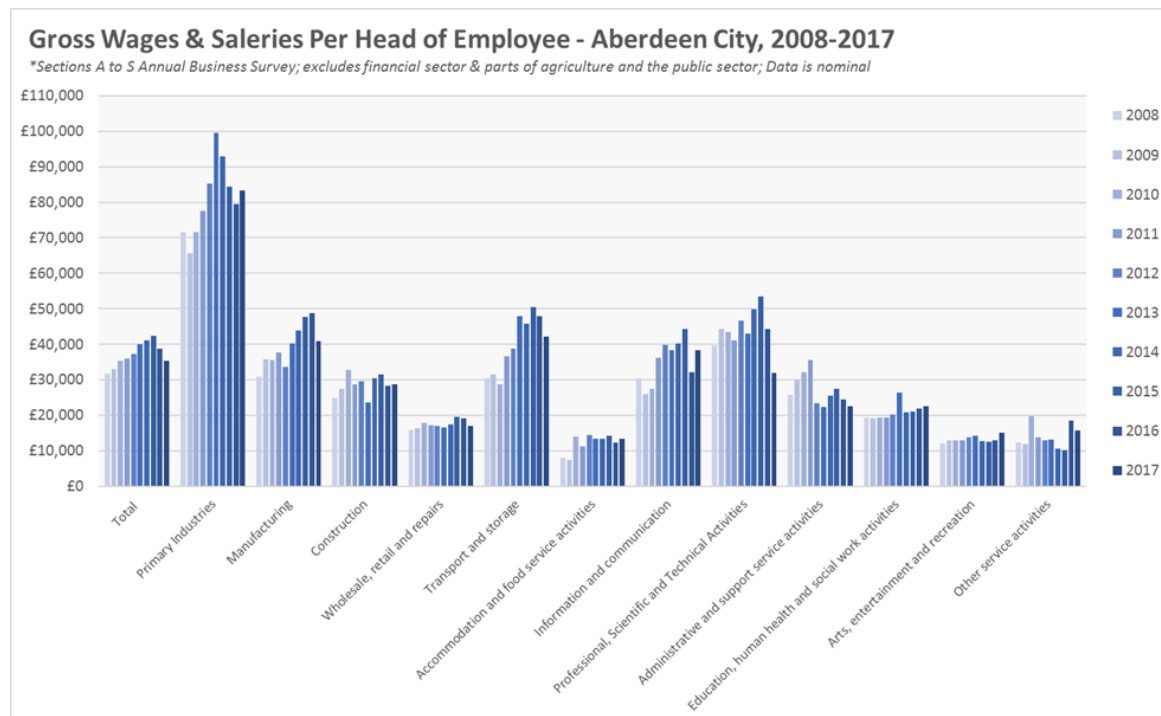


2.3 Real Living Wage

Improvement Project Title: Real Living Wage
Executive Sponsor (Chair of Outcome Improvement Group or Locality Partnership): Allison Carrington – Acting Chair, Aberdeen Prospers
Project Lead: Martin Barry – Scottish Enterprise
Aim statement Increase employer sign up to the Real Living Wage by 2021 and year on year to achieve Real Living Wage City Status by 2026
Link to Local Outcome Improvement Plan: The refreshed LOIP published in 2019 identifies 15 stretch outcomes to break down the overall vision and ambitions to reduce poverty into manageable, thematic programmes of work. This Improvement Project sits under stretch outcome 2 within the Economy theme: <i>Stretch Outcome 2: 90% of working age people in Living Wage employment by 2026</i> This project may contribute to another Aberdeen Prospers aim to: <i>Increase the impact and measured value of Partnership wide community benefits programme by 2022</i> And could also contribute to achieving Stretch Outcome 13: <i>No one in Aberdeen will go without food due to poverty by 2026</i>
Why is this important A primary focus of Aberdeen Prospers is on delivering Fair Work and Good Work principles – ensuring those who are least engaged with the labour market or who benefit least from the City’s prosperity are given the opportunities to progress into sustainable employment. In-work poverty has increased in recent years – with 1 in 5 people currently working in Scotland earning less than the current Real Living Wage hourly rate of £9.00. In Aberdeen, baseline data in the LOIP shows that 14.2% of working people (approx. 1 in 7) are paid less than the Real Living Wage. Aberdeen remains a relatively affluent city. Average income and earnings remain high with workplace based hourly pay (median gross) in Aberdeen being £15.33, compared to £13.98. It should also be noted that the proportion of our working-age population who are economically active is higher than the Scottish average (79% compared to 77.5%). However, based on SIMD 2016 data, there remain areas of deprivation, with 8% of Aberdeen’s data zones being classified as being in the 20% most deprived areas of Scotland (SIMD 2016). Despite high average earnings, annual income varies by neighbourhood ranging from a low of £18,596 to a high of £61,570 - with almost 15% of adults who work in the city earning less than the Living Wage. Data indicates however that income deprivation within the City has increased as a result of increased unemployment during the downturn in the regional economy. The CPA strategic assessment carried out in 2016 stated that Aberdeen has one of the most unequal pay structures in the UK, with stark differences between low and high earners. This is exacerbated by a high cost of living, with the annual Mercer Cost of Living Survey , published in June 2019, showing Aberdeen as the most expensive city to live in Scotland (and third in the UK behind London and Birmingham). The relative high cost of living could exacerbate any gaps in terms of income deprivation – particularly in those localities (especially Torry/Balnagask and Woodside) where SIMD figures show income deprivation within the most deprived 10% in Scotland. Data on low income families in Aberdeen City shows there is a large proportion of children living in low income families – higher than the headline SIMD data would suggest.

Income deprivation is seen as especially problematic in Torry, with almost a fifth (18%) of the neighbourhood's population being income deprived. Notable is Balnagask, where the 2016 strategic assessment for Torry showed 28% of population being income deprived although only 17% employment deprived – perhaps indicative of low paid jobs. The table below shows the variation between salaries per head by broad industry sector in Aberdeen City between 2008-17 – with the highest wages in the primary industries (£83,260 per head) and the lowest (£9,703) in textile manufacturing, with retail and general hospitality levels ranging between the £12-£13,000 range:



(Source: Scottish Government: Scottish Annual Business Statistics 2017)

Increasing take-up of the Real Living Wage could help tackle pockets of in-work poverty within the City, with the added effect of increasing productivity – boosting the economy.

Based on data from Living Wage Scotland, there are currently 41 accredited Living Wage employers in the city. Together they employ the equivalent of over 15% of the city's workers (an estimated figure of 17,335), with 90% of those employed by the six largest accredited employers. Over half of the employers each employ less than 50 staff.

Whilst the city does have high levels of earnings at or above the Real Living Wage level, it has become clear that certain sectors struggle to pay the Wage due to tight margins – anecdotally, many have stated they would pay it if possible, but would have to potentially make detrimental changes to employment conditions or cut staff to afford it. According to the Living Wage Foundation, Hospitality is the largest low paid sector in Scotland, with 67% of employees receiving less than the real cost of living and it may be a more productive approach to engage with employers in the lower-paid sectors to identify pathways to assist them transition to becoming Real Living Wage employers.

Real Living Wage accredited employers have stated the positive benefits of paying the Wage, with 86% across the country saying it has improved the reputation of their business, 75% saying it has increased motivation and retention rates for employees, and 58% saying it has improved relations between management and their staff.

However, feedback has shown that many non-accredited companies do not fully appreciate the benefits of accreditation and/or do not currently view seeking accreditation as a priority. The recently published [Living Wage Places Toolkit](#) includes learning that may be appropriate to draw out, including effective mechanisms for partnership working (seen as a must), and activities that increase take up of accreditation. These tend to be two-pronged, with sufficient publicity to consider the Real Living Wage, coupled with the offer of confidential advice and support to adopt it. This is an approach that has been utilised in other places, including Dundee and Glenrothes who are the first to be recognised for making a Living Wage City and Town respectively.

Engagement with “anchor institutions” is important. These are influential employers that are rooted in the local economy - serving the local population, have strong local links and influence, and have a brand synonymous with the place. Research from the [Smith Institute on the local Living Wage dividend](#) references the importance of anchors becoming accredited to maximise local impact. Anchor organisations for the local economy should be mapped and prioritised as a pre-requisite to developing initial engagement approaches, with continuation of this activity to form part of a place-based action plan.

Aberdeen has a strong tradition of partnership working, particularly in regard to economic matters, with high levels of private sector engagement – by utilising networks we can develop a partnership approach to promote the benefits, provide peer group learnings and subsequently drive this project forward. The private sector generally responds well to messages from their peers, therefore encouraging the private sector to take a leadership role will be vital to the success of the project.

Measures

Outcome measures

- Increase in number of Real Living Wage accredited employers in Aberdeen City
- Increase in the percentage of the working population being paid the Real Living Wage in Aberdeen City
- Number of employers committed to sharing learnings

- **Process measures**

- Number of engagement events held
- Number of non-accredited companies seeking details on accreditation process/follow up with Real Living Wage Scotland
- Number of non-accredited companies attending engagement events

- **Balancing measures**

- Decrease in low income households
- Decrease in working population not being paid Real Living Wage

Change ideas

- Increased engagement with accredited companies to test ideas and gain commitments to promote the benefits of accreditation to the wider private sector
 - Test how many pledges we can encourage from employers at Aberdeen Real Living Wage week event and, subsequently, test the extent of how many pledges can be turned into change ideas
- Commitments from anchor institutions and influential employers that are Living Wage accredited and rooted in the local economy, to take on a leadership role as local RLW

champions, to partner on the development of a place-based approach and action plan to promote the benefits of Living Wage accreditation.

- Test how a private sector Champion could support the work of the improvement team
- Engagement with Living Wages places (eg: Dundee and Glenrothes) to understand relevant learnings and best practice
- Increase promotional activities on the benefits of the Real Living Wage, through channels such as social media, development of case studies and by seeking networking opportunities
 - Test opportunities to promote via partners
- Work with ACC localities to identify specific sectors where low pay is an issue and target engagement accordingly
- Engage with low-pay sectors to understand barriers and potential solutions, including utilising workplace innovation approaches, to assist companies transition to accreditation.
 - Test how many employers would attend an engagement forum (perhaps linked to localities – link to change idea on working with ACC localities)

Potential risks and/or barriers to success

Risks

Non-accredited companies do not engage

Access to companies

Capacity to engage

Mitigation

Engage with Scottish Enterprise account managers

Ensure representation from Real Living Wage Scotland at relevant events

Project Team:

Martin Barry – Scottish Enterprise

Kaja Czuchnicka – Aberdeen Council of Voluntary Organisations

Lynn Anderson – The Poverty Alliance

Gregor Docherty – Aberdeen City Council

Sacha Will – Aberdeen City Council

Ishbel Greig – Aberdeen City Council

Business Representative TBC

Discussions have taken place with partners across the CPA spectrum, and colleagues engaged in other Improvement Projects will contribute virtually to this project. Private and third sector engagement has also taken place, and links have been built with the Dundee Partnership who are leading on Dundee's bid for Living Wage City status.

There also plans in place to engage the private sector through mechanisms such as a networking event during Real Living Wage week, to help gain commitment and build a partnership approach to drive the project (particularly those in sectors where there lower salaries are paid/cost margins are tight), plus engaging with ACC localities team to understand impact in these areas.

Outline Project Plan		
Project Stage	Actions	Timescale
Getting Started (Project Score 1-3)	<ul style="list-style-type: none"> • Project Team established • Gather baseline data • Draft Charter to CPA management group • Charter submitted to CPA board 	Complete Complete October 2019 November 2019
Designing and Testing Changes (Project Score 4-7)	<ul style="list-style-type: none"> • Agree changes for testing • Engage with accredited organisations • Hold Real Living Wage week engagement event • Engage with ACC localities team • Engage with Scottish Enterprise workplace innovation team • Identify individuals for RLW champion • Engage with external partners (eg: Dundee/Glenrothes) 	October 2019 Ongoing November 2019 November 2019 December 2019 February 2020 January 2020
Implementing and sustaining changes that demonstrate improvement (Project Score 7-10)	<ul style="list-style-type: none"> • Identify PDSA measures to understand impact • Hold engagement events • Promotion of newly accredited organisations • Review of number Real Living Wage accreditations in City 	April 2020 Ongoing Ongoing October 2020
Spreading Changes (Project Score 9-10)	<ul style="list-style-type: none"> • Assess opportunities for spreading change 	2021