

PE1467/F

Mr. Chris Hynd
Assistant Clerk to the Public Petitions Committee
The Scottish Parliament
Edinburgh
EH99 1SP



21st August 2013

Dear Mr. Hynd,

Re: Responses to Public Petition PE1467

I am once again grateful to the Committee for providing the Scottish Youth Parliament (SYP) with the chance to respond to the evidence supplied regarding the Scottish Living Wage Recognition Scheme.

I'm disappointed CBI Scotland do not support this scheme. As I illustrated in my letter on the 3rd of May, there are significant benefits to businesses from paying the Living Wage, from improved productivity and health to lower employee stress and staff turnover. That's certainly what KPMG found in a study of the London Living Wage, which I referred to in my previous response.

However, CBI Scotland's objections in the main do not appear to relate to whether a Scottish Living Wage Recognition Scheme would work or any substantial criticisms of the implementation of the scheme. Rather, their objections appear to be to the principle of a Living Wage itself. This appears to be a recurring theme and the focus of opposition to the Scheme we have proposed. Support for the Living Wage exists amongst all the parties represented in the Scottish Parliament. The Scottish Government have been persuaded by the merits of the Living Wage to implement it for all their employees, including those in the NHS. All 32 of Scotland's local authorities are now Living Wage employers. We think that the benefits of the Living Wage should be extended to the private and third sectors, and our voluntary scheme seeks to encourage this to happen.

In their letter, CBI Scotland raise one significant objection to the Scottish Living Wage Recognition Scheme itself, which is that implementing this scheme would send the message that "mass implementation of the Living Wage is appropriate". I completely agree. What is significant here is CBI Scotland have accepted that a Scottish Government backed scheme would create the incentive for businesses who do not currently pay the Living Wage to do so. That's what this scheme is all about.

The second complaint from CBI Scotland is this would damage the benefits of other living wage recognition schemes. The Scottish Youth Parliament disagree, and argue that this scheme would complement other schemes. However, CBI Scotland's rationale should be treated with some scepticism here. They've conceded other schemes exist, but clearly highlight their concern that our scheme would be effective. One must presume they therefore are comfortable with the

current schemes as they are not effective at creating a strong enough incentive to pay the Living Wage. This again shows that the concerns raised by CBI Scotland are because this scheme will be successful if introduced.

There is one valuable point in here which I would like to make reference to. SYP's proposal suggests the pay uprating could be done within six months of signing up - in an effort to ensure businesses aren't forced into immediate changes. We would be keen to hear specific reasons on the policy detail as to why a different timetable might be more effective - but would argue a business which has agreed to pay the Living Wage should aim to do so as quickly as possible. We reject the idea that national pay discrepancies are an unsolvable issue - within the UK many businesses already operate with separate pay scales for employees in London due to the costs of living there for instance. They will be able to decide whether the extra internal costs of administration outweigh paying a Living Wage to all employees. Our voluntary scheme allows employers to individually make that decision.

Finally they argue Scottish Government resources could be better targeted. We're unconvinced of this claim. Although SYP is reluctant to put a figure on the costs of administering this scheme, mainly because we believe the Scottish Government is much better placed to make that analysis, we would be very surprised if establishing an opt-in scheme required significant investment or staff. Furthermore, as CBI Scotland accepted, this small investment would encourage large numbers of employers to pay the Living Wage, so we would argue this is actually a very efficient way of encouraging more Living Wage employers.

However, whilst there is recognition that this scheme would be an effective way to encourage more employers to pay the Scottish Living Wage, there can be no doubt CBI Scotland have significant problems with the Living Wage itself. In particular they've made two claims.

First they argue that higher labour costs would lead to greater unemployment. We've two responses to this. Firstly we reject the binary cost-analysis presented by CBI Scotland. We think businesses face other costs due to paying low wages, such as higher staff turnover and lower productivity, which mean that an analysis which simply presents the Living Wage as an additional cost without any reference to the benefits it brings is simplistic. In reality profitability is based on a large number of factors which vary from business to business. That's why this scheme is voluntary - the Scottish Youth Parliament believes paying the Living Wage is beneficial to all organisations, but we understand some organisations will choose not to. That's a legitimate decision, but we think those companies who do pay the Living Wage deserve recognition for doing so.

Secondly we reject the macro-economic analysis as well. CBI Scotland's economic model is predicated on their being a static financial model - in which there is a finite amount of money to be spent on a fixed workforce. SYP disagree very strongly with this. The reason for this is simple - businesses do not exist in isolation. Instead they are dependent upon greater spending by consumers. Regardless of their own specific market, greater spending leads to more growth which has knock-on benefits for other businesses. In this instance low-paid

employees are not going to hide their extra wages under the mattress - they need this extra money to maintain a decent standard of living. That means the extra money will be spent, most probably locally, helping to drive greater growth. That means more products are sold, company revenues rise, which offsets cost implications.

Because of these two arguments, we are unconvinced of the analysis that a Living Wage will lead to fewer jobs. We think it's more plausible a Living Wage will allow companies to be more efficient, whilst also growing the wider economy which further benefits companies.

Furthermore, we're unconvinced an economic system built on wages too low to live on is either sustainable or morally justifiable. The reason SYP, and other organisations, campaign for a Living Wage is because the minimum wage is not enough to live on. Businesses may believe they are living through difficult times. But low-paid workers have suffered enormous real-term increases in the cost of living. The reality is wages have not kept up with inflation. That's unfair on average-earning workers whose salaries bring them home less. But for low-paid workers who didn't have enough to live on in the first place, it's brutally unfair. Ultimately it is the weakest in society who are paying the price for the failures of the current economic model.

CBI Scotland argue the SYP scheme will undermine the current consensus. If the current consensus thinks a 16-year-old deserves £3.68 per hour then we are happy to say the consensus is wrong. We don't think a Scotland in which children from working households are living in poverty is one where the consensus favours low-paid workers.

Ultimately CBI Scotland and the Scottish Youth Parliament disagree on the benefits of paying a Living Wage. We believe everyone deserves enough money to live properly on. CBI Scotland appears to believe having a job at all is more important, even if you can't afford to eat properly, or pay all the bills. I hope the committee will remain convinced of the benefits of the Scottish Living Wage, and encourage the Scottish Government to establish the Scottish Living Wage Recognition Scheme.

Yours sincerely,

Andrew McGowan