

Scotland Excel

To: Executive Sub Committee

On: 6 December 2019

**Report By:
Director Scotland Excel**

Living Wage Terminology

1. Introduction

The purpose of this paper is to clarify the various definitions used when referring to the Living Wage and outline the terminology Scotland Excel will use in its reports.

2. Background

The Real Living Wage is a voluntary wage rate of pay which is calculated by the Resolution Foundation and overseen by the Independent Living Wage Commission. These figures are calculated annually and announced in October / November. The Real Living Wage should not be confused with the mandatory National Minimum Wage (including the “national living wage”) which is the legal minimum an employer must pay an employee and is set by the UK Government.

The Real Living wage calculation takes into account the Joseph Rowntree Foundation Minimum Income Standard research, based on what members of the public think people need to achieve a socially 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 for different family types to produce the hourly Real Living Wage figure, sufficient to ensure that the recipient may enjoy an acceptable standard of living of living in United Kingdom (outside of London where a different living wage is set) to ensure good health, adequate child development and social inclusion.

Research shows that paying the Real Living Wage helps businesses recruit and retain better staff, reduce absenteeism, encourage higher productivity and 93% of businesses say that Living Wage accreditation has improved their reputation.

3. Living Wage Definitions

Voluntary Living Wage rates:

The Real Living Wage is set by the Living Wage Foundation and promoted by the Scottish Government. The rates are announced in November and up-rated annually. Employers should implement the rise as soon as possible and within 6 months, meaning all employees (over 18) should receive the new rate by 1st May the following year. The 2019/20 rate has been set at is £9.30 per hour (previous 18/19 rate was £9.00). The Living Wage Foundation also set the *London Living Wage* rate for employers based in Greater London, which takes account of differing factors which affect the standard of living. The 2019/20 rate is currently set at £10.75 (previous 18/19 rate was £10.55).

The Scottish Living Wage is a specific term that is only used regarding Public Sector Pay Policy in Scotland. It is used to reflect Ministers' expectation that employers covered by the public sector pay policy apply the Real living wage hourly rate as an annualised amount.

Scottish Local Government Living Wage - Scottish local government has been a Living Wage employer for some considerable time. The agreed local government pay settlement is for a three-year period and covers 1 April 2018 to 31 March 2021. The three-year settlement (3.5% in 18/19, 3% in 19/20 and 3% in 20/21) will incorporate the relevant percentage increases which will see the 'Scottish Local Government Living Wage' being paid at a rate marginally higher than the current 'Real' Living Wage. The Scottish Local Government Living Wage (18/19) is set at £9.07, compared to the £9.00 for 18/19 as set by the Living Wage Foundation.

The Glasgow Living Wage - was launched in 2009 by Glasgow City Council and the current rate (2018/19) is £9.00 per hour. It is aimed at employers in the local area.

Legislative Living Wage rates

The National Minimum Wage is the [minimum wage](#) for 21-24 year olds. This means that all employers must pay all of their staff that are between 21 and 24 a minimum of £7.70 per hour from April 2019. (Previous rate from April 2018 was £7.38.)

The National Living Wage is the [minimum wage for over 25's](#). This means that all employers must pay their staff that are over 25 a minimum of £8.21 per hour from April 2019. (Previous rate from April 2018 was £7.83)

4. Recommendation

In line with the Scottish Government, Scotland Excel support the voluntary rate rather than the legal minimum rate of pay set by the UK Government and recognising that the various definitions/terminology can be confusing we propose to consistently and

strongly promote the voluntary rate and the use of the term '**Real Living Wage**' to make a distinction from the legal minimum rate set by the UK Government. Members are asked to approve this standardised wording going forward.