

REPORT TO: Policy and Resources Committee – 26 November 2012

REPORT ON: Consultation on the Living Wage (Scotland) Bill

REPORT BY: Head of Human Resources

REPORT NO.: 454-2012

1 PURPOSE OF REPORT

- 1.1 To seek approval for the proposed response from Dundee City Council on the consultation document on the Living Wage (Scotland) Bill.

2 RECOMMENDATION

- 2.1 It is recommended that the proposed response on the Living Wage (Scotland) Bill is approved and submitted by the Council.

3 FINANCIAL IMPLICATIONS

- 3.1 None.

4 MAIN TEXT

- 4.1 At a meeting on 29 October 2012 the Policy and Resources Committee approved Report 368-2012 and an additional recommendation which instructed officers to consider the Living Wage (Scotland) Bill Consultation issued by John Park MSP in August 2012, together with the Procurement Reform Bill Consultation issued by Alex Neil MSP in August 2012 and any other relevant proposals, and report back to a Special Policy and Resources Committee on 26 November so that the Council can agree its response to the Living Wage (Scotland) Bill Consultation before the closing date of 3 December 2012.

Part of the wider consultation on the Procurement Reform Bill, which closed on 2 November 2012, invited stakeholders' views on using procurement activity as a means of encouraging contractors to pay their employees a living wage.

The main objective of John Park's proposal is to increase the numbers of workers in Scotland who are paid the Living Wage and outlines two approaches, detailed below, which could be pursued independently, in their own right, or together as a package –

- 1 require private sector employees working on public sector contracts to be paid the Living Wage (the proposed Bill seeks to deliver the Living Wage for private sector employees contracted to work on public sector contracts, by ensuring that within the public procurement process, contract performance clauses stipulate that successful bidders pay the Living Wage to their employees working on that contract) and/or;
- 2 require the Scottish Ministers to prepare and report to the Parliament on a strategic plan to promote the Living Wage.

The consultation questions and proposed responses are –

- **Question 1**

Do you support the general aims of the proposed Bill? Please indicate “yes/no/undecided” and explain the reasons for your response.

Response - The Council supports the main aim of the Bill to increase the numbers of workers in Scotland who are paid the Living Wage. Support is subject to the proposals complying with Scottish, UK and European law and further economic and financial analysis.

- **Question 2**

Do you envisage any issues for public sector bodies when including the Living Wage as a contract performance condition of a contract? Please explain the reasons for your answer.

Response - No.

- **Question 3**

What do you consider will be the advantages or disadvantages for employers and employees if public sector performance clauses stipulate the payment of the Living Wage?

Advantages

The Living Wage would assist in tackling poverty, including child poverty, and increase spending power.

Employers paying the Living Wage would potentially benefit from reduced turnover and improved morale.

Disadvantages

Private sector employers might be required to pay different rates of pay depending on whether their employee was working on a public or private sector contract.

The creation of two levels of employers in the economy – those that pay the Living Wage and those that do not pay the Living wage – and the impact on morale of employees etc.

Cost of services/contracts to the Council could increase as contractors raise charges to pay for Living Wage.

- **Question 4**

Which public sector bodies should use contract performance clauses to deliver the Living Wage? Please include the reasons for your choice.

Response - Public sector bodies should make their own case for or against inclusion in the proposed Bill. However, in the interests of consistency and fairness, it would seem reasonable to include all public sector bodies.

- **Question 5**

Which bodies should be mandatory consultees? Please include the reasons for your choice.

Response -
COSLA
Trade unions
Employers' organisations
Relevant professional bodies

- **Question 6**

What information must be included in the Scottish Ministers' report to the Scottish Parliament? Please explain the reasons for your answer.

Response – Assuming that the Scottish Ministers agree to report to the Scottish Parliament, they should include the potential positive and negative social and economic impacts of the proposals.

Confirmation of compliance with Scottish, UK and European law of the proposal to include the Living wage as a contract performance condition of a contract.

- **Question 7**

What is your assessment of the likely financial implications of the proposed Bill to you or your organisation; if possible please provide evidence to support your view? What (if any) other significant financial implications are likely to arise?

Response - COSLA is currently collating information in terms of the cost of implementing the Living wage to Scottish Authorities.

If the Council made a commitment to encourage contractors to pay Living Wage to their employees the costs to service dominated areas such as care, construction, catering and cleaning are likely to be significant.

A complex financial analysis would be required to establish the degree to which the revenue and capital budgets would be impacted. The high number of factors to be considered in this projection makes it particularly challenging to provide clarity on how affordable the introduction of the Living Wage in service contracts will be.

- **Question 8**

Is the proposed Bill likely to have any substantial positive or negative implications for equality? If it is likely to have a substantial negative implication, how might this be minimised or avoided?

Response – Whilst payment of the Living Wage would assist families that suffer from in-work poverty the impact of requiring private sector employers working on public sector contracts to pay the Living Wage has not been sufficiently analysed.

- **Question 9**

Do you have any other comments on or suggestions relevant to the proposal?

Response – We would encourage the UK Government to raise the level of the National Minimum Wage to that of the Living Wage.

5 POLICY IMPLICATIONS

5.1 This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti Poverty, and Risk Management. An Equality Impact Assessment has been carried out and will be made available on the Council website <http://www.dundecity.gov.uk/equanddiv/equimpact/>

6 CONSULTATIONS

6.1 The Chief Executive, Director of Corporate Services and Head of Democratic and Legal Services.

7 BACKGROUND PAPERS

7.1 An Equality Impact Assessment has been conducted in relation to this Report.

I M M Martin
Head of Personnel

17 November 2012