

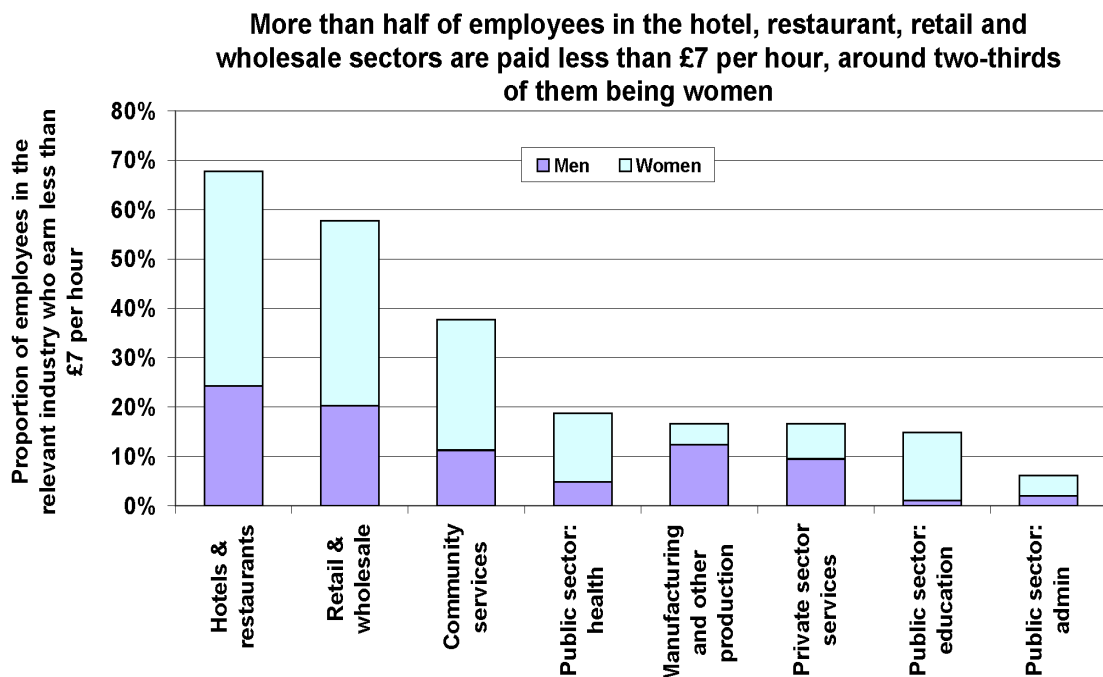
Beyond the minimum: A Living Wage for Scotland

This is a briefing from the Poverty Alliance for the Scottish Green Party's debate in the Scottish Parliament on 29th April 2010. The Poverty Alliance are members of the Scottish Living Wage Campaign which includes the STUC, the Church of Scotland, Unison and a range of community and voluntary organisations.

Low pay remains a very real problem for around 700,000 workers across Scotland. The national minimum wage has helped outlaw blatant exploitation and the tax credit system has helped boost the pay of thousands of low paid workers. Nevertheless the most recent statistics for 2009 show:

- Just under 70% of workers in the hotel and restaurant sector earn less than £7.00 per hour. Three fifths of these are women.
- Almost 60% of workers in the retail and wholesale sector earn less than £7.00 per hour. Again three fifths are women.
- 20% of directly employed staff in the public sector earn less than £7.00 per hour with over three quarters of these being women. No figures exist for the proportion of contracted staff earning less than £7.00 but it is expected to be significant.¹

The table below shows the proportion of low pay by industry



Source: Labour Force Survey, ONS; the data is for 2009; updated Mar 2010

Whilst the Government insists that work is the quickest way out of poverty the number of low income households with at least one person in work has grown

¹ Labour Force Survey, 2008

from 6% in 1994/95 to 9% in 2008. Half of all children in poverty live in a household with someone in work.² The current recession places greater burdens on low income households in particular as already tight budgets are squeezed and spending cut back further.

Why a living wage?

Whilst low pay remains a persistent feature of the Scottish and UK economy, wealth and income inequalities have increased. A recent report highlighted that over the last 20 years incomes in the UK have become increasingly polarised. Some do not see this as a problem, as long as poverty is being tackled. However there is increasing evidence that greater levels of income inequality are harmful to society in general. Ensuring that more workers receive a living wage will not end income inequality, but it will provide some justice for those who work in essential jobs, ones that everyone relies on, but which few people value.

Whilst the National Minimum Wage has been an important tool in tackling exploitative pay rates, it has not ended the problem of low pay or the poverty associated with it. Although Tax Credits can, and do make a difference, the recent Monitoring Poverty and Social Exclusion report, has shown that the need for Tax Credits has increased and is undermining the policy's effectiveness in tackling poverty³. Living Wage approaches are not intended to replace either the National Minimum Wage or the Tax Credits system, but rather to supplement these statutory approaches.

The need for a Living Wage to is underlined by the changing nature of the labour market and the links between poverty and low pay. A recent report from the Joseph Rowntree Foundation has highlighted the continuing cycle for some people between low pay and no pay, and the implications for what they termed 'recurrent poverty'.⁴ One of the recommendations in that report is that 'living wage campaigns' have a part to play in addressing these problems.

Employers in the private and public sectors who pay a Scottish Living Wage will help lift the pay of thousands of low paid workers and, as evidence shows⁵, increase their productivity, reduce staff turnover and absenteeism, meet Corporate Social Responsibility standards and contribute to boosting the economy more generally.

How much is a Living Wage?

One of the main aspects of a living wage is that it is intended to provide an adequate level of pay that allows workers to provide for themselves and their families, meet their basic needs and avoid poverty and social exclusion. The Scottish Living Wage has been set at £7.00. This follows extensive research and

² Eradicating Child Poverty the role of key policy areas: Addressing in-work Poverty JRF2008

³ T. MacInnes et al (2009) Monitoring Poverty and Social Exclusion 2009, JRF: York

⁴ C. Goulden (2010) Cycles of poverty, unemployment and low pay, JRF: York see <http://www.jrf.org.uk/sites/files/jrf/poverty-employment-lowpay-summary.pdf>

⁵ The Business Case for the Living Wage: the story of the cleaning service at Queen Mary University of London (jan09)

collaboration with the Joseph Rowntree Foundation (JRF). The Scottish Living Wage figure is based on the JRF Minimum Income Standard (MIS). A living wage of £7.00 would bring 70% of single adults, currently living below the MIS, up to that standard and would also cover 75-80% of couples with 2 children currently living below the MIS.

The Scottish Living Wage Campaign is continuing to use the MIS to look at the up-rating of the living wage target figure. The new rate for the campaign, based on revised MIS, will be announced shortly. It is essential that, like the National Minimum Wage, the living wage target figure is up-rated on an annual basis to ensure that low paid workers do not fall behind.

Getting Employers On Board

To have a meaningful impact, employers need to sign up to the living wage. More employers are beginning to see the benefits (outlined above) of paying their staff a living wage. The most notable successes have been part of the long running London Living Wage Campaign, where the campaign estimates that it has put £24million into the pockets of low paid workers⁶.

In Scotland, Glasgow City Council was the first employer to receive the Scottish Living Wage Employer Award in 2009. In recent months two other major employers have been given awards: Scottish Enterprise now ensures that all their directly employed staff are paid at least £7 an hour, following negotiations with PCS trade union, another prominent supporter of the campaign. More recently, Unite trade union have agreed a deal with Employers in Voluntary Housing (EVH), which represents more than 100 local housing associations. This makes EVH the latest Living wage Employer. Both of these awards show that, even in the face of recession, employers in the public and voluntary sectors are able to take action to protect the pay of the lowest paid workers.

The recession has brought with it the danger of a ‘race to the bottom’ in terms of pay across sectors whether it is the threat of public sector cuts or private sector employers reducing costs. The focus of debate and attention has been around top earners rather than those on low incomes at the sharp end of the recession. The Poverty Alliance believes that the public sector can lead the way by paying a living wage of no less than £7.00 per hour and encourage private sector employers through procurement processes to do the same.

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⁶ See <http://www.londoncitizens.org.uk/livingwage/index.html>