

PE1467/E

PE1467 – COSLA response

- What are your views on what the petition seeks and the issues raised during the discussion at the meeting on 1 March 2013?

COSLA are grateful for the opportunity to present our thoughts in relation to the question posed by the Public Petitions Committee in March 2013, “What are your views on what the petition seeks and the issues raised during the discussion at the meeting on 1 March 2013?”

The COSLA response will outline the background and issues considered by local government leaders in relation to the Living Wage and will address the issues raised at the discussion on 1st March 2013 (namely, how to ensure employers are validated for a recognition scheme, how to identify a “Scottish” living wage and funding or underwriting of administration of scheme).

Local authorities in Scotland employ over 250,000 people across the country. These employees provide essential services to our communities and tend to live within the communities they serve. It is a longstanding aim of Scottish local authorities in their role as employers to ensure that each employee receives fair pay for their work and there is a long tradition of negotiation with our colleagues in the trade unions with regard to pay and other terms and conditions.

Local government employers know that only a properly motivated, skilled and rewarded workforce can deliver the best possible services to communities across Scotland. Within the Scottish local government workforce, the effects of the living wage have therefore been the subject of significant attention over recent months which culminated in the decision by COSLA leaders to announce the adoption of the Scottish Local Government Living Wage in November 2012 of £7.50 per hour.

An increase in pay for the lowest-paid council employees can help to provide a tangible boost to local economies. In 2011 North Ayrshire Council provided evidence to the Parliament’s Local Government and Regeneration Committee that suggested people who live in an area are more likely to spend locally, meaning the living wage has a “circuitous benefit for the local economy”. Similarly a report by APSE (*Creating resilient local economies: Exploring the economic footprint of public services*) estimates that local government employees re-spend 52.5p of every pound in their pay in the local economy.

Furthermore, according to research by Wills and Linneker (2012) entitled, ‘*The Costs and Benefits of the London Living Wage*’, the introduction of the Living Wage in London brought about positive benefits to employers and the workforce such as better recruitment and retention, reduced sickness absence, improved productivity as well as addressing deprivation.

The ability of Scotland’s 32 local authorities therefore to be able to state that they have introduced the Scottish Local Government Living Wage is a very

considerable achievement, and one that no other part of the UK local government family has yet come close to matching.

The implementation of Single Status by councils has meant that terms and conditions, including local pay structures and pay rates, are now almost entirely determined locally for most staff other than teachers, and national bargaining machinery is not empowered to interfere with these. There is no single pay structure for Scottish local government; rather, each Council has undertaken a job sizing exercise and determined pay structures which reflect their local circumstances. The undertaking to implement the Scottish Local Government Living Wage was therefore not taken lightly and significant effort has been made to ensure that pay rates reflect the assessment of job content achieved through job evaluation processes, and to ensure appropriate differentials in pay rates are achieved.

COSLA would welcome the flexibility for employers to pay their employees the Scottish Living Wage by the method deemed most appropriate by the organisation. By way of illustration, some stakeholders would like to see the removal of spinal column points in the local authority pay structure below the £7.50 per hour rate. COSLA, however, take the view that several methodologies may be appropriately employed according to the circumstances of the local authority. Most councils have used a separate 'supplement' to top up wages for those earning below £7.50 per hour as they find this approach compatible with their equality proofing requirements. COSLA's view is that the outcome for staff is most important- i.e. that all staff receive at least £7.50 per hour - and that is the approach by which we have introduced the Scottish Local Government Living Wage.

COSLA notes the debate about how to establish a specifically Scottish Living Wage from the meeting on 1st March 2013. As well as inviting input from both large scale employers and those organisations which represent the interests of small to medium sized enterprises, COSLA would suggest that the Scottish Living Wage Campaign (SLWC), established in 2007, which is led by the Poverty Alliance and the STUC and supported by the Church of Scotland, Unison, Unite the Union, GMB, PCS, Oxfam and the Child Poverty Action Group would be an important stakeholder to include in consideration of this issue.

A further issue that was raised during the discussion was the degree to which a proposed scheme could guarantee the validity of each employer as one who does pay the "Living Wage" to all their employees. There are a number of national award or recognition schemes in place which are used by both private and public sector organisations. Key elements of these schemes are an emphasis on self-assessment and self-improvement combined with the need for independent or peer review to validate the findings of the organisation in this regard. These principles adopt the approach outlined by the Christie Commission in 2011 and should be the basis for progressing this matter.

The final issue raised at the discussion of the Petition on 1st March was the potential resources required to administer such a scheme. There is clearly a requirement to resource any initiative like this and many employers would wish to participate in such a scheme. Acknowledging the restrictive financial environment in which both private and public sector employees operate, such a resource would have to be found within Scottish Government. This would be reflective of an outcomes based approach as individuals, receiving an increase in salary to maintain the “Living Wage”, would then be likely to purchase more goods and services, providing a long term benefit to both local and national economies as well as benefitting from the health and societal improvements brought on by the Living Wage.

In addition to the consideration of a Scottish Living Wage, COSLA would also ask the Public Petitions Committee to note that while increasing rates of pay can have an impact on tackling poverty, a number of other variables also impact on the effectiveness of measures such as the Living Wage as an anti-poverty measure. Indeed, analysis undertaken to estimate the effect of introducing a living wage in the public sector revealed that while it would increase the *income* of some households in the bottom 3 income deciles, doing so would not significantly increase *the share of income* going to the bottom 3 deciles. The reasons for this are:

- Households which would benefit from the introduction of a living wage are spread throughout the income distribution and are not confined to the bottom 3 income deciles. This reflects the fact that some households include a combination of adults on high and comparatively low incomes. Therefore the benefits of a living wage would be more widely dispersed throughout the income distribution, rather than only directly benefitting those at the lower end of the income scale.
- For households on low incomes, the introduction of a living wage may be offset by reductions in income received from income related benefits and higher tax payments, which occur automatically through the UK tax system. A concern is this would limit the policy’s effectiveness, with employers simply replacing benefit rather than increasing the overall income enjoyed by employees.

Therefore, while the Living Wage may be based on an aspiration to provide a level of income on which employees can achieve a socially acceptable standard of living, simply adopting a living wage should not be viewed as a sole poverty alleviation measure, as other approaches will be necessary in order to tackle poverty and reduce disadvantage.

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