




Living Wage: A Guide for Employers

An initiative from the Poverty Alliance, in partnership with Living Wage Foundation, funded by the Scottish Government





Contents

- 1** *The Brass Tacks*
 - 2** *Why should businesses pay?*
 - 3** *Scottish Living Wage Employers*
 - 4** *What are employers saying?*
 - 5** *The Living Wage accreditation process*
 - 6** *FAQs and where to go for more information*
- 



The Brass Tacks

Living Wage Rates

Year	National Minimum Wage	UK Living Wage (Outside London)
2011/12	£6.08	£7.20
2012/13	£6.19	£7.45
2013/14	£6.31	£7.65
2014/15	£6.50	£7.85
2015/16	£6.70	£8.25

The Living Wage is an hourly rate set independently and updated annually.

Employers choose to pay the Living Wage on a voluntary basis, while the National Minimum Wage is statutory and enforced by HM Revenue and Customs.

The hourly rate is calculated according to the basic cost of living in the UK.

Living Wage Accreditation enables employers to be recognised for paying their staff a fair, decent wage. On becoming accredited, employers are awarded the Living Wage Employer Mark, which is a fairtrade mark for responsible pay.

Why should businesses pay?

There is a social case, a business case and a public policy case for businesses to offer the Living Wage.

The social case




For the first time, the majority of people who are in poverty in Scotland are working. Working families are increasingly having to turn to help, such as food banks and unsustainable debt, to get by.

The Living Wage can provide a hand up for the lowest paid.

Living Wage employees have told us that the Living Wage allows them to access the goods and services that most people deem necessary to participate in society.

The business case

Independently conducted research on employers who have introduced the Living Wage has shown:

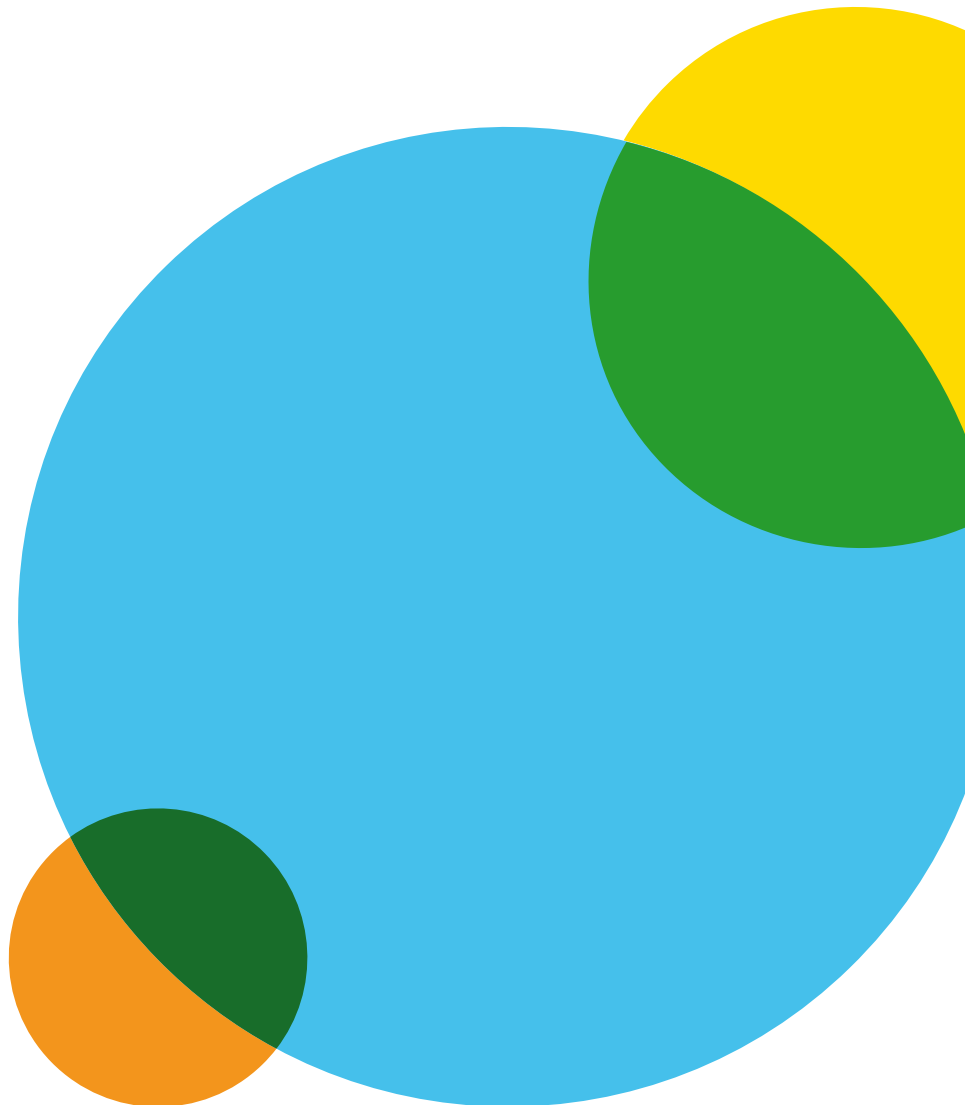
-  *Increases in employee productivity as a result of Living Wage employees contributing a higher level of effort and an openness to changing job roles.*
-  *Cost-saving opportunities from increasing staff retention and reducing sickness absence.*
-  *Improved levels of morale, motivation and commitment from staff across the pay distribution.*

The public policy case

There is evidence that an increase in coverage of the Living Wage could mean the UK Treasury could gain up to £4.2 billion in increased tax revenues (£2.8 billion) and reduced expenditure on tax credits and other in-work benefits (£1.4 billion).

There could be further multiplier effects arising from putting a modest amount of disposable income into the pockets of the UK's lowest paid staff, with demand subsequently increasing in the economy.

Additionally, an increase in coverage of the Living Wage implemented together with improved skills and training could narrow or even plug the gap in levels of productivity between the UK and other G7 countries. (The UK's output per hour is 21% lower than average for the six other members of the G7 – the USA, Germany, France, Italy, Japan and Canada).





Scottish Living Wage Employers

Guitar Guitar, Glasgow

“ Our staff are our greatest asset, and the backbone of our company. By moving onto a living wage, we are solidifying our commitment to the well-being of our employees, their families and the future of our local community. It is a move we're very proud of. ”

- Graham Bell, Managing Director

Utopia Computers Kilmarnock, Ayrshire

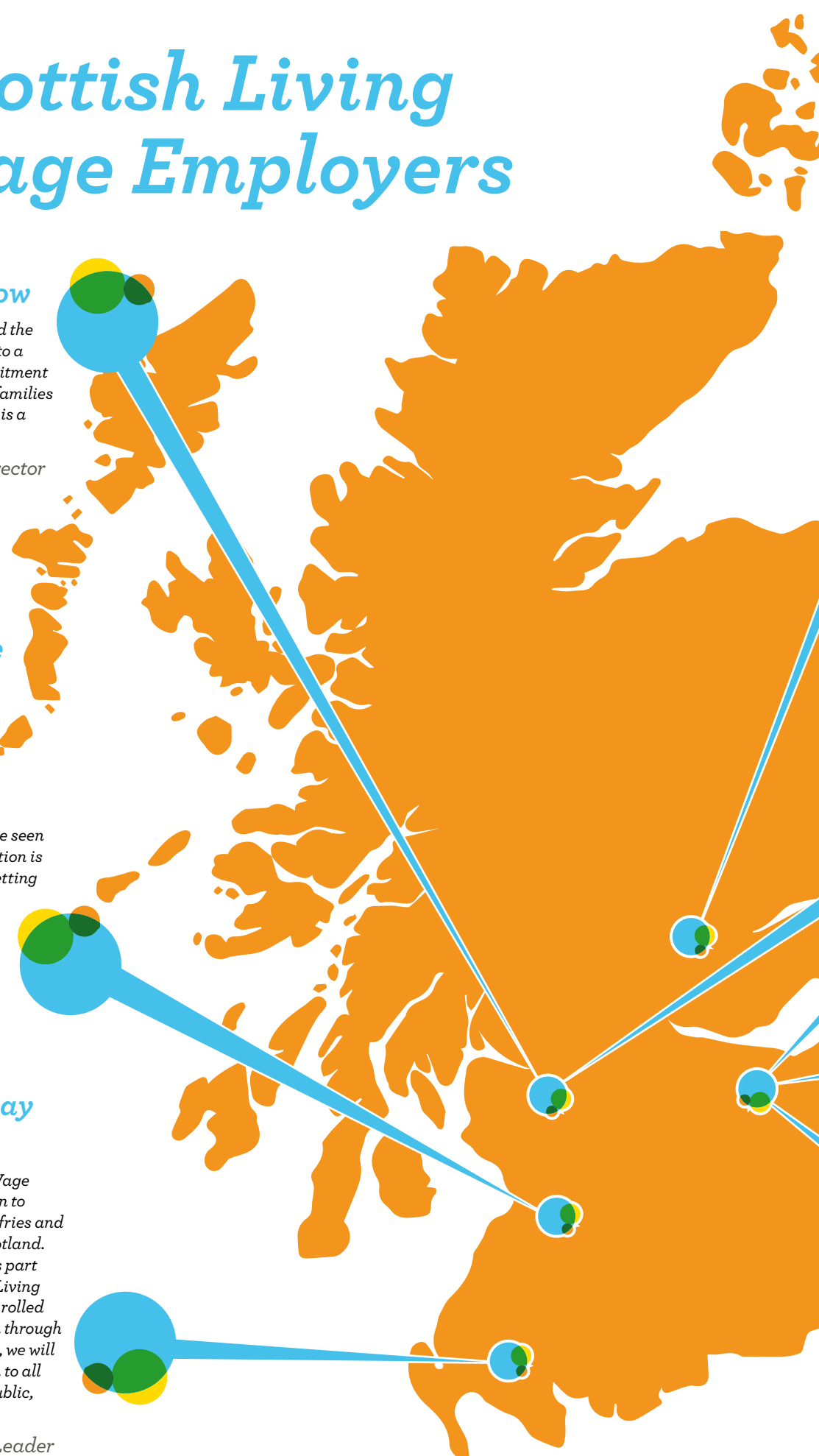
“ I think that profitable companies should re-assess and ask what it really means to pay their employees the minimum wage. In reality, they are telling their staff 'what is the very lowest we can legally pay you'. Paying the Living Wage has been a fantastic move and experience for Utopia. We have seen increased productivity, and staff motivation is at an all-time high. I can't recommend getting Living Wage accredited enough! ”

- Craig Hume, Director

Dumfries and Galloway Council

“ Our Council considers the Living Wage as the single most important contribution to tackling poverty across the region. Dumfries and Galloway is the lowest paid region in Scotland. I am proud that this council is playing its part in tackling that problem by delivering a Living Wage for our staff. But I want to see that rolled out to as many workers across our region through our partners and contractors. Therefore, we will be promoting Living Wage accreditation to all organisations in our region across the public, third and private sectors. ”

- Ronnie Nicholson, Council Leader



SSE, Perth

“ For SSE, being a Living Wage employer is about doing the right thing for people who work for us. That’s good for our employees and it’s good for business too. But just as importantly, it is a symbol of the type of company we want to be: being responsible in all that we do in order to make a difference to people’s lives. ”

- Rachel McEwen | Director of Sustainability, SSE

Brewdog, Ellon, Aberdeenshire

“ At BrewDog our people are fundamental to our success. Without them, we’d be nothing. From our phenomenal packaging team, through to our skilled brewers, professional bar staff and talented warehouse operators, we are proud to be a company full of committed, enthusiastic and hard-working folk. To acknowledge the dedication and commitment of our passionate staff, and as part of our commitment to becoming the best employer ever, we implemented the Living Wage. By becoming a Living Wage Employer, we are ensuring that all BrewDog employees in the UK receive at least the recognised Living Wage. We see this as a hugely important investment in ensuring the future of our mission to make other people as passionate about great craft beer as we are, and recognising the importance of our team, which is our most valuable asset. ”

- Zarah Prior, Gatekeeper

Bluebird Care, Edinburgh and Glasgow

“ From both Jane and my perspective, Bluebird Care Edinburgh & Glasgow South don’t see the Living Wage as a privilege, it should be seen as the basic amount in which to move forward on. Our staff do an outstanding job caring for people in their own homes and they deserve every penny. Are they worth it... Absolutely! Our people are the lifeblood of our business; with a well-paid, happy and committed workforce we have happy and contented customers. ”

- John Perry, Director

The Stand Comedy Club, Edinburgh

“ We pay the living wage because we can afford to, it pays us back with a higher level of staff commitment and loyalty. It is important that our staff are treated well and it’s no surprise that we have so many long term employees providing stability and great service to our customers. ”

- Kenny O’Brien, Area Manager

Standard Life, Edinburgh

“ By implementing our UK Living Wage policy, we help the people who work for Standard Life in the UK and support the communities in which we are based. Being a UK Living Wage Employer has helped us attract high quality candidates who want to stay and we are also seeing a positive impact on our employee engagement and the overall quality of the work we do. It is an important part of our strategy to be a sustainable and responsible business. ”

- Sandy Begbie, Chief Operations Officer



What else are employers saying?

Independently conducted research on employers who have introduced the Living Wage has shown:



80% of employers believe that the Living Wage has enhanced the quality of the work of their staff



66% of employers reported a significant impact on recruitment and retention within their organisation



70% of employers felt that the Living Wage had increased consumer awareness of their organisation's commitment to be an ethical employer



A 25% fall in absenteeism



Improved loyalty and customer service; fewer complaints.



The accreditation process

To become accredited you must confirm that all directly employed staff are paid the Living Wage, and you must have a plan in place for any of your contractors' staff who regularly provide you with services. We will work with you to develop milestones for contracted staff who are not being paid the Living Wage, and accreditation can be awarded on the strength of having a plan in place.

The chart on the next page outlines how employers become accredited.

The accreditation is confirmed by a signed licence agreement between the employer and the Living Wage Foundation. By signing the licence, the employer agrees to pay all relevant staff the Living Wage.



Decide you want to be a Living Wage Employer and contact us

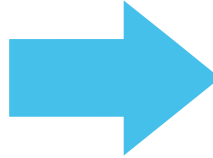
We will work with you to identify your needs and complete the steps below. (It helps to have the support of senior staff members who can drive the initiative). If you are large organisation you might find it useful to assemble a small team with representatives from for example HR, CSR, Procurement and Finance).



Are all directly employed staff paid the Living Wage?



If anyone is on less than the Living Wage then ensure they are receiving the Living Wage. Then think about...



Are contracted staff such as cleaners, catering and security staff being paid the Living Wage?

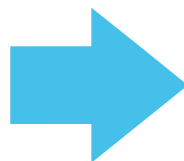


Ask your contractors to implement the Living Wage. If they can't or won't, you can still be accredited now if you provide a commitment that contracts will be renewed at the Living Wage rate.



What is the commitment on contractors?

You must develop a set of achievable milestones to apply the Living Wage across your contracts. The Scottish Living Wage Accreditation Initiative can work with you to develop this. These milestones will be included in your accreditation licence. Once this is all agreed...



Complete the accreditation licence



Completed licences will be processed within 5 working days








FAQs and where to go for more information



What’s the difference between the “national living wage” and the Living Wage?

There are currently 4 bands of minimum wage. From April 2016, a new band will apply to workers aged 25 and over. This new rate has been branded as the “national living wage”. **Despite the name, the “national living wage” is simply a new Minimum Wage for the over 25s.**

Minimum Wage and “national living wage” bands:					
Year	25 and over	21 to 24	18 to 20	Under 18	Apprentice
2015 (from 1st October)	£6.70 - The rate for 21 to 24 applies	£6.70	£5.30	£3.87	£3.30
From April 2016	£7.20 - “national living wage”	£6.70	£5.30	£3.87	£3.30

“national living wage”	The Living Wage
The compulsory minimum rate of pay for over 25s that employers must pay by law – due to be £7.20 per hour.	 A voluntary rate that employers can choose to commit to paying - currently £8.25 per hour in Scotland.
The highest band of minimum wage. See details of the different bands below.	 There is one rate for all workers over the age of 18.
Set by the UK Government.	 Set by the Living Wage Foundation.
Based on an estimation of the minimum employers should pay.	 Based on the cost of living and the “Minimum Income Standards” required for a basic, but adequate standard of Living.
A statutory obligation which employers must meet or face legal challenge.	 A movement and a demonstration of best practice and fair work.



How long does it take for businesses to become accredited?

It depends on the size of your organisation. Some employers can be accredited straight away whilst others may need to take a while to assess their existing situation and examine the costs and benefits. If an employer has a large number of contracts they will need to identify who those contracts are with and when they are due for renewal so they can be moved up to the Living Wage.

How is the Living Wage calculated?

The UK Living Wage is set by the Centre for Research in Social Policy at Loughborough University.

The Living Wage calculation takes into account the Joseph Rowntree Minimum Income Standard (MIS) research in which members of the public identify what is needed for a minimum acceptable standard of living. This is then combined with an analysis of the actual cost of living including essentials like rent, council tax, childcare and transport costs to produce the Living Wage figure.

What happens when the rate of the Living Wage changes?

The UK Living Wage figures are announced in November of each year during Living Wage Week. Living Wage Employers have six months from the date of the announcement to implement the rise.

What is the Living Wage as an annual salary?

The calculation is an hourly figure because many low paid staff are not salaried, and because many work several jobs in different places. People on annual salaries may get other benefits that staff on an hourly rate don't get. You can work out the annual equivalent salary by multiplying the Living Wage by the number of hours worked per week, by 52 weeks of the year.

For example:

£8.25 per hour x 35 hours per week = £288.75 per week

£288.75 per week x 52 weeks in the year = £15,015 per annum (before tax)

Can bonuses be included in the Living Wage?

Staff must receive a minimum of the Living Wage rate per hour. Guaranteed bonuses such as time away from home allowance or city living bonuses can be included. Non-guaranteed bonuses such as sales or production related bonuses cannot be included.

Who does the Living Wage apply to?

The Living Wage applies to all staff over the age of 18 that work regularly on your premises. This includes directly employed staff, contracted staff and subcontracted staff.

Regularly is defined in the licence agreement as two or more hours in any given day for eight or more consecutive weeks of the year.

Apprentices and interns



We recognise that providing training experiences for interns and apprentices can have financial and human costs for businesses. Whilst the Living Wage Employer accreditation does not require employers to provide the Living Wage to these staff members, we are delighted to say that many accredited employers do pay these staff members the full Living Wage rate. There are also examples of accredited employers paying the adult level of the National Minimum Wage to apprentices and interns who are on temporary, developmental placements. We recommend that employers who can afford to pay interns and apprentices the Living Wage should do so. We recommend that businesses follow the Department for Business Innovation & Skills Best Practice Code for Quality Internships.

The supply chain

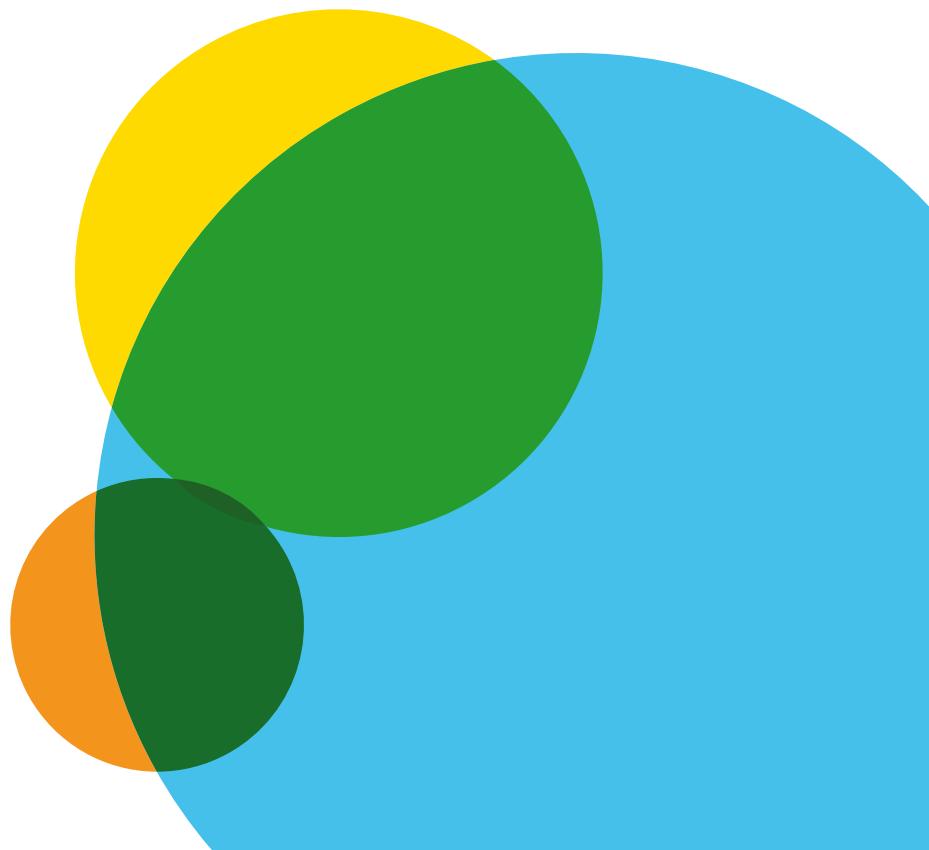


We encourage Living Wage Employers to send out a communication to everyone they do business with letting them know that they have become a Living Wage Employer, and encouraging them to consider doing the same. However the accreditation does not require your supply chain to pay the Living Wage, unless they are regularly delivering a service on your premises.

Staff outside the UK



The Living Wage is calculated according to the cost of living in the UK. We are a UK organisation and wages for staff outside of the UK are not covered by the agreement. We recommend companies consider the international Living Wage guidance provided by the Ethical Trading Initiative.

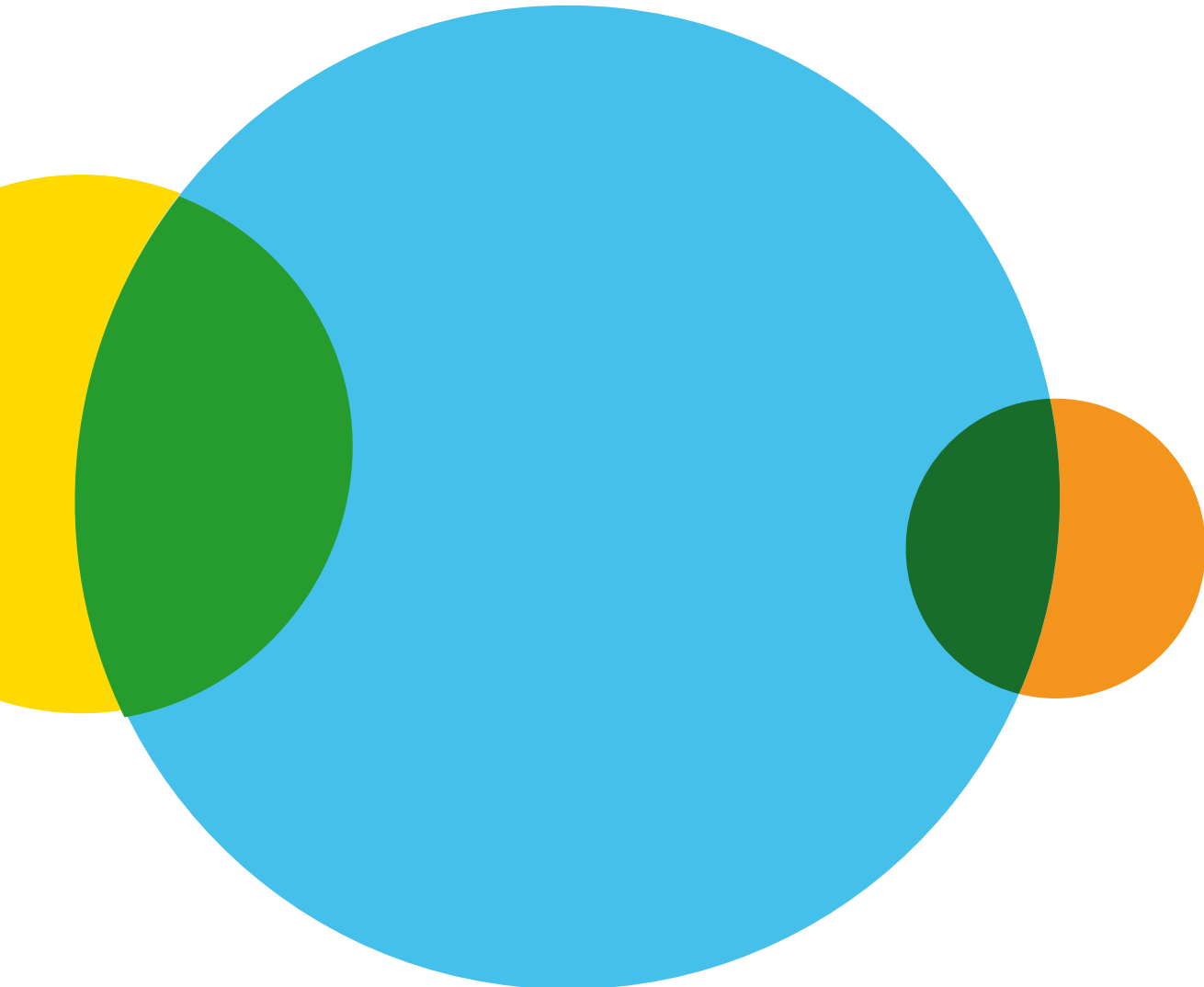


Shared buildings

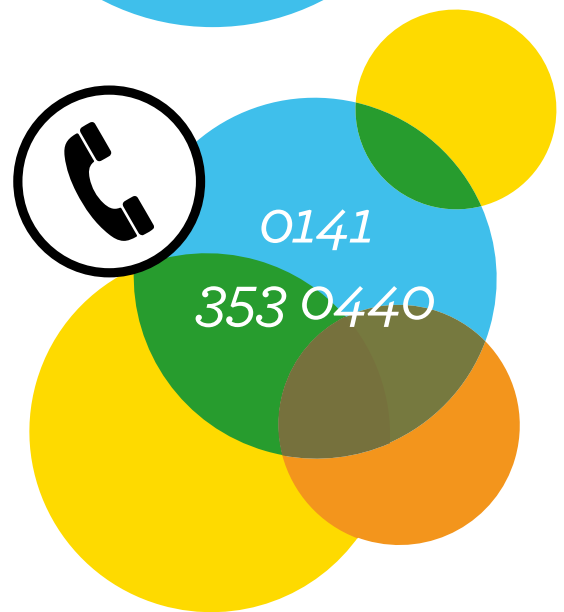


Any staff that work on your premises for two or more hours a day for eight or more consecutive weeks of the year must be paid the Living Wage.

You may have cleaners that work on your premises, within a building that is shared with other tenants. This first step is to find out from your building management company whether the cleaners are paid the Living Wage. The ideal outcome would be to persuade your building management to pay any cleaners, security and reception staff the Living Wage. You might want to organise a meeting of tenants in the building and raise the issue of the Living Wage with this group. If you can get support from a group of tenants and then approach the building manager together you will have a more powerful case for persuasion. If it is not possible to persuade your tenants and building manager to work with you on the Living Wage then you can request to pay the staff the Living Wage rate for the time they are providing a service on your premises. As you are a paying client the building manager should be willing to provide you with a service agreement on the terms you require.



For more information please contact:





www.scottishlivingwage.org

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