

# **PUBLIC SECTOR PAY POLICY AND THE SCOTTISH LIVING WAGE**

## **Finance Pay Policy Note Update – No. 02/14**

### **Focus: PUBLIC SECTOR PAY POLICY: Scottish Living Wage**

#### **Scottish Public Sector Pay Policy:**

This note is to all Public Bodies covered by Scottish public sector pay policy but will be of particular relevance to those with staff paid at the Scottish Living Wage rate.

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#### **New Scottish Living Wage rate**

The new Living Wage Rate of £7.85 per hour was announced on Monday 3 November. This rate will apply to all 2015-16 pay settlements (including the second year of two-year deals approved in 2014-15). A public body can choose to apply the uprated Living Wage hourly rate from 1 April rather than their normal settlement date (if that is later). In such cases, the public body should notify the FPP team and provide details and costs of the uprate within their pay remit proposals when they are submitted.

Details on how the rate should be applied will be provided in the 2015-16 Technical Guide which will be issued shortly.

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#### **Background**

See paragraphs 2.30-2.33 of the Technical Guide for 2014-15 (available at: [www.scotland.gov.uk/Topics/Government/public-sector-pay/staff-pay](http://www.scotland.gov.uk/Topics/Government/public-sector-pay/staff-pay)).

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#### **Issues**

##### Annual gross salary when employees work fewer than 37.5 hours per week

Concerns have been raised that while the actual hourly rate of pay may be in line with the Living Wage hourly rate, the annual equivalent salary does not meet the pay policy expectation for the specified gross annual salary.

Employers are reminded that they should meet the Living Wage obligation by paying the specified gross annual salary, unless they can provide evidence of the exceptional circumstances that apply. It is recognised that where there are affordability issues or where staff work a limited number of contractual hours or are employed seasonally then a case can be made to pay staff at the equivalent hourly rate.

### Modern apprentices and interns

Technical Guides have not, to date, provided specific guidance on the payment of the Living Wage to Modern Apprentices and interns. The Scottish Government Finance Pay Policy (FPP) team has provided advice on a case-by-case basis highlighting that the key driver is to ensure nothing impedes on delivering the Government target for the number of Modern Apprentices. The rates of pay for such individuals remains a matter for individual public bodies on the understanding that they are paid at least the adult level of the National Minimum Wage.

The 2015-16 Technical Guide will reflect that the pay policy encourages, but does not require, employers to pay the Living Wage to Modern Apprentices and interns who are on temporary / developmental placements. This approach is wholly consistent with the guidance available on the Scottish Living Wage Accreditation website at <http://scottishlivingwage.org>.

### Living Wage Accreditation

Accreditation would require all directly employed staff and contracted staff to be paid the Living Wage (or for employers to at least demonstrate that they are moving towards applying the Living Wage across all contractors). The public sector pay policy applies only to directly employed staff and does not extend to contracted staff. It is therefore not an appropriate vehicle to enshrine a requirement for employers to become Accredited.

Further information and guidance on Accreditation is available on the Scottish Living Wage Accreditation website at <http://scottishlivingwage.org>.

### **Action for public bodies:**

- To note contents of this update.

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