it has the potential to reduce the percentage of the Scottish workforce that earns less than the Living Wage, lifting thousands out of in-work poverty which appears to fit well with the Scottish Government's commitment to tackle poverty and the welcome moves towards preventative spending.

Once again, I would like to thank the Committee for their work to pursue my petition. In her response the Deputy First Minister expresses interest in hearing from the Living Wage Foundation and the Scottish Living Wage Campaign. As part of our One Fair Wage campaign, the Scottish Youth Parliament has spoken with and met with both, though I am sure that both would be delighted to provide information to the Committee if considered useful. Like the Deputy First Minister, I would also be interested in hearing views on the scheme from businesses, and

would also be interested to hear the views of voluntary organisations who would also be a key target for the Scheme. I am hopeful that many of these organisations would be supportive of the establishment of a Scottish Living Wage Employer Recognition Scheme and would be extremely interested in joining it if it were established.

Yours sincerely,

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