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**SPICe**  
The Information Centre

## **Economy, Energy and Tourism Committee**

### **Work, Wages and Wellbeing**

#### **Summary of written submissions**

##### **Introduction**

This paper summarises the submissions received on the Committee's inquiry into work, wages and wellbeing. A total of 42 written submissions have been received so far (as at 24 September 2015), of which—

- 10 were from third sector or campaigning organisations;
- 4 were from local authorities;
- 7 were from other bodies in the public sector;
- 6 were from business organisations or industry bodies;
- 4 were from trade unions or professional associations;
- 6 were from businesses or individuals; and,
- 5 were from academics or research organisations.

The Committee's call for evidence was launched on the 22<sup>nd</sup> June 2015 and asked for views on the following areas relating to the Scottish labour market—

1. What makes a job 'good' or 'bad'?
2. Have jobs become better or worse since 2008?
3. The impact of job and employment quality on health.
4. What effect might low quality/low pay jobs have on the economy?
5. What can the Scottish Government and public policy makers do to improve job quality in Scotland?

Although most submissions addressed the Committee's remit and the questions asked in the call for evidence, some either did not answer the specific questions or only vaguely addressed the remit. Like other summaries of evidence, this paper has been structured by the questions asked. Therefore, relevant comments from these submissions have been placed under the most appropriate heading.

## 1. What makes a job 'good' or 'bad'.

As became clear during [the first evidence session in June](#), there is no agreed definition of what makes a job 'good' or 'bad'. The CBI goes as far as to warn "it is not advisable for politicians to determine job quality or to attempt a definition."

Most submissions attempted a definition, or at least referenced academic work in this field, whilst accepting that other definitions and views were credible. Some responses highlighted the subjective nature of the question, for example Dumfries and Galloway Council wrote—

"There are many different ways of interpreting or measuring whether a job is 'good' or 'bad'. A definitive answer is hard to reach as each individual will value certain factors over others depending on their personal preference or situation."

Clearly, what is a bad job for one person can be a good job for another.

Furthermore, there are regional and sectoral elements to the Scottish labour market which complicate the 'good'/'bad' assumptions further (see for example, the Highlands and Islands Enterprise and Dumfries and Galloway submissions). The location and transport links to a job are important, with the travel times and costs in rural Scotland often influencing whether a job is seen as 'good' or 'bad'.

Professor Patricia Findlay's explains why defining job quality is problematic—

"Job quality is a broad and multidimensional concept encompassing the intrinsic nature of work (such as skills, pace, discretion and autonomy), the employment or contractual arrangements within which work takes place (including pay, contractual status, benefits, work-life balance and opportunities for progression) and aspects of work relations (perceptions of fairness and trust, voice and due process/procedural justice).

"There is no one accepted measure of job quality. Some researchers use objective indicators (eg pay, hours worked, fixed or open ended contract) and others subjective indicators (eg measures of job satisfaction; perceptions of stress); others use a mixture of both."

Nevertheless, there are several factors, repeated throughout most submissions, which contributors saw as determining the quality of a job. These can be summarised as—

- pay and benefits;
- security of contract/working hours;
- opportunity for training and advancement;
- type of work/job design (including control and demand);
- employee engagement;
- level of support/leadership; and,
- the working environment and physical conditions.

Added to these, the employing organisation/company's purpose, values and standards of ethics was often cited as an important factor influencing an employee's feeling of fulfilment and value.

The above factors reflect [the findings of the Committee's online questionnaire](#) which received 607 responses over the summer.

Citizen Advice Scotland's submission focuses on employment practice which often strays into the illegal. Unfair dismissal, unpaid work and minimum wage infringements, as well as 'misuse' of zero hours contracts, are clearly evidence of 'bad jobs': "many of these practices are illegal, but employees can experience significant barriers to upholding their rights. They may have attempted to seek justice in an Employment Tribunal, but been unable to afford fees of up to £1,200 to bring a case".

Skills Development Scotland (SDS), unsurprisingly, focusses on the importance of skills: "It is widely acknowledged that more highly skilled roles provide increased job satisfaction. They attract an increased level of pay, opportunities to up-skill and re-train, as well as autonomy over decision-making." SDS and SCDI both highlight the importance of employee engagement and the STUC is keen to stress that modern management techniques, such as new forms of performance management can contribute to poor job quality employment.

#### *Job quality for different groups*

According to Close the Gap, "any consideration of job quality must recognise the structural barriers that women face to obtaining a 'good' job". A number of submissions highlighted pay inequality in Scotland as a serious barrier to job and employment improvements—

"The pay gap is caused by occupational segregation, where women and men do different types and levels of work; inflexible working practices which make it difficult for women with caring responsibilities to participate in the labour market equally, particularly at senior levels; and discrimination within pay systems. Almost a fifth of the Scottish workforce is paid below the living wage, and 64% of these workers are women."

The Scottish Women's Convention (SWC) consulted with women of all ages, from a variety of different backgrounds and in a number of different forms of employment in compiling its response. In addition to the factors bulleted above, the SWC found that accessible, affordable and appropriate childcare was a major factor in determining whether a job was good for bad for women with children: "If employment is the route out of poverty and onto a better life, then childcare is the bridge."

The Equalities and Human Rights Commission highlighted the harassment faced by women and LGBT people in the workplace—

"In a recent report the Equality Network estimated that 24% of LGBT people in Scotland had experienced harassment at work. One in three women aged between 18-34 report being sexually harassed at work, predominantly verbal harassment although just under half of women also report unwanted sexual

advances. Harassment was reported most frequently in the food and retail sectors”.

### *Youth employment and ‘entry-level’ jobs*

Barnardo’s Scotland provides an insight into problems faced by many young people, stating that job insecurity is a particular problem for young people: “50% of 18-29 year olds were insecure in their employment.” For many young people bad jobs are:

“...characterised by the fact that there is often an element of coercion (conditionality). There is little in the way of on-the-job training and little chance of progression with that employer. At the same time, jobs of this nature offer almost no flexibility for young people to mix work with further education or other training. The focus is simply on the needs of the employer.”

The Federation of Small Businesses also raises the issue of youth employment, although they suggest that low quality/low paid work is essentially a fact of Scottish economic life and to tackle “issues around youth unemployment” “will require an increase in the number of entry-level jobs in the economy.” What the FSB means by ‘entry level’ jobs is unclear, however they stress that “the Scottish economy will always require a range of jobs across differing skills and pay levels and a proportion of these will likely be at the lower end of the remuneration scale.”

Oxfam Scotland highlights the link between low quality/low paid work and unemployment, noting Joseph Rowntree Foundation research which suggests that:

“half of men and a third of women who claim Job Seekers Allowance do so within six months of a previous claim ending. A significant section of these individuals will have moved into and then out of work during this time”.

### *Sectoral considerations*

The joint submission from Social and Public Health Sciences Units and the Scottish Collaboration for Public Health Research and Policy warns about classifying entire sectors or occupations as ‘bad quality’, pointing out that “for any one occupation or job type, these drivers may vary between employers, e.g. a zero-hours contract in a sport shop differs from a permanent retail assistant ‘partner’ in a department store”.

Nevertheless, NHS Health Scotland, in its submission, identifies elementary<sup>1</sup> jobs, sales and customer service, process, plant and machine operative and caring and leisure jobs as occupations with “high numbers of jobs that increase the risk to health of people employed in them”. The most recent Annual Population Survey would suggest that these occupations account for around a third of the Scottish labour force.

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<sup>1</sup> ‘Elementary occupations’ covers occupations which “require the knowledge and experience necessary to perform mostly routine tasks, often involving the use of simple hand-held tools and, in some cases, requiring a degree of physical effort” (ONS)

Professor Chris Warhurst of Warwick University discusses the potential for 'good' jobs becoming 'bad', and vice versa—

“It needs to be appreciated that whilst much of the drive for intervention centres on improving bad jobs, good jobs can go bad and bad jobs can get worse. In the US for example, Jeffrey Rothstein has noted how relatively good jobs in the car industry are going bad as wages and working hours are being undermined. In Scotland already poor quality cleaning jobs in hotels can get worse when workers are shifted into temporary work agency employment or retail workers put onto zero hours contracts.”

#### *'Good' and 'bad' jobs from a public health perspective*

Professor Clare Bambra of Durham University, focusses on the health impacts of low quality work and worklessness. She identifies three areas determining job quality from a health perspective—

1. Physical working conditions – ie. hazardous conditions and environmental factors;
2. Psychosocial conditions – low job control/ high demand leading to chronic stress; and,
3. Contractual conditions – job insecurity, pay levels and rights at work.

Professor Bambra stresses that these three aspects of low quality work “are often clustered and experienced at the same time, by the same workers”. In other words, it is likely that workers in dangerous conditions will have little control or discretion over their working lives, and may also experience low pay and low job security.

The Glasgow Centre for Population Health refers to the recent Marmot Review in its submission, highlighting the importance of job stability, worker control, appropriate demand, fair pay and opportunities for training and development. Other factors of importance include enabling participation in decision-making, collective bargaining and “meeting basic psychological needs e.g. self-esteem, sense of belonging and meaningfulness”.

Some submissions, for example that from the Social and Public Health Sciences Unit and the Scottish Collaboration for Public Health Research and Policy, discuss how lower incomes “preclude people from purchasing health enhancing goods and services and participating fully in society, which may increase health risks and lower self-esteem and status.”

The Health and Safety Executive (HSE), Professor Clare Bambra, Social and Public Health Sciences Units and the Scottish Collaboration for Public Health Research and Policy highlight the dangers of hazardous working conditions: “The everyday workplace poses potential risks to employees in the form of chemical and biological toxins, heat, noise and physical injury. Despite decades of improvements in workplace safety, many of these hazards still exist. Jobs in the manufacturing, construction and agriculture industries account for one fifth of all jobs in Scotland, with these jobs typically encompassing some degree of chemical and/or physical hazard.”

## 2. Have jobs become better or worse since 2008?

Scottish Enterprise sums-up the majority view when stating “the recession has impacted on job quality due to the resulting rise in unemployment, underemployment, insecurity, and reduction in incomes.” Almost all submissions focus on changes to *employment* quality, for example pay and contractual status. Few comment on changes to *work* quality, for example discretion and autonomy. This is perhaps due to the lack of data in work quality areas (as explored during the 24 June oral evidence session).

Submissions describe how changes to the Scottish labour market since 2008 are for the most part continuations, or accelerations, of previously identified trends. For example, Oxfam writes, “many of the polarising trends between ‘lovely’ and ‘lousy’ jobs were exacerbated rather than caused by the 2008 crisis”. SDS highlights the continuing decline of manufacturing and the move towards a service economy, as well as the drop in trade union membership since the 1980s.

Almost all submissions accept that zero hours contracts, underemployment, part-time employment and self-employment are now increasingly significant features of the Scottish and UK labour markets. Most submissions therefore believe that job and employment quality has deteriorated for many people. Dumfries and Galloway Council, for example, writes—

“On the whole jobs have become worse since 2008. Though there is an ever increasing awareness of what a good job involves and requires (the importance of aspects such as fairness, equality and work life balance are greater understood and emphasised), there are fewer full-time jobs, there are fewer well-paid jobs and there is less job security.”

The STUC in its submission arrives at similar conclusions—

“Feedback from trade union workplace representatives across the economy strongly suggests that the quality and security of employment has deteriorated since the recession started in early 2008. Adverse trends which were apparent prior to 2008 – e.g. underemployment, zero hours contracts – have become more deeply embedded over the past seven years with the rising prevalence of insecure work a particular concern. Although concerns around insecurity tend to focus on zero hours contracts, it is important to note that other insecure forms of work – such as pay between assignment contracts – are also increasingly common.”

The views of those responding to the Committee’s online questionnaire paint a similar picture, with almost 70% of those in post for more than five years saying their job quality had deteriorated since they started.

Citizens Advice Scotland provided statistics from their Scottish bureaux showing that new employment related cases “increased from 45,131 in 2011/12 to 50,625 in 2014/15, a rise of 12%. In that time there were particularly sharp increases in advice on pay and entitlements (up 29%), dispute resolution (up 23%) and self-employment (up 33%).”

### *A flexible labour market*

CBI Scotland believes “our flexible labour market is a significant asset that should be protected”. The relatively low levels of unemployment witnessed during and after the 2008 recession can be accredited to the flexibility employers had in adjusting the pay and hours of existing staff. This view is also supported by the FSB in its submission.

The CBI concludes that “the Scottish labour market had to adapt in the wake of the 2008/09 recession to maintain employment levels and to drive prosperity”. Furthermore, the flexibility of the UK’s labour force is “the single employment issue on which UK businesses hold a near-unanimous view” with 95% of recently surveyed businesses reporting labour flexibility “as important or vital to the competitiveness of the UK”.

By flexibility, the CBI means—

“... the ability of companies to adapt to changing trading, technological and social circumstances by adapting processes of production and resourcing. In practice, this can be simplified into questions of skill levels, adaptability of production processes and infrastructure, productivity, and the ability to “take a chance” on new ideas or to meet unpredictable extra demand through a range of flexible employment choices.”

Responding to concerns about increased part-time employment since 2008, the CBI notes that the number of people working part-time involuntarily has actually dropped from a peak in 2013. They believe “as the economy further strengthens we anticipate this shift from part-time jobs to full-time jobs will continue”.

### *Job polarisation and challenges for young people*

There are concerns about a growing polarisation of the workforce with Scottish Enterprise research showing that, between 2001 and 2010, the number of jobs in Scotland in medium-skill/medium-wage occupations declined (by 62,500), and the number in both the lower skilled (+46,000) and higher skilled (+118,500) occupation groups increased, leading to a more polarised labour market. Since 2011, the number of jobs rose across the board, but the rise was highest in the lower and highest paid groups, indicating that “the job polarisation trend has continued post-recession.”

Job polarisation presents a particular challenge for young people, according to Scottish Enterprise. Lower paid occupations tend to have a higher proportion of young employees as over 20% of those in the lowest earning decile are aged 16 – 24 whereas the proportion in the highest earning decile is 2.2%: “The relative decline in middle ranking jobs makes the transition to better paying occupations more difficult.”

Barnardo’s Scotland accepts that the labour force is now more diverse: “unfortunately this diversity does not necessarily benefit young people. Young people tell us that the work available is often low quality and on a part-time or zero hour basis.”

### *Low pay and in-work poverty*

Most submissions support the view that real (ie inflation adjusted) wages have fallen significantly since 2008. The STUC, for example, believes the “collapse” in real wages between 2009-2014 was “unprecedented in modern times”. They continue: “while real wages have started to rise through 2015 this has been attributable to falling inflation rather than strong nominal wage growth. Even if real terms increases persist, it is likely to be at least the end of the decade before the median wage achieves its pre-recession value”.

SDS links the increase in low pay to the fall in union membership—

“... smaller (union) membership has reduced the proportion of employees covered by collective bargaining, which appears to have made it easier for employers to hold constant or reduce insiders’ wages; that nominal wage freezes were more prevalent in jobs without collective agreements and average wages have fallen least among those covered by collective agreements at the national or industry level.”

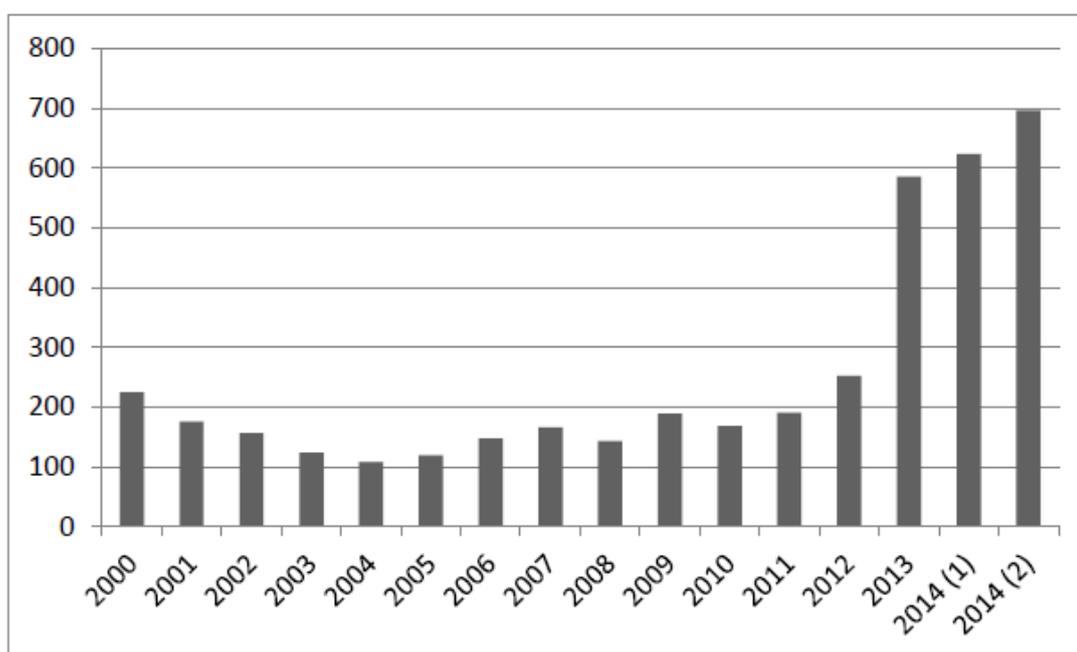
South Lanarkshire Council believes “too many people remain on the minimum wage with little hope of progression. The increase in in-work poverty levels is evidence of this.”. This concern is shared by NHS Scotland, Oxfam, Poverty Alliance, various councils and the Scottish Women’s Convention. Oxfam, for example, notes that—

“After housing costs are accounted for 50% of working age adults and 56% of children in poverty in Scotland were living in households where at least someone was in work in 2013/14. An estimated 414,000 workers – almost a fifth of the workforce – are paid below the living wage. Women are estimated to make up 64% of low paid workers. Many of those in low-paid work also struggle with issues of underemployment and job security.”

### *Zero hour contracts and job insecurity*

Almost all submissions voice concerns about the growing use of zero hours contracts. The STUC in its preliminary evidence to the Committee provided the following graph documenting the growth of these contracts across the UK since 2000 (whilst agreeing with Oxfam that official data on ZHCs is less than reliable).

## Use of zero hours contracts 2000-2014, UK



The huge jump between 2012 and 2013 is largely explained by media coverage leading to a better understanding of the types of contracts people are employed on (i.e. people responded more accurately to surveys on the nature of their contract). The STUC estimates 120,000 people in Scotland were on zero-hour contracts in 2014, with temporary contracts increasing by 25,000 since 2008 to 133,000 in 2014. According to Oxfam, “women are more likely to be affected by zero-hour and temporary contracts.”

Zero hours contracts are problematic for a number of organisations submitting evidence, including the Poverty Alliance—

“People on zero hours contracts often find themselves with less rights at work, and can be more vulnerable to discrimination due to the lack of security in their contracts. Those on zero hours contracts can also face confusion about their rights to holiday, sickness and maternity pay, and fluctuating hours can make it difficult to access benefits. It is also difficult to imagine how anyone is meant to manage their finances week to week with no idea of what their earnings will actually be.”

### *Female employment*

The STUC notes that “it is remarkable that the employment rate for women is now at an all-time high but the male employment rate is still nearly 4% below its pre-recession peak”. Close the Gap notes, however, that “women’s employment in general is more precarious because women are more likely to be in informal, temporary and part-time work”. This is a view shared by the Scottish Women’s Convention. They write: “women continue to be clustered into roles in what is known as the ‘5c’s’ – catering, cleaning, caring, cashiering and clerical. These jobs offer low wages and little in the way of training.”

Close the Gap describes the gender differences in the Scottish labour market, with a pay gap of 12% for full-time workers and 32% for part-time workers. The reasons given for these differences in pay include: “occupational segregation, where women and men do different types and levels of work; inflexible working practices which make it difficult for women with caring responsibilities to participate in the labour market equally, particularly at senior levels; and discrimination within pay systems”. According to Close the Gap, 64% of workers paid below the living wage are women.

### *Self-employment*

Self-employment in Scotland has increased by 14% since 2008, according to the STUC, although limited labour market data on self-employment in Scotland means the characteristics of the new cohort of self-employed is “poorly understood”.

According to trade union Unite there has been a dramatic increase in so-called ‘false self-employment’ over recent years. False self-employment is “used by employers to engage workers indirectly, without the costs of holiday or sick pay, pensions or to uphold existing employment rights afforded to workers.”

The FSB, as would be expected, takes a more positive view of this increase in self-employment believing it is often unfairly labelled as “an option of last resort”. On average, the self-employed are “more satisfied and happier than employees with their work and life” according to RSA research quoted by the FSB, “the same applies to micro-business owners and their staff”.

NHS Scotland accepts that self-employment is associated with increased mental wellbeing for some people. However, quoting Households Below Average Income figures and Resolution Foundation research, NHS Scotland believes “this must be offset against the increased risk of poverty, especially as earnings for the self-employed have fallen more sharply than for employees since 2006.” Whatever the causes of the increase in self-employment, most submissions agree with the FSB’s point that “it is highly likely that this group will become a permanent feature of our economic landscape.”

### *Management issues*

Responses to the [Committee’s online questionnaire](#) highlighted the problem of poor management in many Scottish workplaces. The impact on the productivity and wellbeing of the workforce of poor management has been raised in a number of formal submissions to the inquiry. For example Professor Chris Warhurst highlights possible problems with management and business education at Scotland’s universities, and SCDI states “Leadership and management is generally believed to be an area of poor performance across all sectors in Scotland”.

Scottish Enterprise also links management issues to Scotland’s relatively low productivity levels—

“Evidence suggests that only 12% of Scottish employers (in line with UK average) are ‘higher performance workplaces’, defined as having a general management and organisational approach which

aims to stimulate more effective employee involvement and commitment in order to achieve high levels of performance.”

### **3. The impact of job and employment quality on health.**

Professor Bambra argues that low quality work is defined as “jobs that combine low levels of control with high psychological demand” which can lead to increased levels of chronic stress, musculoskeletal conditions, heart disease, hypertension, obesity and mental illness.

Furthermore, low quality contractual conditions (ie. insecure employment and low, often irregular pay) can often have as many negative health outcomes as unemployment (as identified by Clare Bambra, NHS Scotland, GCPH, Oxfam and Poverty Alliance). Workers in ‘precarious employment’ are more likely to experience those illnesses listed above, according to Professor Bambra, and are also more likely to engage in unhealthy behaviours such as high levels of alcohol consumption.

NHS Scotland identifies certain sectors with higher proportions of ‘unhealthy’ jobs: elementary, sales and customer service, process, plant and machine operative and caring, leisure and other service occupations predominate in the list of jobs that increase the risk to health of people employed in them.” Poverty Alliance believes employers who profit heavily from poor employment practices are “in effect, guilty of ‘social dumping’ - they take the profits but the health costs of their practices fall on the public and on the public purse”.

There is also the health and wellbeing of the *families* of those in precarious employment to consider, with Glasgow Centre for Population Health highlighting the “challenges in affording basic requirements for healthy living such as food and heating, including food bank referrals associated with chronic low pay and fluctuating income”.

Some submissions, for example that from the Social and Public Health Sciences Units and the Scottish Collaboration for Public Health Research and Policy, discuss how lower incomes “preclude people from purchasing health enhancing goods and services and participating fully in society, which may increase health risks and lower self-esteem and status.”

Barnardo’s Scotland and South Lanarkshire Council also make the point about low pay and low quality work impacting upon the children of workers. Barnardo’s in particular highlights the inter-generational risks of low pay/low job quality—

“There are also wider impacts on other family members. It is common to hear of parents carrying out more than one job in order to provide for their children. The stress of this and the fact that these jobs are low quality will affect how these children grow up and their relationships with their parents. There is a danger that unless the cycle of low pay, low quality work and the related stress is broken it is these children who will fail educationally and fall into the same low paid, low quality work.”

South Lanarkshire Council makes the link between low quality/low pay and the preventative agenda pursued by the Scottish Government since the Christie Commission report (and before)—

“Low quality/low pay jobs are often the main drivers of child poverty. Child poverty impacts on the life chances of children and on their health and wellbeing. It diminishes their hopes for the future and reduces their aspirations for a safe and secure job with a decent living wage. If we do not address the issue of low quality/low pay jobs now, the impact on the economy will be felt going on into the next generation with continuing unacceptable levels of child poverty.”

The Health and Safety Executive (HSE), Professor Clare Bambra, Social and Public Health Sciences Units and the Scottish Collaboration for Public Health Research and Policy highlight the dangers of hazardous working conditions—

“The everyday workplace poses potential risks to employees in the form of chemical and biological toxins, heat, noise and physical injury. Despite decades of improvements in workplace safety, many of these hazards still exist. Jobs in the manufacturing, construction and agriculture industries account for one fifth of all jobs in Scotland, with these jobs typically encompassing some degree of chemical and/or physical hazard.”

SDS in its submission highlights research which has found a statistically significant relationship between psychological health improvements and payment of the Living Wage. NHS Scotland modelled a number of interventions and their potential impacts on health inequality and found that increasing the National Minimum Wage to £7.20 per hour “is estimated to result in 77,000 years of life gained and prevent 56,000 hospitalisations among the Scottish population”.

### *Presenteeism*

Unite, the trade union, highlights the situation where people are afraid to take time off, even when ill—

“... we have a situation where around one third of sick people are going in to work due to stress over workload and a further thirteen percent, for fear of being made redundant. When they do attend work they are unfortunately subjected to extreme stress levels leading some workers to suffer bouts of mental ill health. This is wholly unacceptable and is not conducive to high productivity or good work.”

### *Health and safety issues*

The Health and Safety Executive (HSE) provided the following information—

“In Scotland 3% of current Scottish workers (81,000 workers) are suffering from a work-related illness; this rate is statistically significantly lower than the rates in England and Wales (4% respectively). The five year average rate of new cases of ill health each year is 1,500 per 100,000 in Scotland and for total cases – people with existing conditions – it is 3,460 per 100,000.”

HSE estimates that the cost of work-related ill health is £546m (in 2012 prices) in Scotland. On their remit, the Health and Safety Executive accepts that work-related stress and associated common mental health problems have been in the top two causes of sickness absence at work for most of the last decade. However, “There are no specific regulations relating to the hazards of work-related stress and it “is difficult to prove cause and effect between problems at work and the psychological impact on a worker.”

Nevertheless, employers have a general duty to carry out a risk assessment that includes looking for potential work-related causes of stress, and HSE has produced Management Standards for tackling work related stress for employers from both public and private sectors. HSE also highlights NHS Scotland’s “Work Positive” tool which has informed the Management Standards—

“They provide a step by step guide for assessing the level of stress, identifying the cause (based on a model of six elements whose poor management is a good indicator of stress), providing advice on solutions and the necessary tools and guidance... The tool has been adopted internationally and is used by employers across the world.”

HSE is working with others in sectors of industry they feel experience “higher than normal levels of stress – education, health care, local and central government and finance.”

#### **4. What effect might low quality/low pay jobs have on the economy?**

On this question submissions tended to identify economic impacts either in terms of lost productivity (higher absence rates, staff turnover, skills and motivation issues), impact on service users/customers or the detrimental effect of low pay on local economies.

##### *Productivity*

Professor Patricia Findlay notes the increased interest amongst policy-makers and academics in the link between job quality and productivity—

“Recent academic and policy discussions of jobs quality have focussed loosely on the relationship between job quality, productivity, innovation and competitiveness. EU data has identified the relatively low numbers of workplaces in the UK where staff engage in problem-solving activities, where they can use discretion and make a difference, and that are characterised as learning workplaces. There is much interest in investigating how these features of the UK/Scottish economy contribute to low relative productivity in Scotland and the UK and to the comparatively small proportion of UK firms who engage in innovative activity in terms of new products and services.”

Skills Development Scotland, Dumfries and Galloway Council, North Ayrshire Council, Scottish Enterprise, Close the Gap and Oxfam, all make similar points. Describing the issue from a local perspective, Dumfries and Galloway Council observes that “workers that are stressed and concerned about pay and work, or are frequently ill due to job quality are often less productive. This has a direct effect on

employers - such as lower worker productivity and economic output, increased staff turnover and absenteeism”.

The recruitment and training costs associated with high staff turnover and absence rates (which can both be linked to job and employment quality) is an issue raised by the Coalition of Care and Support Providers in Scotland (CCSPS) and Close the Gap. CCSPS estimate that recruitment costs in the care sector amount to £3,500 for each new worker and this is in a sector with relatively high staff turnover rates.

Oxfam makes similar points—

“Low paid poor quality jobs can reduce economic productivity and innovation, increase staff turnover and sick leave, limit aggregate demand in the economy, limit tax revenues, increase social protection and health spending, perpetuate gender inequalities and constrain social mobility. Poor quality work is therefore bad for business, the wider economy and society.”

The Scottish Social Services Council (SSSC) highlights the impact low paying work can have on service users and patients who rely on continuity of care—

“Low pay can exacerbate staff turnover issues and ultimately affect the ability to provide continuity of care. A continuous caring relationship with an identified professional can be particularly important in many instances. For example, it can be vital when supporting an individual with dementia.”

SDS cite the Scottish Government’s Working Together Review which makes the highlights the belief that “an explanation for poor productivity performance can be linked to the way in which work is organised and the ways in which managers and leaders interact with employees.” Trade union involvement, as well as employee-friendly human resource management and development practices, even in low-paying organisations can “bring benefits to both the employer and its employees”.

On the issues of productivity and competitiveness, North Ayrshire Council concludes that—

“Low wage economies are often characterised by low productivity. Low productivity = low growth and low wages – it’s a vicious circle. It has been clear over the past 30 years that the UK cannot compete on cost alone – it is difficult to see how a low wage economy will support the types of businesses and sectors in which the UK performs well and has competitive advantage.”

### *Impact on local economies*

Dumfries and Galloway Council illustrates the impact of low pay on its local economy—

“Dumfries and Galloway has a low-wage economy and this, coupled with the high living costs in the region, has resulted in households having less disposable income. In turn, demand for local goods and services is reduced and businesses therefore find it more difficult to be sustainable and require help to grow.”

Submissions from the Scottish Women's Convention, South Lanarkshire Council, Barnardo's Scotland and Aberdeenshire Council all make similar points. SCDI notes that "this results in a lack of spending power in the economy and this lack of growth has made employers pessimistic about future profits and apprehensive about increasing salaries." The impact on local economic confidence and optimism is highlighted by non-for-profit organisation, Nourish Scotland, in its submission—

"The acceptance of low quality and low pay jobs tends to lower expectations all round. There's also a danger of creating a cycle of underinvestment, where low wages become the norm and lock SMEs into a suboptimal steady state."

Aberdeenshire Council highlights how reduced spending power caused by low pay "impacts on local economies as local, small retailers fail to compete with chain discounters."

Taking a more Keynesian, macro-economic approach to the issue, the STUC argues that low pay means income is concentrated among higher income brackets with a "lower marginal propensity to consume" (the wealthiest tend to save more). Therefore "the economy will increasingly suffer from insufficient demand". SCVO argues that low pay is one of the main reasons the UK sees such high rates of inequality. Relating this to economic performance - as the OECD, IMF and Scottish Government have all recently done - SCVO argues that inequality is "actively bad for our economies, making them more unstable and vulnerable to shocks".

#### *Economic impact on female workers*

It is the Scottish Women's Convention (SWC) belief that "women will be unable to participate fully in the labour market, and consequently contribute to the economy, if they continue to be pushed towards low paid, low skilled jobs". According to Close the Gap low paying employers are "failing to harness the talent of the many women who are working below their skill level in low quality, undervalued, low-paid jobs."

The SWC argues that low quality, low paid jobs make it difficult for women to both access and afford childcare. Furthermore, being employed on temporary or zero hours contracts, with no guarantee of hours on a week to week basis, "means that securing and maintaining a place at a childcare provider is almost impossible".

#### *Low pay/job quality a necessary part of the economy?*

The Federation of Small Businesses (FSB) argues that low paying, low skilled and low quality sectors are essential parts of the Scottish economy. Such sectors provide 'entry-level' opportunities for employees who can use their initial labour market experience to improve their employability and skills before moving onto better employment—

"Considering job quality, the Scottish economy will always require a range of jobs across differing skills and pay levels and a proportion of these will likely be at the lower end of the remuneration scale."

Indeed, to tackle higher than average levels of youth unemployment, the FSB argues that the labour market requires an *increase* in such entry-level jobs. The STUC gives

a partial and qualified agreement to this view, stating “a relatively high incidence of low wage/insecure/poor quality jobs would not necessarily represent a major social problem if such jobs tended to act as a stepping stone to better quality jobs”.

However, Oxfam in its submission believes “this is too often not the case”—

“Glasgow University’s Nick Bailey estimates that a third of those in ‘exclusionary employment’ have made no progress in the previous five years while the Resolution foundation estimate that almost three quarters of those who were low paid in 2002 had not managed to escape low pay by 2012.”

South Lanarkshire Council, offering a more local view, states “that too many people remain on the minimum wage with little hope of progression. The increase in in-work poverty levels is evidence of this.”

### *Employee-owned businesses*

The Committee received submissions from three employee-owned businesses: Accord Energy Solutions Limited, Clansman Dynamics and Scott and Fyfe Limited. These firms highlight the benefits of their management models on productivity and staff wellbeing.

For Accord, this model “is based on individual employee share ownership through an HMRC approved share incentive plan (SIP) and indirect employee ownership through an employee ownership trust.” As such each employee has responsibility for ensuring the company’s success and shares in the rewards of its success.

Fyfe and Scott explains some of the changes implemented since becoming employee owned, for example worker-elected directors with full board rights, employee forums, more task variation and training to support flexibility between machines and departments, and more internal promotion opportunities.

Benefits to the companies include—

“The company has seen improved productivity, a more collaborative working environment and greater job satisfaction accompanied by enhanced individual autonomy and influence on operational decision-making.”

With no external shareholders, Accord feels its management has more longer-term goals leading to increased innovation, improved staff retention and greater links to the local community. Clansman Dynamics highlight increased profits whilst “labour turnover and absenteeism are invisible”.

## **5. What can the Scottish Government and public policy makers do to improve job quality in Scotland?**

The call for evidence asked what could be done to improve matters. The following section covers the many suggestions and recommendations made within submissions.

**Oxfam Scotland** summarises the views of my organisations when it points out that “a number of the regulatory powers to improve job quality – such as employment

legislation and control over the minimum wage – operate at a UK level, but there are a number of interventions the Scottish Government could undertake at a Scottish level.”

#### *Living wage promotion*

- **Barnardo’s Scotland** believe there should be a more targeted approach to the living wage, eg. promoting the living wage in the hospitality and retail sectors.
- **The Coalition of Care and Support Providers in Scotland (CCPS)** must be aware of the difficulties faced by care providers in paying the living wage, particularly requiring contracting authorities to factor this into tenders.
- **CCPS** quote The UKHCA (2015) estimates that an hourly rate compliant with the forthcoming National Living Wage is £16.50/hour. Despite this, a recent homecare tender in a Scottish Local Authority had an hourly rate of £13.50, some distance short of the rate required for compliance.
- In Scotland the estimated indicative cost of living wage for all frontline care jobs would be £231m with gross public costs at £140m (Resolution Foundation, 2015).
- The **CBI** fear that for “some key lower skill sectors, such as hospitality, care and food manufacturing, the upcoming move to a higher minimum wage for workers over 25 will have very substantial effects, and may lead to reductions in hours and jobs.

#### *Leadership role for public bodies*

- **Close the Gap** believes the Scottish Government “has a role to play in influencing employers around improving job quality, and must work with employers to promote the business benefits of a gender diverse workforce”.
- **Dumfries and Galloway Council** feels there should be “additional support for the micro-businesses that make up the vast part of our economy and supporting them to become involved in initiatives aimed at improving job quality and staff welfare”.
- The **STUC** believes “the Scottish Government must set an example as an excellent employer and ensure those organisations it funds or helps to fund in the public and voluntary sectors follow excellent workplace practices”.
- **GCPH** - “Embed a stronger focus on health and wellbeing across economic, regeneration and social protection policies and ensure that job quality is an explicit aim of economic strategy, as well as numbers of jobs”.
- **GCPH** - “Consider targeting support, incentives and apprenticeship schemes towards sectors and organisations which offer opportunities for high quality work and progression”.
- **SCDI** - “the private sector does not yet seem to be highly engaged with its Scottish Business Pledge. Identifying exemplars is the best way to promote good management practices and fair workplaces, and the Business Pledge is a way to do so as well as highlighting the examples in the Mather Review”.

- **South Lanarkshire Council** - “The promotion of initiatives such as the Living Wage sets an example for industry to follow. The Scottish Business Pledge includes a good mix of practices for employers to commit themselves to which could improve job quality”.
- **STUC** - “a reduction in ‘bad jobs’ should be a key economic development target for Scotland”.

### *Management*

- **Professor Chris Warhurst** - “The Scottish Government should commission a review of this (management and business) education in its universities and colleges”.
- **SCDI** - “Leadership and management is generally believed to be an area of poor performance across all sectors in Scotland. There is a need for a greater emphasis on these qualities in education, extra-curricular activity and recruitment, more investment in management training, and encouragement of greater ambition and progression in management”.

### *Encouraging worker participation*

- **Professor Clare Bamba** - “Scottish Government could consider interventions to increase employee control at work, as well as consider the wider regulation of the psychosocial work environment (as in the case in Sweden and Norway)”.
- **Poverty Alliance** - “There could also be more work done to promote trade union membership, particularly in those sectors where there is a traditional lack of unionisation such as hospitality and retail”.
- **Unite** - “Unite would therefore argue that the most effective way to tackle the level of ‘bad’ jobs in the economy is to encourage the collective bargaining of workers’ pay and conditions”.
- **Unite** - “Encourage trade union engagement and collective bargaining in all inward investment projects”.
- **STUC** - “The Scottish Government should do all in its power to resist implementation of Trade Union Bill measures in Scotland”.

### *Regional approach*

- **Dumfries and Galloway Council** - “Ensuring regional equity by taking a sectoral and geographic focus to job quality and ensuring the investment required in achieving this. Additional support is required for those areas with a high reliance on low value sectors which are characterised by poor quality jobs”.
- **North Ayrshire Council** - “The Scottish Government and public policy makers can improve job quality in Scotland by taking a sectoral and geographic focus. Poor job quality is not an issue for all. It tends to be experienced more in certain areas of the country and in certain sectors of the economy. Working with sectors to understand the drivers of job quality and

how these can be influenced will be vital. Additional support is required for those areas with a high reliance on low value sectors which are characterised by poor quality jobs. Raising skill levels and subsequently productivity in these areas should be a priority. We need to support business to move up the value chain, through investment”.

- **Oxfam** - “There is a need for better and greater regional economic development policies and assistance to address inequalities across Scotland’s labour market”.

#### *Employment tribunal fees*

- **Citizen Advice Scotland** - “If the Scottish Government acquires the ability to remove fees to bring a claim to an Employment Tribunal following the further devolution process, CAS would recommend that they do so without delay” – which they’ve committed to do in Programme for Government.

#### *Skills*

- **CBI** - “It is imperative that we have an education system which better prepares young people for the world of work and equips young people with the skills, knowledge and behaviours that are in demand in the labour market”.
- **Dumfries and Galloway Council** - “Raising skill levels and subsequently productivity in these (more rural) areas should be a priority. Provide opportunities for high quality jobs for targeted groups of individuals e.g. apprenticeships; Graduate Placement Schemes”.
- **Aberdeenshire Council** - Employability programmes should focus on all people not just the young.
- **GCPH** - “Ensure that employability approaches support entry to high quality jobs and focus on sustaining employment and skills development and progression”.
- **SPHSU and SCPHRP** - suggests more grants for low-income students to help attend higher education.

#### *Procurement*

- **GCPH** - “Improve Third Sector job quality by assessing the short and medium-term impact of funding decisions on the workforce, considering co-designing new approaches to competitive tendering and addressing occupational health gaps”.
- **Poverty Alliance** - “There should be recognition of trade unions, adequate sickness, holiday and maternity pay, and employees should be confident that they are working in a safe environment”.
- **Oxfam** - “Where possible, devolved powers should be used to compel employers to deliver the standards, including through public-procurement. This is of crucial importance given the significance of public procurement within the social care sector, which has significant levels of low pay and poor job quality”.

- **Oxfam** - “As well as delivering on minimum standards we should consider how procurement rules can help address pay inequalities by giving preference to firms with a pay ratio between CEO and average pay of 20:1 or less”.
- **Poverty Alliance** - “The Government should legislate to ensure all contracting authorities stipulate payment of the Living Wage as a condition for performance of the contract. It is not right that public money should be used to pay wages so low that they trap people in poverty”.
- **Poverty Alliance** - “We would like to see the Living Wage included in the regulations for the Procurement Reform Act so that everyone paid from the public purse is paid a fair day’s pay for a fair day’s work”.
- **South Lanarkshire Council** - “The Scottish Government can show leadership through its procurement processes to secure fair work practices with business developing an ethos which will set standards influencing the wider labour market”.
- **Unite** - “Pay the Scottish living wage to all workers engaged on public sector contracts and apply this rule to the supply chain”.
- **STUC** - “the promotion of good work should be firmly embedded in public procurement”.

#### *Data, research and definitions*

- **SCDI** - “The Scottish Government should provide more labour market information and economic statistics including a greater breakdown of UK figures into Scottish figures”.
- **Oxfam** - “we need better measures of job quality to be embedded within decision making frameworks. Having identified minimum standards for decent work there is a need to establish appropriate indicators so that progress can be transparently monitored. This could take the form of a new work quality index within the National Performance Framework although this may require a new work-place survey for Scotland to ensure enhanced data is available”.
- **Oxfam** - “First and foremost the Scottish Government should support the development of minimum standards for decent work. These should be identified following a participatory exercise that reaches out to people in low-paid and insecure work – as well as those who are out of work or undertaking unpaid work, including care”.
- **Oxfam** - “There is a need to invest in a new workplace survey for Scotland – similar to the Workplace and Employment Relations Survey (WERS) but undertaken on a regular basis at a Scottish or regional level. This could help form a baseline upon which we can measure progress. This could also assist in driving a culture change among policy makers, the media, and others, recognising that headline figures of employment are an insufficient measure of the health of the Scottish labour market”.
- **Professor Patricia Findlay** - “There is no established job quality map for Scotland although ongoing research at Strathclyde is currently addressing some of the most significant gaps. Data quality across the range of components is highly variable”.

- **Scottish Enterprise** - “A framework to measure job quality is therefore essential if we are to assess whether a job is ‘good’ or ‘bad’, to ensure that we are comparing like-with-like, to measure the prevalence of different types of job in Scotland, and to understand the range of factors we need to focus on to reduce the number of ‘bad’ jobs.”.
- **Professor Patricia Findlay** - “Competing conceptualisations hinder interventions to improve job quality and the evaluation of the effectiveness of any such interventions”.
- **STUC** - “the range, quality and punctuality of Scottish labour market information is a barrier to 1) properly understanding current trends and 2) developing effective policy.”.
- **STUC** - “Some important data is irregularly reported (e.g. underemployment) or simply of very poor quality (e.g. sectoral employment, wages). There is also no Scottish survey of job quality and workplace issues; the Workplace Employee Relations Survey, undertaken across the UK every seven years, is not disaggregated on a national/regional basis”.
- **STUC** - “Investment is required in UK labour market data in order that range, quality and punctuality of UK data matches the best performing nations”.
- **STUC** - “The Scottish Government should match its commitment to fair work by funding a Scottish survey along the lines of the Workplace Employee Relations Survey”.
- **STUC** - “As part of its work to improve the National Performance Framework, the Scottish Government should consider developing new indicators which better reflect the nature of today’s labour market.”.
- **Scottish Commission on Older Women** - “While statistics on the increasing number of older women in employment are encouraging, they shed no light on the quality of jobs in which older women are engaged. But an improvement in data collection, alongside qualitative evidence, will be needed to assess progress (of the Fair Work agenda)”.
- **STUC** - “The Fair Work Standard must inform economic development policy making in Scotland; promotion of good work and improving jobs that don’t currently meet the standard should key policy goals”.
- **FSB** - “An essential first step is establishing a robust and accepted measure of job quality to better understand the characteristics of the labour market”.

#### *Health and Safety*

- **Professor Clare Bamba** – HSE should increase the number and frequency of safety inspections in Scotland.

#### *Zero hours contracts*

- **Professor Clare Bamba** – “Scottish Government could examine the feasibility of banning ZHCs, regulating other forms of insecure work”.

- **Aberdeenshire Council** - The SG should attempt to abolish zero hours contracts.
- **Unite** - “Ban zero hours contracts from public sector contracts including the procurement process”.
- **Poverty Alliance** - “If we are serious about making work pay then we must end this abuse of zero hours contracts by employers. The Scottish Government has to give serious consideration to how we end the abuse of zero hours contracts by employers. The creation of the Scottish Business Pledge is a welcome step forward in encouraging employers to adopt best practice on the use of exploitative zero hours contracts. However, it is important that more employers become involved”.

### *Childcare*

- **GCPH** - “Review opportunities for wider coverage of high quality and affordable childcare for those seeking work and in work”.
- **Scottish Women’s Convention** - “It is widely recognised that despite the Scottish Government’s commitment to increasing childcare provision, families across Scotland are missing out on the funded hours their children are entitled to. A number of factors contribute to this, such as rurality and access to formal childcare, as well as level of demand in more urban areas. More needs to be done to ensure that families are able to access that which they are entitled to. Childcare is, without a doubt, the main reason why more women are not active in the labour market. Ensuring that pre-school education is provided is beneficial to children, their parents, the childcare workforce and the economy overall”.
- **SSSC** - “Childcare plays a critical role in enabling people to participate fully in the labour market. A highly skilled early learning, childcare and out of school workforce is a key part of this ambition. This response has highlighted a number of initiatives (such as the Childhood Practice award and registration) which actively make a difference to the way in which workers practice and view themselves alongside other professionals involved in the development of children”.
- **Oxfam** - “Available, affordable, quality childcare provision can increase opportunities for parents to access the labour market while greater public transport provision can ensure commuting is less of an obstacle”.

### *Conditionality*

- **Poverty Alliance** - “We need to consider the type of jobs that are being creating in Scotland, and the structure of our labour market. If we are using public funds to attract investment then we need to ensure that the jobs being created are quality jobs, which provide people with security and opportunity”.
- **South Lanarkshire Council** - “Providing incentives for business and other fair work approaches particularly in the low paid sectors including care; hospitality, retail etc. will provide leadership”.

- **STUC** - “The Scottish Government must recognise good work as a key economic and social issue; the promotion of good work should be firmly embedded in public procurement, economic development and inward investment policies”.

#### *Planning powers*

- **Oxfam Scotland** - “We should explore how planning powers can be used to maximise job quality. New large retail outlets for example could be required to deliver decent jobs paying a living wage. The concept of the ‘foundational economy’ may be helpful in this regard with businesses providing goods and services such as food and energy being required to provide decent jobs”.

#### *The Fair Work Convention*

- **Oxfam** - Once a framework is established “Scottish Government should then promote them and set a stretching compliance target. Employers should be encouraged and supported through the creation of a new employer’s initiative which could operate as a second plank to the Living-Wage accreditation initiative”.
- **Professor Chris Warhurst** - “Government can have role in blocking off the low road and paving the high road through the adoption and/or enforcement of regulation on labour standards, behaving as a model employer in the public sector, inserting job quality clauses into public procurement contracts for private and voluntary sector contractors, and by encouraging job quality-specific educational content in university and college curricula”.

#### *International lessons*

- **Glasgow Centre for Public Health** - “Learn from new approaches being tested elsewhere, such as the proposed study in Gothenburg, Sweden, to explore if reducing the working week can lead to reduced sickness, improved health, more jobs and higher productivity; or, plans in the Dutch city of Utrecht to test out a Citizens’ Income as an alternative model of welfare provision”.