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Economy, Energy and Tourism Committee

The remit of the Committee is to consider and report on the Scottish economy, enterprise, energy, tourism, renewables and other matters falling within the responsibility of the Cabinet Secretary for Finance, Constitution and Economy (apart from those covered by the remit of the Infrastructure and Capital Investment Committee), and matters relating to cities.

www.scottish.parliament.uk/economy
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Committee Membership

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Executive Summary

1. We sought in this inquiry, conducted between June and November 2015, to establish the current quality of employment in Scotland, in part by looking at changes in job quality since the start of the 2008 recession. The evidence we gathered included—
   - academic and NHS Scotland research;
   - written evidence submitted to our call for views, which included over 600 responses to our online questionnaire;
   - an informal workshop event as part of Parliament Day Paisley; and,
   - oral evidence from 11 panels of witnesses, including the Cabinet Secretary for Fair Work, Skills and Training.

2. The majority of evidence suggested a deterioration in job quality. In particular, we heard of an increase in poor-quality, low-paid and insecure work, and a worrying prevalence of the use of exploitative zero-hours contracts.

3. We heard of the impact that poor-quality work can have on employee health and wellbeing, and how the resulting impact on productivity might weaken the economy. Professor Chris Warhurst introduced us to the notion of high-road and low-road economies, in which governments opt to either support a high-skill, high-wage economy, or propagate a low-skill, low-pay economy. Many of our recommendations focus on, as Professor Warhurst describes, ‘paving the high road and blocking the low-road’.

4. In managing a wide-ranging body of evidence, we have chosen to focus this report specifically on improving job quality, beginning with research and monitoring and developing a fair work index, and moving on to setting standards, encouraging and promoting increased performance in health and safety, management, and employee engagement, and in promoting fair work practices through public agencies.

5. We believe that workers across Scotland are entitled to good quality employment. This should offer workers, as standard—
   - regular and sufficient pay which allows for a decent standard of living;
   - secure employment;
   - safe working conditions;
   - working hours known and mutually agreed in advance of shifts;
   - a culture of mutual respect;
   - training opportunities and routes for advancement; and
   - employee engagement in company/organisational decisions.
6. A summary of our key recommendations is set out below. Underpinning these recommendations is our desire to see the Scottish Government, through the approaches discussed in this report, commit to ‘blocking the low-road’ for employers and ‘paving the high-road’ towards an empowered and healthy workforce. At the heart of this should be a firm commitment towards employee engagement and encouraging the strong management and leadership skills needed to involve the workforce in improving its own wellbeing.

**Summary of key recommendations**

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<th>Defining fair work and research basis</th>
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<td>• We recommend that the Scottish Government detail its research schedule, look to establish the cost of extending current research, and work with the ONS on improving labour force data, with the aim of establishing a Scotland-specific workforce and job quality survey. We also believe that the Scottish Government should create a weighted matrix of employment and work quality indicators to produce a single ‘Fair Work Index’, which should be the basis of a new NPF national indicator. (Paragraphs 32-39)</td>
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<th>The economic impacts of low-paying work</th>
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<td>• We ask the Scottish Government’s Office of the Chief Economic Adviser to identify what research is needed to quantify and explore further the wider economic benefits of low-paid workers, and look to the Scottish Government to confirm how it will respond to such research. (Paragraphs 64-68)</td>
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<td>• We hope to see the Health and Safety Executive, Scottish Government and local authorities explore in greater depth how monitoring of mental health in the workplace could be made more effective. To that end we recommend the development of specific mental wellbeing performance indicators to measure organisational performance. (Paragraphs 92-95)</td>
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<td>• We ask the Scottish Government to explain what further action it intends to take to promote secure and stable working arrangements and encourage employers to offer contracts on a full-time, permanent basis. (Paragraphs 112-113)</td>
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• We ask for clarification from the Department of Work and Pensions that jobseekers are not subject to sanctions for failing to take jobs which do not comply with fair work criteria, and we seek assurance that Job Centre Plus investigates and does not list vacancies with employers who have been found to engage in poor employment practices. (Paragraphs 114-116)

Ensuring effective management

• We would like to see Skills Development Scotland, Scottish Enterprise, Highland and Islands Enterprise and Business Gateway work more closely together in order to target management training support programmes to SMEs and third-sector organisations more effectively. (Paragraphs 125-126)

Employee engagement

• We believe that any further restriction on trade unions in fulfilling their longstanding roles, such as contained within the Trade Union Bill, would be damaging, and we consider that all publicly funded business support services should place an emphasis on the benefits of employee engagement at all stages of business development. (Paragraphs 153-156)

Policy interventions

• We believe that the requirements and expected progression of businesses signing up to the Scottish Business Pledge should be made absolutely clear by the Scottish Government. This should include a revised definition of “exploitative” zero-hours or short-hours contracts. (Paragraphs 196-198)

• We recommend that the Scottish Government set a formal target for the number of Scottish Enterprise and Highlands and Islands Enterprise account managed companies becoming Business Pledge signatories by the end of 2016-17, and consider how to increase sign-up should this target not be met. (Paragraphs 199-203)

• We welcome the Scottish Government’s commitment to the Living Wage and commend the progress made in getting employers across all sectors and in all sizes of business to sign up. We welcome new procurement guidance on the Living Wage and fair work, but would like to see further work carried out on applying this guidance throughout the chain of sub-contractors. ( Paragraphs 203-204)

• In respect of Regional Selective Assistance grant funding, given commitments to fair work policies made since 2009, we request that the Scottish Government review the process for high value awards in order to consider whether changes may be required to ensure that recipients comply with these policies. (Paragraph 206)

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1 Murdo Fraser dissented from this paragraph.
The Fair Work Convention

- We welcome the commitment from the Fair Work Convention to consider our findings as a contribution to its work, and ask for confirmation of how it will expand its framework to provide evidence of the economic benefits of fair work. (Paragraphs 215-217)

- We believe that there should be scope for the FWC to react to evidence once it reaches the next stage of its work, and as such that the framework developed by March 2016 should be flexible and aspirational but not prescriptive. This should include, as a key outcome, a definition of the role of public bodies in promoting and enforcing fair work practices. (Paragraphs 218-220)
Introduction and background

Our inquiry

7. In 2013 we published findings on our inquiry into underemployment\(^1\). In the time since, the Scottish Government’s revised economic strategy\(^2\) has shown a clear commitment to promoting inclusive growth. Implementation of the recommendations from the *Working Together Review*\(^3\) is now under way, as is the introduction of the Scottish Business Pledge\(^4\). Furthermore, the Scottish Government has made a pledge to support and encourage fair working practices through the actions of the enterprise agencies, and the establishment of the Fair Work Convention (FWC)\(^5\). This inquiry therefore is timeous, and will allow us to compare our evidence of employment quality in Scotland to that gathered by the Scottish Government, to scrutinise their efforts to address this to date, and to influence the work of the FWC as it progresses.

8. The Committee acknowledges that employment law, health and safety and industrial relations legislation are all areas reserved to the UK Parliament. This includes the setting of a mandatory national minimum wage. As such, there are obvious limitations to what the Scottish Government can do in these areas. Nevertheless economic development is devolved and the Scottish Government recently set out its vision for the Scottish economy in its updated economic strategy\(^6\). With its commitment to inclusive growth and fair work, the strategy highlights the public sector’s role in promoting the living wage, supporting more inclusive workplaces and discouraging exploitative employment practices.

9. Employment levels in Scotland have been increasing since 2010 and are now higher than pre-recession levels\(^7\); however, in looking into changes in the quality of work, broader issues arise. Whilst we heard evidence to suggest that at some levels bad work is better than no work, we were concerned about the wider impacts of poor-quality work. The Health and Sport Committee’s January 2015 report on health inequalities\(^8\) highlighted how socio-economic deprivation and poverty links to poor health and wellbeing. It noted that “modern patterns of employment can be characterised by temporary or sporadic work, short term or zero-hours contracts or work that is poorly paid, stressful, low-status and with little autonomy”\(^9\), and concluded that simply encouraging economic growth may not reduce health inequalities. As a result, we looked in-depth at these characteristics of employment and an underlying theme in our inquiry was an investigation into the health impacts of poor quality employment, and the consequent impact on Scotland’s economy.

10. We launched our inquiry in June 2015 with the remit—

> To explore job quality in the Scottish labour market, specifically how employment has changed since the 2008/09 recession. The inquiry will consider the characteristics and contrasting qualities of different jobs by
looking at areas such as wages, hours, contract types, worker autonomy, training and development opportunities and task variation. The Committee is particularly interested in the health, social and economic impacts of low pay and low quality work and the extent to which Scottish Government policies can improve the quality of work and wellbeing of workers in Scotland.

11. Pre-inquiry research suggested that the care, hospitality and retail sectors were key areas for concern, with relatively higher prevalence of low pay and of temporary and zero-hours contracts. Although we agreed to focus to some extent on these particular sectors, in practice evidence from employers and umbrella bodies in the retail and hospitality sectors proved to be difficult to obtain, and evidence was considered from a wider range of sectors.

12. Keen to hear evidence from employers and employees as well as umbrella bodies, we reached out to capture everyday experiences through an online questionnaire and through an afternoon of workshops with local employers and employees as part of Parliament Day Paisley. We have used findings from both our questionnaire and workshops throughout this report, but it must be noted that such evidence was gathered on an informal and unscientific basis. The individual accounts we heard have truly helped to illustrate the story behind formal evidence and statistics, with quotes being used to introduce the themes of our report. We are grateful to all those who gave their time and shared their experiences.
13. Given the broad subject area, and the enthusiastic response to our call for views, the body of evidence gathered is extensive. As a result, the evidence quoted within this report has been kept to that which links directly to our recommendations. Full details of the timeline for the inquiry and all written and oral evidence, as well as a summary of the 600-plus responses to our online survey, can be found at www.scottish.parliament.uk/workwageswellbeing.

The problems associated with defining job quality and fair work

“Wellbeing for me means doing a worthwhile job and being paid a fair wage for it, but wellbeing also requires an optimum amount of hours at work and also at home with family and friends. At work you want good managers and to feel supported, not undermined or bullied.”

Student Health Visitor, Dundee

14. The difficulties in defining job quality were raised in a number of written submissions, many citing the subjective nature of the question.¹¹

15. The Confederation of British Industry (CBI) was dismissive of our attempts to define job quality—“It is not advisable for politicians to determine job quality or to attempt a definition.”¹² The Federation of Small Businesses (FSB) was similarly disinclined to engage in definitions—“the distinction between ‘good’ and ‘bad’ jobs could be seen to detract from a wider, more serious discussion about the complex changes in the labour market.”¹³

16. Furthermore, Linda Urquhart of the FWC suggested that what is considered ‘fair’ may change at different stages of someone’s career or age.¹⁴

17. Professor Patricia Findlay (FWC) acknowledged that, although academia has been looking at this issue for decades, there is “no accepted measure of job quality, either in this country or elsewhere”.¹⁵ She set out the reasons for this in her written submission—

> 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 (e.g. pay, hours worked, fixed or open ended contract) and others subjective indicators (e.g. measures of job satisfaction; perceptions of stress); others use a mixture of both.¹⁶

18. We agree that Professor Findlay’s distinction between work quality, employment quality, and work relations is a useful one. For example, we accept that there are
some aspects of work quality – specifically the more unpleasant tasks involved in certain sectors – which policy-makers can do little to improve.

19. Nevertheless many of those submitting written evidence broadly agreed on what constitutes employment quality – on matters such as pay, benefits and job security. There was also a degree of consensus on some areas of work quality and work relations – specifically employee voice, work safety, skills training and quality of management.

20. The vast majority of the 607 respondents to our online questionnaire had no difficulty in judging whether or not they had ‘good’ or ‘bad’ jobs, and in providing reasons for their answers.17

![Infographic showing responses to online questionnaire. When asked why they had classed their job as bad, 39% said ‘low pay’, and 28% said ‘poor management’. 17% of respondents said that the hours made their job poor, and 16% described the job as insecure.]

21. Roseanna Cunningham, The Cabinet Secretary for Fair Work, Skills and Training said that she did “not like” any of the definitions she had seen of fair work, and felt it was a highly subjective area. She suggested that it is “much easier to see a bad job than provide a hard and fast definition of a good job or fair work”.18

22. We accept the subtleties and subjective nature of defining fair work, and that in certain instances a ‘bad job’ for one person may be a ‘good job’ for another.

### Research and data limitations

23. It is our view that good quality policy-making depends on high quality evidence. We are concerned that the fair work agenda is being pursued without a solid basis in empirical evidence, be it official statistics or evaluative research.

24. Several witnesses raised the issue of limited data on employment and work quality (see SCDI19, STUC20 and Oxfam Scotland21 submissions). Anne Douglas, co-chair of the FWC, agreed with this, saying “I do not think that there is any doubt that there is a problem with data”22.
Labour Force Survey

25. For Stephen Boyd (STUC), current labour force survey (LFS) data for Scotland is neither comprehensive nor timely. According to the STUC, the LFS – which provides data on employment, unemployment, inactivity and part-time/full-time trends (amongst other indicators) – is based on a Scottish sample size that is too small to provide up-to-date work/employment quality data. He credited this to underinvestment by the Office for National Statistics (ONS), and called for the development of indicators that “reflect how the labour market is affecting people in real time”. Oxfam Scotland shares this view, and lamented the lack of job quality data in existing LFS analysis.

26. Professor Patricia Findlay also stated that to better understand job quality in Scotland there needs to be an improvement in the quality and coverage of available data—

Data quality across the range of components is highly variable. Some job quality dimensions are measured directly or through reliable proxy variables in national UK data sets such as the Labour Force Survey and the Annual Population Survey.

Important dimensions of job quality – particularly relating to the intrinsic nature of work – are collected in the European Working Conditions Survey, but this survey collects only 1000 respondents in each EU country. Given that the EWCS collects at UK level, EWCS has insufficient responses to generate reliable data for Scotland.

27. The Cabinet Secretary described LFS data as “broad-brush” and agreed that it could be hard to break data down to a useful level, noting for instance that even working one or two hours a week would see someone classed as being in employment. James Boyce (Scottish Government) confirmed that the Scottish Government pays additional sums of money to the ONS annually to “boost” sample sizes in the aim of getting disaggregated data, but the Cabinet Secretary suggested that there were “substantial underpinning issues” with data that “only very large sums of money might address”. James Boyce clarified this, saying that a 2014 ONS review of the LFS concluded that the additional resources needed to produce more data, more frequently, would require “a significant input of funding”. Despite the Cabinet Secretary’s concerns about a breakdown of regional data and claimant count, Mr Boyce stated that data used were still credible, with research from multiple sources being used to produce an “overall narrative”. The Cabinet Secretary concluded—

We are trying to do some work in government on a labour market strategy that would work for Scotland. We have not finished that work yet.
Workplace Employment Relations Survey

28. Lucy Stokes from the National Institute of Economic and Social Research (NIESR) helped to set the scene for our inquiry with a presentation on the UK-wide Workplace Employee Relations Survey (WERS) in June. The Scottish Government submission referred to WERS as aiding “measurement across some of the factors contributing to job quality”.

29. The last WERS survey was conducted in spring 2011, with findings not published until 2013. The Scottish Government described WERS data as “sporadic” and, at the point of writing, there is no indication when the next WERS survey will be conducted. Realistically, any future survey will not report until 2019 at the earliest. The Scottish Government itself accepted the importance of timely data. In addition, the STUC confirmed that WERS is an “all UK study which does not break data down regionally.”

30. On a more positive note, NHS Health Scotland explained that data on the health impacts of work have been improving at a Scottish level. For example, “We have now had some questions in the Scottish health survey (SHS) for a number of years on aspects of psychosocial health at work—control, demand, workplace stress and so on.”

National indicators

31. James Boyce confirmed that the Scottish Government was currently reviewing the national indicator set which contributed to the National Performance Framework (NPF), with a report due in early-2016. One of the key areas for improvement identified was work and employment, specifically job security, job fulfilment and job satisfaction. He gave a potential example of a national indicator on women-led businesses and gender-equal boards.

Conclusions and recommendations

32. We have concerns about the lack of robust, relevant and recent data on indicators of job quality in the Scottish labour market, and fear that UK-wide data from four years ago will have limited relevance to current and future policy-making in Scotland. We ask the Scottish Government to provide, in its response to this report, its research schedule in the area of fair work for the next year, including an assessment of the costs and benefits of extending this research, and a timeline for its work on a labour market strategy for Scotland.

33. Despite assertions by the Scottish Government that the data from the LFS, combined with that from other sources, provides sufficient labour force data, we are concerned that there is a lack of detail on indicators of job quality. Whilst we appreciate that the LFS provides a good picture of employment quality, and the Scottish Government pays additional amounts to the ONS for extended sample sizes, we believe that regional and sectoral data could be better disaggregated.
34. We recommend that the Scottish Government explore with the ONS how the quality of data available could be improved further and report to us the outcome of these discussions.

35. We agree with the assertion of Oxfam Scotland that “We need to establish what matters to the people of Scotland and then embed it within how we measure success, because all too often how we measure success skews the policy focus.”

36. To this end, we ask the Scottish Government to establish its own workplace and job quality survey, aimed at employees and conducted on a regular basis. This would both inform policy and help evaluate the success of fair work policies in the future. We ask that the Scottish Government, in its response to this report, give an indication of how this can be achieved, and the estimated costs of introducing a new survey.

37. We welcome developments in the collection of data on the health impacts of work in Scotland, and call on the Scottish Government to publish work-related health information by sector and region of Scotland using data from the Scottish Health Survey. This should be published regularly as part of the SHS annual report.

38. We were encouraged by the Scottish Government’s confirmation that it intends to include an increased focus on employment quality within the NPF.

39. To assist evaluation of fair work interventions and to help focus the minds of policy-makers, we call on the Scottish Government to create a weighted matrix of employment and work quality indicators to produce a single ‘Fair Work Index’. This would allow the Scottish Government to track changes over time and should be the basis of a new NPF national indicator, driven by data from the boosted and new survey models we have suggested.
Why good jobs matter

The economic impacts of low paying/low quality work

“I don’t have enough money to go to the cinema or social occasions… because I have to be very careful of how I am spending my money - I have to think about all bills first and rent that must be paid. Not thinking about swimming lessons or a bike not to say about saving enough for deposit for my own place - I’ve been trying for a long time to look and prices in Edinburgh are simply not affordable for someone whose full time (overload workflow) wage is £18k.”
Caseworker, Edinburgh

40. Submissions tended to identify economic impacts of low paying, low quality work in terms of either lost productivity (higher absence rates, higher staff turnover, reduced skills and motivation issues), adverse impact on service users or customers, or the detrimental effect on local economies.

Productivity

41. Professor Patricia Findlay noted 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." 43

42. Skills Development Scotland (SDS)39, North Ayrshire Council40, Scottish Enterprise41, Close the Gap42 and Oxfam43, all made similar points. Describing the issue from a local perspective, Dumfries and Galloway Council observed 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”. 44

43. Participants in one of our Paisley workshops concluded that “if people felt valued, they would be happier and work harder.”

44. Professor Chris Warhurst described a vision of high and low road economies— those that settle around having high skills and those that settle around having low
skills. He argued that “the type of economy that we have influences the management, organisational governance structures, work organisation and skills that we have”, adding—

“If we want to compete on low cost, it is likely that our workplaces will be tightly managed and have low-skill, routinised, low-paid work… it is clear that in the UK there is a propensity to opt for the low road.”

45. Echoing this, North Ayrshire Council concluded 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.”

46. SDS cited the Scottish Government’s response to the Working Together Review, which highlighted 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”.

47. The Cabinet Secretary asserted that the route to better-paid jobs was through promoting inclusive and sustainable growth, which “must be driven by innovation and increased productivity”. She went on to say that “the relationship between employers and their employees should be at the heart of that.”

The care sector – problems in an essential service sector

“The Social Care is largely neglected and misunderstood … This is a wonderful job; it is a privilege to support those less fortunate try and attain fruitful lives. It is a vocational job with long, unsociable hours often fraught with the threat of violence. It seems you have to wear a uniform to have credibility such as nurses, doctors, police etc whilst it is often social care that fills the gap for these professions. Pay attention to the area, one day you will be using it.”

Social Care Worker, Glasgow

48. The recruitment and training costs associated with high staff turnover and absence rates in the care sector (which can both be linked to job and employment quality) was an issue raised by the Coalition of Care and Support Providers in Scotland (CCSPS) and Close the Gap. CCSPS estimated that recruitment costs in the care sector amount to £3,500 for each new worker and that the sector suffers relatively high staff turnover rates.”
49. In the UK homecare sector, Duncan White (UK Home Care Association) informed us, there is an average staff turnover rate of 38 per cent.\textsuperscript{51} Robert Kilgour (Dow Investments) highlighted staff shortages in his own business, and a recent survey which showed there are “probably between 800 and 1,000 nurse vacancies in the care sector in Scotland”.\textsuperscript{52}

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

\begin{quotation}
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.\textsuperscript{53}
\end{quotation}

51. As part of Parliament Day Paisley, we held an informal meeting with Renfrewshire Council where Councillor Mike Holmes and officials provided details of the experience of signing up to UNISON’s ‘Ethical Care Charter’.

52. UNISON explained in its submission that the intention behind the Charter was to seek to persuade councils to become Ethical Care Councils, commissioning services on the basis of the Charter aims: “The principal objective was to provide for the quality and dignity of care by ensuring a more stable, well paid and trained workforce.” Other specific aims of the charter include: care based on client need, not minutes or tasks, an end to zero-hours contracts, proper staff training and a commitment to pay at least the Living Wage and sick pay. UNISON reported that to date there had been a very limited take up of the Charter in full. There were ongoing discussions with councils who had adopted many of its provisions.

53. UNISON stated that the main constraints had been budget cuts and uncertainty over the legal issues surrounding procurement. In UNISON’s opinion, the Procurement Reform (Scotland) Act 2014 “enables public bodies to spread the benefits of the Living Wage through procurement”.\textsuperscript{54}

54. In October 2015, the Scottish Government published new \textit{Statutory Guidance on the Selection of Tenderers and Award of Contracts} for public bodies.\textsuperscript{55} The guidance addresses Fair Work practices, including the Living Wage, in procurement. In the guidance, we note that the Scottish Government states that it has obtained clarification from the European Commission in respect of how to apply the Living Wage in procurement processes—

\begin{quotation}
This confirms that contracting authorities are unable to make payment of the Living Wage a mandatory requirement as part of a competitive procurement process where the Living Wage is greater than any minimum wage set by or in accordance with law. In the UK, this is the National Minimum Wage … It is, therefore, not possible to reserve any element of the overall tender score specifically to the payment of the Living Wage.\textsuperscript{56}
\end{quotation}
55. The Scottish Government does state, nevertheless, that public bodies can, where relevant to the delivery of a contract, take account of a bidder’s approach to fair work practices—

> Fair work practices can and would normally be expected to include fair and equal pay, including the Living Wage as part of a package of positive fair work practices to be delivered for the duration of the contract. Payment of the Living Wage is not the only indicator however, and it should be emphasised that whilst failure to pay the Living Wage would be a strong negative indicator it does not mean that the employer’s approach automatically fails to meet fair work standards.57

**Impact on local economies**

56. Dumfries and Galloway Council58, the Scottish Women’s Convention59, South Lanarkshire Council60, Barnardo’s Scotland61 and Aberdeenshire Council62 all illustrated the impact of low pay on local economies. SCDI noted 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.”63

57. The impact on local economic confidence and optimism was highlighted by the not-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.64

58. Aberdeenshire Council emphasised how reduced spending power caused by low pay impacted on local economies “as local, small retailers fail to compete with chain discounters.”65

59. The STUC argued 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”.66 SCVO argued that low pay is one of the main reasons for the UK seeing such high rates of inequality. Relating this to economic performance - as the OECD67, IMF68 and Scottish Government69 have all recently done - SCVO argued that inequality is “actively bad for our economies, making them more unstable and vulnerable to shocks”.70
Are bad jobs a necessary part of the economy?

60. The FSB argued that within a diverse small business sector in Scotland, many operated in “low-margin, competitive sectors often characterised by relatively low pay”—

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.71

61. Indeed, in addressing higher than average levels of youth unemployment, the FSB argued that the labour market required an increase in such entry-level jobs.72 The STUC gave a partial and qualified agreement to this view, stating that “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”.73

62. However, Oxfam Scotland in its submission felt this was this was too often not the case—

Glasgow University’s Nick Bailey estimates that a third of those in ‘exclusionary employment’74 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 2012.75

63. South Lanarkshire Council, offering a more local view, stated 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.”76

Conclusions and recommendations

64. Whilst witnesses, including the Scottish Government, are in agreement that low paid work has negative impacts on local economies, none was able to quantify these impacts.

65. Similarly, witnesses broadly agreed that low quality work – in terms of inadequate employee engagement, low levels of training and poor management practices – had detrimental effects on productivity.

66. We ask the Scottish Government’s Office of the Chief Economic Adviser to identify what additional research is required to determine the wider economic benefits of increasing the incomes of lower paid people, and the potential boost to productivity from improving job quality.

67. We believe the outputs from such coordinated research will provide a better understanding of where to target public sector investment.
68. We recommend that the Scottish Government indicate how it will respond to research on the economic impact of low quality work in order to promote inclusive growth, by, for example, adjusting the priorities of its enterprise agencies and refocusing the investment of other public funds for economic development purposes.

69. We recognise that there are legal constraints, but the Committee believes that scope exists to place stronger emphasis on the Living Wage and fair work practices through the public procurement process and we encourage all public bodies to continue to explore options to the full.

Have jobs become better or worse since 2008?

“I was taken on in 2008 with the promise of being trained as a paralegal, then the recession hit and 7 years later I’m still an unqualified secretary, can't get a job elsewhere but haven't progressed in this one. I am given too much responsibility but no reward, paid just enough to not be entitled to ANY tax credits but not enough to actually live off, or work towards a mortgage, or pay off any debt. The Company I work for takes full advantage of the fact the people are terrified to leave but there is no future in the role.”

Legal Secretary, East Lothian

70. To provide context to the question of job quality, we asked for views on how the labour market has changed since the 2008/09 recession. Scottish Enterprise summed-up the majority of written submissions when stating that “the recession has impacted on job quality due to the resulting rise in unemployment, underemployment, insecurity, and reduction in incomes.”

71. Almost all submissions focused on changes to employment quality, for example pay and contractual status. Few commented on changes to work quality, for example discretion and autonomy. This could be due to the lack of data on work quality.

A continuing trend?

72. Almost all submissions accepted that zero hours contracts, underemployment, part-time employment and self-employment were increasingly significant features of the Scottish and UK labour markets. Most submissions therefore stated that job and employment quality had deteriorated for many people. The STUC in its submission summed up the views of trade unions of the overall situation—

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.\textsuperscript{79}

**Questionnaire responses**

73. The views of those responding to our online questionnaire painted a similar picture, with almost 70\% of those in post for more than five years saying their job quality had deteriorated since they started.

\begin{figure}
\centering
\includegraphics[width=\textwidth]{questionnaire_responses}
\caption{Infographic showing that 68\% of survey respondents felt that their job quality had deteriorated over the previous 5 years, and 32\% of respondents reported that their job quality had improved or stayed the same.}
\end{figure}

74. Pay issues were the most commonly voiced concerns, with almost 40\% of those saying they had a ‘bad job’ citing “low pay” as the reason. Lucy Stokes (NIESR) provided survey evidence along similar lines—

\begin{quote}
The most common changes that employees who were in a workplace during the recession experienced explicitly in response to that recession were that their wages were frozen or cut and that they experienced an increase in their workload … those effects were more commonly reported in the public sector than in the private sector.\textsuperscript{80}
\end{quote}

**Statistical basis**

75. Citizens Advice Scotland (CAS) gave statistics from its Scottish bureaux showing that new employment related cases had “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\%).\textsuperscript{81}

76. Professor Patricia Findlay’s analysis found that “job growth had been much higher in the lowest two pay deciles—the people who are in the bottom 20 per cent of income”. She argued that this demonstrated an increase in low-paid jobs, and
pointed out that simultaneous growth in the highest three deciles suggested a polarisation in the Scottish labour market.

**Resilience through flexibility**

77. The CBI\textsuperscript{83} and FSB\textsuperscript{84} were less pessimistic in their portrayals of recent labour market trends, and were very positive about the UK’s “flexible labour market”, which the CBI believed was “a significant asset that should be protected”. The CBI credited the relatively low levels of unemployment witnessed during and after the 2008 recession to the flexibility employers had to adjust the pay and hours of existing staff. This view was also expressed by the FSB in its submission.

78. The CBI concluded 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, it stated that the flexibility of the UK’s labour force was “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”.

79. Responding to concerns about an increase in part-time employment since 2008, the CBI noted that the number of people working part-time involuntarily had actually dropped from a peak in 2013. It concluded that “as the economy further strengthens we anticipate this shift from part-time jobs to full-time jobs will continue”. We note that the CBI has demonstrated a commitment towards “making sure everyone benefits from growth” in its report, *A Better off Britain*, published in November 2014, which contains recommendations on extending maternity pay and free childcare, increasing productivity, and improving access to training, amongst other things.\textsuperscript{85}

**Conclusions and recommendations**

80. We believe that the decline in job quality since the recession is a trend that should be reversed. We note the CBI’s view that the resilience of Scotland’s labour market can be attributed to its flexibility.

81. We would welcome more information from the CBI as to how its members in Scotland are implementing the recommendations of the organisation’s report *A Better off Britain*, specifically in areas relating to skills and productivity, and how these measures are improving job quality for employees.
The impact of job and employment quality on health

“Pressure of work led to an anxiety disorder. I continued as best I could and, on hindsight, should’ve taken some time out earlier. In the end, I lost 6 weeks of work and had to work reduced hours for several months when I did return.”

Sector Manager, Stirling

Following the Health and Sport Committee’s inquiry into health inequalities, one of the drivers for this inquiry was an exploration into the link between work/employment quality and the health of Scotland’s workforce.

Infographic showing responses to our questionnaire, in which 62% of respondents reported that they had experienced health problems as a result of their job. Of this 62%, 88% of respondents mentioned stress, anxiety or depression.

Causes of work-related ill-health

Professor Clare Bambra stated that low quality work can be 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 (i.e. insecure employment and low, often irregular pay) can have as many negative health outcomes as unemployment (according to Professor Bambra, NHS Health Scotland, the Glasgow Centre for Population Health (GCPH), Oxfam and Poverty Alliance). Workers in ‘precarious employment’ are more likely to experience those illnesses listed above, and are also more likely to engage in unhealthy behaviours such as high levels of alcohol consumption.

NHS Health Scotland identified 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.”

62% reported health problems

Of this 62%, 88% mentioned stress, anxiety or depression.
86. Some submissions, including those from the Social and Public Health Sciences Units and the Scottish Collaboration for Public Health Research and Policy, discussed 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.”

87. The Health and Safety Executive (HSE), Professor Bambra, the Social and Public Health Sciences Units and the Scottish Collaboration for Public Health Research and Policy all highlighted the dangers of hazardous working conditions.

The role of the Health and Safety Executive

88. In its submission, HSE explained that although its role did not extend to wider public health, employment policy or contractual matters, it recognised the important contribution that workplace health and safety makes to the quality of jobs. The HSE told us that it “works with the Scottish Government, business, trade unions and other organisations through the Partnership on Health and Safety in Scotland (PHASS), as well as under agreements with Scottish and UK authorities, on issues that cut across related responsibilities.”

89. Sarah Jones, representing the HSE, explained its approach to targeting high-risk industries and occupations, and the role of the HSE in enforcing the law through the procurator fiscal. She confirmed that local authorities have statutory responsibility for enforcing health and safety at work in offices and shops, with the HSE taking responsibility for “the higher-risk end of the spectrum”. No HSE funding goes towards local authority enforcement of health and safety. She argued that ensuring compliance was about applying a mixture of interventions, involving both the industry and trade unions. She went on to state that she did not see the need for further legislation in the area, and spoke about maintaining standards once interventions had been made—

“We are in this for the long haul, but we want to work with other organisations in Scotland, such as the Scottish centre for healthy working lives to achieve that. The emphasis on a mentally healthy workplace will help in managing work-related stress.”

90. Sarah Jones explained that whilst it is “difficult to distinguish between causes of stress that are external to the workplace and work-related stress”, the HSE had “developed management standards for controlling stress in the workplace”, which include additional guidance outlining employers’ duty of care. HSE evidence suggested that work-related stress is reported more in the public sector. She also spoke of work targeted toward specific industries prone to higher than normal levels of stress (education, health care, local and central government and finance), and explained the importance of encouraging leadership in certain industries to take responsibility for improving industry-wide health and safety practice.
Policy impacts

91. SDS, in its submission, highlighted research showing a statistically significant relationship between psychological health improvements and payment of the Living Wage. NHS Health 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”.

Conclusions and recommendations

92. We are concerned to see the mounting body of evidence demonstrating the link between low quality work and negative health outcomes, and welcome the efforts of NHS Health Scotland to demonstrate the potential impacts of certain positive interventions.

93. We encourage NHS Health Scotland to continue to produce such briefings at regular intervals in order to inform debate about the potential impact of certain policies, including the living wage, on workforce health. We invite the Health and Sport Committee to review this work on an annual basis with a view to proposing any changes or further developments to the briefings.

94. Whilst emphasis on the physical impacts of work should not be lost, we are worried that the work of the HSE does not focus sufficiently on measuring and minimising the mental health impacts of poor quality work.

95. We invite the HSE, in conjunction with the Scottish Government and local authorities, to explore how the monitoring and reporting of mental health impacts in the workplace could be made more effective. To that end we recommend the development of specific mental wellbeing performance indicators to measure organisational performance.
Job security and zero-hours contracts

“I was on a zero hours contract; then a full time temporary, now on a part-time permanent with some weeks having more hours. I can't live like this, not knowing how much money I'm earning to keep my family.”

Library Assistant, Stirling

96. Job security, or lack thereof, was cited by many witnesses as an overarching concern in relation to in-work poverty and the health concerns related to poor quality employment.

Zero-hours contracts

97. On 26 May 2015 the UK Government introduced measures banning exclusivity clauses, meaning that employees could only work for one company, in zero-hours contracts. Whilst this means that no worker should be banned from working on a zero-hours basis for two or more employers, we still heard a number of concerns around the abuse of zero-hours contracts.

98. Dr John McGurk, Head of CIPD Scotland, shared the views of the CBI and FSB that “having flexibility is part of building a sustainable, global, internationally competitive, small, open economy” but argued that “that does not mean building flexibility in as a perpetual feature of the labour market”. He shared concerns expressed by many witnesses that zero-hours contracts could be abused.

99. Dr McGurk argued for employees on zero-hours contracts “to be compensated with at least an hour’s pay and expenses when they are not granted hours and to be given a written copy of their terms and conditions no later than two months into the contract.”

100. Charlotte Wright of Highlands and Islands Enterprise (HIE) spoke of the potential difficulties in eliminating such contracts in certain sectors, such as those with a high level of seasonal work.

101. Neil Carberry (CBI) argued that a “portion of the labour market will always need to be flexible to allow companies to try new things and respond to demand”, and that “most people who are on zero-hours contracts report that they are perfectly happy with their arrangement”. When questioned on abuse of zero-hours contracts by employers who did not provide sufficient notice of availability of work and shift timings to employees, Neil Carberry suggested that the CBI would be happy to look at establishing minimum notice periods for advising staff of working hours. He concluded that the CBI “would be very resistant to anything that either banned zero-hours contracts or did not allow companies to hire people on them.” Karen Whitefield (USDAW) suggested that ‘flexibility’ was becoming “a little bit too much tilted towards what suits the employer rather than the individual”.

23
102. Karen Whitefield also said that instead of offering full-time contracts, many retail employers were using “short-hours” contracts rather than part-time contracts, and then asking their employees to work extra hours.\textsuperscript{115} She argued that short-hours contracts should be considered alongside zero-hours contracts by the Scottish Government when looking at issues surrounding fair working arrangements.\textsuperscript{116}

103. Liz Cairns (Unite) suggested that in sectors such as retail, hospitality and catering, trade unions wished to encourage employers to offer permanent direct employment instead of zero-hours contracts. She argued that “permanent and directly employed workers have more ability to challenge their employer than they would have if they were an agency worker or employed on a zero-hours contract.”\textsuperscript{117}

104. Lorna Kelly (GCPH) pointed out that the current focus of the UK Government, through the Department of Work and Pensions (DWP), was in getting people into work with little emphasis on the quality of that work.\textsuperscript{118} Denise Horsfall (DWP) confirmed that securing job placements was the priority for the Department.\textsuperscript{119}

**Interaction with the benefits system**

105. Several witnesses raised concerns about whether the benefits system could adapt sufficiently to flexible working arrangements such as zero-hours contracts.\textsuperscript{120} Denise Horsfall explained that the new Universal Credit would ‘flex’\textsuperscript{121} if someone made a claim and their hours or contract changed. Zero-hours contracts should not be financially punitive in that respect, therefore, as Universal Credit would go up or down “instantaneously” unlike existing benefits.\textsuperscript{122}

106. Concerned by anecdotal evidence that jobseekers may be forced to accept a job offering an unsuitable zero-hours contract rather than face benefits sanctions, we asked DWP to explain its policy. Denise Horsfall said—

> The only time when we would apply a sanction concerning someone actively seeking employment or their availability would be to do with the person’s indication about applying for jobs in the labour market. It is more about whether they are engaging in all the activity that will make them a successful jobseeker.\textsuperscript{123}

107. She went on to state that low numbers of people were referred for sanction for refusing offers of employment, describing these as “penny numbers”. When we expressed concerns about DWP engagement with employers which were exploiting people who felt pressure to accept work, even of a poor quality, in order to avoid sanctions, Ms Horsfall referred to historically “high-wastage employers” such as contact centres. She stated—

> If we are talking about high-turnover employment, we cannot affect that. I suppose that that takes us back to the quality of the work, but we do not do anything about that.\textsuperscript{124}
108. Denise Horsfall confirmed that Jobcentre Plus would not exclude from its universal jobmatch service jobs offered on a zero-hours basis, but said that if a job did not meet the published conditions, a person who accepted such a position should discuss the inappropriateness with their work coach and would not face sanctions. However, subsequently, she conceded—

If the work in the zero-hours contract—rather than the hours—were appropriate, I think that they would be sanctioned.

Employment tribunals

109. Rob Gowans (CAS) raised concerns about the lack of protection for employees in cases where employers had abused contractual agreements. He stated that the introduction of fees for employment tribunals had reduced the number of cases that reached an employment tribunal by 80 per cent and argued that access to justice should be supported.

He continued—

A lot of the cases of poor practice that we see are technically illegal, but the employee can do little to challenge that, whether that is because they fear that they will be disadvantaged, because they have not been in post for two years or because they cannot afford the tribunal fee.

110. The Cabinet Secretary confirmed that once the additional powers arising from the implementation of the Scotland Bill had been made available to the Scottish Government, it would be abolishing fees for employment tribunals.

111. We welcome this commitment.

Murdo Fraser dissented from this paragraph.
Conclusions and recommendations

112. Whilst we welcome the recent banning of exclusivity clauses in zero-hours contracts as a step in the right direction, we remain concerned that many people are being expected to work without secure, permanent contracts which allow them to plan and provide for their future.

113. We ask the Scottish Government to explain what further action it intends to take to promote secure and stable working arrangements and encourage employers to offer contracts on a full-time, permanent basis.

114. We are disappointed that the DWP was unable to fully and effectively answer our lines of questioning, and have concerns that the focus of DWP activities on getting people into employment as an overriding priority means that some people may be forced into accepting unsuitable work from exploitative employers.

115. We are concerned that the evidence which we received from the DWP about its policies regarding zero-hours contract job vacancies and benefits sanctions lacked clarity. We request that the DWP set out in detail, in a response to this Committee, its policy on this matter, and confirm that jobseekers are not subject to sanctions for failing to take jobs which do not comply with fair work criteria.

116. We request assurance from the DWP that employers recruiting staff through Job Centre Plus are monitored and that, where indicators of poor employment practices such as high-turnover or negative reports from employees are identified, those employers are investigated. We hope to hear that appropriate action, be it the offer of guidance on employment standards, or, ultimately, a refusal to list vacancies is taken in such cases.
Supporting Scotland’s workforce

Ensuring effective management

“Senior management positions that I found important to the development and management of my work have been made redundant and have not been replaced, this has affected the quality of the work I am asked to do and has really affected how I feel about my work.”

Senior Policy Adviser, Edinburgh

Perceptions of management quality

117. Responses to our online questionnaire highlighted a perceived problem of poor management in many Scottish workplaces. This accords with recent survey findings. For example, WERS 2011 found that 24% of employees across the UK thought their management was ‘very poor or poor’ at seeking views of employees\textsuperscript{130}, and a CIPD survey conducted last year showed that only 42% of the 2,000 employees surveyed across the UK trusted their directors or senior management team\textsuperscript{131}. The Chartered Management Institute found that a lack of management skills was responsible for 56% of small business failures across the UK between 2011 and 2014.\textsuperscript{132} The impact on the productivity and wellbeing of the workforce of poor management was also raised in a number of submissions to the inquiry. In its written submission, SCDI stated that leadership and management “is generally believed to be an area of poor performance across all sectors in Scotland”\textsuperscript{133}. Karen Whitefield (USDAW) suggested that managers were facing increased pressure in managing schedules where flexible staffing arrangements were in place.\textsuperscript{134}

118. Scottish Enterprise linked 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.\textsuperscript{135}
Perspective from workshop sessions

119. At our workshops in Paisley participants were in agreement that good management could ‘make all the difference’ to job quality and productivity, and said that managers who showed staff respect and gave them responsibility were valued. Within small businesses, owners described being expected to manage finance, sales and delivery all at once, with staff management being left to those who might not have the time or the skill. Where large organisations might have a dedicated HR department, small businesses did not have access to such expertise. There were calls for management training to be provided or subsidised by public agencies, especially for third sector and small businesses, and suggestions that small companies should be able to access shared HR services.

Public body support

120. The Cabinet Secretary stated that she had not heard directly from SMEs about the quality of their management, but that if she did hear such concerns she would expect to also hear from SMEs what they thought could be done to improve the situation. She asserted that there was a limit to what the Scottish Government could be expected to do in such situations, and argued that responsibility lay within businesses and industries.136

121. Scottish Enterprise, HIE and SDS told us that they were collaborating on a new workplace innovation service focused on management practice, innovation and
technology. Specific support for small businesses and business in rural areas was being considered, with an overarching focus on productivity.\textsuperscript{137}

122. Catriona McAuley (North Ayrshire Council), representing the Scottish Local Authorities Economic Development Group (SLAED), explained local authorities’ role in supporting small businesses. She confirmed that there was no element of conditionality for local authority support.\textsuperscript{138}

123. Ms McAuley explained that North Ayrshire Council targeted resources where it wanted to see change. So, for example, in the care and hospitality sectors the Council worked with employers to understand how to improve progression and growth.\textsuperscript{139}

124. The Cabinet Secretary, when setting out details of Scottish Government initiatives aimed at investing in youth employment, confirmed that the intention was not to be prescriptive about companies’ approaches. She went on to say that while skills gaps were addressed through both SDS and careers advice, there had to be a “challenge to employers, training boards and industries to think in a more long-term way about what they are doing”.\textsuperscript{140}

Conclusions and recommendations

125. We agree with the view of the Cabinet Secretary that businesses must take principal responsibility for improving the quality of management and leadership within specific sectors. Nonetheless, a significant sum of public funding is already devoted to providing such support to businesses and we believe that this support should continue.

126. We call on Skills Development Scotland, Scottish Enterprise, HIE and Business Gateway to work more closely together in order to target management training support programmes to SMEs and third-sector organisations more effectively.

Employee engagement and worker wellbeing

“Staff have minimal involvement in organisational decision making and there is a lack of communication between senior managers and staff.”

Third Sector Worker, Glasgow

Scottish context

127. Martin Taulbut (NHS Health Scotland) suggested that low control in the workplace within Scotland correlated with some of the lowest paid sectors – the hotel, restaurant and retail industries.\textsuperscript{141}

128. Stephen Boyd (STUC) said that industrial democracy is weaker in Scotland and the UK than in European counterparts\textsuperscript{142}. He referenced the MacLeod report,
which found that, in the context of Europe, the UK was “something of an outlier in terms of employees having a voice within firms”. 143

Benefits of employee involvement in decision-making

129. Professor Clare Bambra highlighted studies showing the benefits of high levels of employee involvement on their health, and suggested that increased participation and influence within the workplace would not impact negatively on productivity, and could lead to a decrease in sickness absence levels. 144

130. Dave Watson (UNISON) spoke of his own work with the Scottish Government on implementing the partnership agreement within the NHS, with the successful use of an engagement model meaning that employees were heavily involved in driving change. 145

Workshop discussions

131. At our workshops in Paisley, participants were of the view that everyone should have a say on how things are done in their workplace, and that workers were often the most informed and best placed to make decisions. One participant pointed out that motivation by means of non-monetary rewards, such as an increased say in decision-making, was not a new idea, but recognised that scaling it up to larger companies could be challenging.

132. One participant, whose company had not previously been very good at engaging employees, more was being done to change that culture through weekly staff forums and greater communication with staff over business performance. Employers felt that involving employees in running the business was very valuable, and could lead to a better understanding amongst employees of business aims and the importance of materials and practice. It was agreed that having the opportunity to give feedback and ideas to management increases engagement and empowerment which in turn improves job satisfaction.
Trade union role

133. Witnesses spoke about the role of trade unions in collective bargaining. Dave Watson highlighted the difference between the formalised salary rate agreed between the Scottish Government, CoSLA and employers for the residential care sector, and the non-regulated salaries in the home care sector, suggesting that greater levels of collective bargaining would be beneficial in the home care sector, as would the establishment of community hubs for home care workers.

134. Karen Whitefield (USDAW) highlighted the difference between those trade unions working in the public sector and those working exclusively in the private sector, and called on the Scottish Government to recognise these differences. She suggested that generating membership in the retail sector was a challenge, and that this could be because many people entering retail employment saw the move as a temporary one.

135. Stephen Boyd argued that unionised workplaces offered better quality work, while Liz Cairns (Unite) highlighted the importance of trade unions and workers engaging at a local level. She did, however, express concerns that businesses were bypassing trade union agreements by outsourcing to other countries, and limiting trade union activity by restricting the time union representatives had to engage with workers.
136. Professor Bambra highlighted the impact of trade union membership in encouraging employees to play a greater role in ensuring their own health and safety. She argued that trade union support had considerably improved the health and safety of the workforce, and thus the health of the public, and warned of the negative health effects of blocking such support. Sarah Jones (HSE) agreed that employer’s access to good health and safety advice through union representatives could support good health and safety management, but suggested that worker engagement could come through mechanisms other than trade unions.

137. Dave Watson highlighted the importance of effectively training shop stewards and union representatives, and ensuring that information is thoroughly disseminated. Liz Cairns gave as an example of this Unite’s approach to introducing mental health training to workplaces through shop stewards and representatives. She suggested that an internally organised staff association may not be able to provide the same level of expertise. Karen Whitefield spoke of USDAW’s training academy, which helped members to attain national accreditation for the skills developed during training.

138. Neil Carberry (CBI) acknowledged that trade union recognition was “one way to achieve a good employee voice”, but, he argued, “there are others and we are committed to the idea that employee voice, input and perceived control in the workplace are critical to successful workplaces”. Karen Whitefield suggested that while there were other models of collective bargaining, unions gave their members access to additional support, such as legal services and death and maternity grants, that might not be offered by other models such as cooperative businesses.

**Trade Union Bill**

139. The proposed changes to trade union law contained in the Trade Union Bill, introduced by the UK Government in July 2015, were raised by unions as an area for concern. Although this, being a UK Government bill relating to a reserved matter, falls at the edge of our remit and the terms of this inquiry, we felt it important to highlight the views of stakeholders. Trade union representatives argued that the terms of the Bill as introduced would inhibit and restrict trade union membership and activity. Karen Whitefield expressed concerns that the Bill would both damage good industrial relations, by removing the incentive for employers to consult with unions on decisions, and limit the ability for unions to campaign for political change on matters affecting their members. Dave Watson argued that, with the introduction of the Bill, the time was right for the FWC to champion best practice in industrial relations, as highlighted by the Working Together Review.

140. The Cabinet Secretary confirmed that the Scottish Government would “take every possible step to ensure that the good industrial relations record we have achieved in Scotland is maintained”. She argued that “the better the relationship between
trade unions and employers, the better that is for everyone in the long run”165, and concluded—

I regret some of the things in the Trade Union Bill because I think that they will have a negative impact on the good workings that we encourage all employers to be a part of.166

Partnership between trade unions, business and government

141. Witnesses from trade unions stressed the importance of effective partnership working between trade unions, businesses and government. Stephen Boyd hailed what he called a “more European social partnership-style approach”.167

142. Catriona McAuley (SLAED) highlighted the role of local government in promoting fair work practices amongst small businesses, including employability support.168

143. Neil Carberry spoke of the need for a regulatory framework for the labour market that “provided an incentive for companies to create jobs” by maintaining flexibility.169 He went on to argue that governments should not impose rules around working hours or become too focused on full-time working.170 He asserted that “there is a role for trade unions where employees choose to be represented by them” but argued that it was important for unions to represent their members accurately.171

144. Professor Chris Warhurst noted that in meeting the needs of its citizens governments may have to make decisions that prove unpopular amongst employers. He spoke of good, willing and bad employers, and suggested that governments should focus on those who were already ‘good’ employers, or those who were aiming to be good employers but lacked the means or skill. He summarised—

We should laud the good employers and set them up as exemplars of what can be done; we should provide support for the willing employers; we should educate the indifferent employers; and we should regulate for the bad employers.172

145. Professor Warhurst emphasised the importance of leadership, at both political and senior management level.173 He went on the highlight the role of trade unions in improving job quality, but spoke of the challenge of getting trade unions involved. He suggested that identifying appropriate points of intervention, be it at a national, sector or workplace level, was crucial.174

146. Dr John McGurk (CIPD) argued the need for innovation, skills and learning175, and stated that it was the role of government to support an open dialogue allowing stakeholders to feed their views into policy making176. He stated that employers should be raising their ambition and focusing on exports and innovation, and that to be credible partners in this process unions should move beyond their traditional bargaining role and focus on “trying to grow the cake”.177
Employee-owned businesses

147. We received submissions from five employee-owned businesses (EOBs) — Accord Energy Solutions Limited178, Clansman Dynamics179, Dow Investments180, John Lewis Partnership181 (the UK’s largest EOB) and Scott and Fyfe Limited182. Submissions from EOBs cited the benefits of employee ownership as being improved productivity, more collaborative working, improved autonomy for employees, longer-term innovation goals, improved staff retention and greater links to the local community, all resulting in enhanced job satisfaction.

148. Alan Spence (Accord) explained that the number of Scottish and UK EOBs is growing, and that they “generate more revenue than the whole of the aerospace sector in the UK—they contribute quite significantly.”183

149. John Lewis Partnership (quoting Co-operative Development Scotland figures) stated that “there are currently 71 employee-owned businesses and worker co-operatives in Scotland with approximately 6,500 employees and £900 million turnover”. On that basis, this ownership model engages less than 0.3% of the Scottish workforce, but the Employee Ownership Association expects the sector to grow across the UK at an annual rate of almost 10%.184

150. Scott and Fyfe explained some of the changes it had 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.

151. Dr Matthew Dutton explained, “low job turnover was one of the striking features” of EOBs, adding “That is because people feel as if they have a stake in the business and that they are being listened to”.185

152. In terms of productivity, Dr Dutton stated there was “an apparent link” between EOBs and higher than average productivity, which he said was because—

… issues are being raised openly, addressed at the centre and are not left to drift, problems that might cause people to leave the workforce are addressed by management, and there is a possibility that that might have an effect on turnover … Employee share ownership is a very efficient way of aligning the interests of the company with the aims of individual employees. They can see that what they are doing has a direct impact on the day-to-day running of the business.186

Conclusions and recommendations

153. As the Cabinet Secretary highlighted, there is a history of good industrial relations in Scotland. We recognise the role trade unions can play in developing the skills of their representatives, in representing the interests of their members, of introducing positive interventions to workplaces, and in acting as a source of support for both employers and employees.
154. We believe that any further restriction on trade unions in fulfilling their longstanding roles, such as contained within the Trade Union Bill, would be damaging. We look forward to the implementation of the recommendations of the Working Together Review, which aim to maintain and improve effective union, employer and Government relations in Scotland.iii

155. The evidence we heard on employee engagement, be it through trade unions, through alternative models of business, or through direct employee engagement, was universally positive, and it is clear that employee engagement can have a significant impact on employee wellbeing.

156. We consider that all publicly funded business support services should place an emphasis on the benefits of employee engagement at all stages of business development. This could include, but should not be restricted to—

- guidance on how to encourage a culture of employee engagement;

- encouraging where appropriate the use of varied models of business, including employee-owned business models; and,

- the positive role that trade unions can play in fostering good industrial relations in the workplace.

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iii Murdo Fraser dissented from this paragraph.
Policy interventions and paving the high road

“I have autonomy. Good working conditions which include flexible working, pleasant environment, adequate leave and pay. I also enjoy what I do and feel it has meaning and purpose.”

Programme Manager, Edinburgh

High road and low road

157. Professor Chris Warhurst, in detailing the difference between high-road economies focused on high-skills, and low-road economies focused on low-skills and low wages, spoke of the role of governments in encouraging a high-road approach. He explained—

It is possible to prevent people from moving down from the high road to the low road, but the key question for the UK is how we move from the low road to the high road. There are two ways of thinking about doing that. One is to block off the low road ... The other is to pave the high road ... in order to encourage companies to go down it.187

Government’s role

158. Professor Warhurst gave examples of where governments in other jurisdictions had changed their economic strategy to block the low road and encourage businesses to rethink their approach, effectively ‘paving the high road’—

In North Rhine-Westphalia ... The Government there offered to fund initiatives, with its social partners, to go to companies that felt under pressure and ask them, ‘What can we do to help?’188

159. Professor Warhurst conceded, however, that not all economies can be high-skill economies. In such cases, he championed “employment enrichment” through improvements in areas such as health and safety, working time, contracts, pay, training and paid entitlements. He pointed out that in at least some of those areas, such as enforcing health and safety and paid entitlements and improving training provision, the Scottish Government had the power to influence change. He also said—

It would be nice if Scotland moved to becoming a living wage country. That would be a real brand for this country.189

160. Professor Warhurst also emphasised the need to make it clear that such an agenda would be beneficial for employers as much as employees, particularly in
terms of productivity and innovation. He suggested that, with a political lead, academia could focus research on demonstrating those benefits.  

161. The Cabinet Secretary, in oral evidence, explained that responsibility for employment matters fell across a number of Scottish Government portfolios. When asked about ‘blocking the low-road’, she confirmed that the Scottish Government was “looking at what might be possible in certain areas” but could not give specifics, saying there “is a decision-making process within Government, which I will not pre-empt”.  

Leading by example

162. Public bodies recognised their role in leading by example. Scottish Enterprise, HIE and SDS all spoke of being living wage employers and implementing policies such as supporting young people and graduates; offering modern apprenticeships; improving procurement practices; engaging with employees; and sharing best practice with other public agencies.

163. Dr John McGurk (CIPD) spoke of the aspirational mood being generated by the establishment of the FWC and the Living Wage campaign, and emphasised the importance of openly demonstrating the benefits of positive employment practice.

164. Dave Watson (UNISON) championed the role of public bodies in setting clear procurement policy, including the living wage and broader workforce matters as requirements. He argued that if councils set such requirements, “new contractors will bid on that basis”, with those requirements becoming part of the ongoing contract. Professor Warhurst agreed, suggesting that procurement processes should include the requirement that the winning contractor report on job quality.

165. We heard about the effectiveness of such an approach in the Ethical Care Charter adopted by Renfrewshire Council. Duncan White of the UK Homecare Association supported the wider introduction of ethical charters, saying— “It is productive, it engages with providers, it supports a viable and sustainable market and it provides an open-book arrangement so that people can see what the pressures are.”

166. The Cabinet Secretary drew our attention to the newly published procurement guidance on fair work practices, which “sets out how the Government will consider a whole range of progressive workplace practices, such as the living wage and workplace equality, when awarding Government contracts.” Asked about Professor Warhurst’s suggestion that procurement contracts contain a clause requiring employers to report on job quality, the Cabinet Secretary replied that she did “not think that would be unreasonable”.

37
The Scottish Business Pledge and the Living Wage

Scottish Business Pledge

167. The Scottish Government states that the Scottish Business Pledge is “a Government initiative which aims for a fairer Scotland through more equality, opportunity and innovation in business”\textsuperscript{201}. The Business Pledge has nine components, being—

- Paying the Living Wage;
- Not using exploitative zero-hours contracts;
- Supporting progressive workforce engagement;
- Investing in Youth;
- Making progress on diversity and gender balance;
- Committing to an innovation programme;
- Pursuing international business opportunities;
- Playing an active role in the community; and,
- Committing to prompt payment.

168. In order to sign up, companies must meet the core commitment of paying the Living Wage and already be fulfilling two other components, with a commitment to working towards fulfilling all nine.\textsuperscript{202} However, in reality, the Cabinet Secretary explained, some companies will not be able to fulfil all nine components. For instance credit unions, which are unable to operate on a cross-border basis, would not be able to commit to pursuing international business opportunities.\textsuperscript{203}

169. Although the Business Pledge lists only the Living Wage component as mandatory, further guidance on the website states that the Scottish Government “will not endorse a Pledge proposal where a company is employing people on exploitative zero-hours contracts.”\textsuperscript{204} This would suggest that this is in fact another mandatory element of the Pledge as opposed to a component for business to work towards.

170. Witnesses were generally supportive of the aims of the Business Pledge. Dave Watson (UNISON) was keen to “use the business pledge, the FWC and other initiatives to spread best practice and explain that there is a business case for quality jobs.”\textsuperscript{205} Liz Cairns (Unite), whilst in agreement, expressed doubts about the ability of the Business Pledge to “change the Scottish economy in any meaningful way” because of the difficulties in getting small and medium-sized enterprises to sign up.\textsuperscript{206}
171. Neil Carberry explained that the CBI’s members appreciated the “language on engagement, diversity, internationalisation, prompt payment, innovation, youth and community”. He said, however, that many small and medium-sized businesses would find it difficult to commit to paying the living wage, which would make it difficult for them to sign up to the business pledge.  

172. Dave Watson suggested that further regulation and enforcement for “ugly” employers was needed. He suggested that while enforcement is under-resourced, cultural change pinned down by legislation was at the heart of progression. Poverty Alliance suggested that, in order to end poor employment practices, it was time to look beyond voluntary schemes.

173. Other concerns about the Business Pledge included the lack of a clear definition of what constituted an ‘exploitative’ zero-hours contract. Rob Gowans (CAS) offered up a potential definition—

We suggest that there is such a contract when a worker would prefer a more secure part-time or full-time contract, if it causes hardship to individuals due to regularly changing patterns of work, if it denies individuals their basic employee rights, if it acts to deter workers from asserting their basic employment rights, or if an exclusivity clause is used—although that is now banned.

174. Jane Martin explained that, in Scottish Enterprise’s experience, “committing not to use zero-hours contracts is one of the most popular things that the businesses we work with are happy to sign up for.”

175. The First Minister, during an evidence session with the Conveners Group, was asked what would constitute an exploitative zero-hours contract. In a subsequent written response, she replied—“Examples of when a zero-hours contract becomes exploitative is when employers deny workers regular or sufficient working hours or unfairly penalise workers for being unavailable for work or not accepting offers of work”. During her oral evidence, the Cabinet Secretary supported this definition, and when pressed on the non-specific nature of the definition argued that “it is not possible to have a definition that encompasses every potential situation that might be described in that way”. Following oral evidence, the Cabinet Secretary confirmed that although on the face of it not using ‘exploitative’ zero-hours contracts was not a mandatory element of signing up to the pledge, the guidance on signing up stated that the Scottish Government “will not endorse a Pledge proposal where a company is employing people on exploitative zero hours contracts”.

176. The Cabinet Secretary explained that over 125 employers had signed up to the Business Pledge to date, and that the approach of the Scottish Government was to continually make sure that the pledge worked in terms of “maximizing sign-up”. The hope was that the reward of being recognised for a commitment to creating a good working environment would encourage businesses to sign up, and
the Government played a signposting role in helping businesses get the support needed to fulfil the criteria.  

177. Asked about whether the Scottish Government would consider making access to public funding, for instance enterprise agency grants, conditional on signing up to the Business Pledge, the Cabinet Secretary said that “explorations of conditionality may continue to be part of the conversation”, but that at present the Scottish Government was “testing the waters”. She suggested that without more powers the extent to which the Scottish Government could apply conditionality would be limited. She did say, however, that there were “potential mechanisms through which Government can explore giving a reward”, such as through the small business bonus scheme.  

Pay inequality and the Living Wage  

178. In 2014 the Scottish Government estimated there were 427,000 people earning less than the Living Wage, which now sits at £8.25 per hour, in Scotland. This is a core aspect of the Scottish Government’s Business Pledge, with all businesses signing the pledge committing to paying all staff over 18 years of age the Living Wage. This voluntary rate, established and recommended by the Living Wage Foundation, should not be confused with the National Living Wage (hereafter “NLW”), as announced by the Chancellor of the Exchequer in July 2015. The NLW will in effect replace the national minimum wage, and will be introduced at £7.20 an hour for full-time and part-time workers over the age of 25 in April 2016, with a target of it reaching more than £9 an hour by 2020. When she appeared before the Committee, the Cabinet Secretary stated that there were roughly 380 accredited Living Wage employers in Scotland, with that figure going up “quite fast”. She went on to say that, given that the number of Living Wage employers across the UK was around 2000, in Scotland we were “punching well above our weight”.  

179. The STUC, GCPH and Unite all believe income is at the heart of inequalities in society, suggesting that impacts on purchasing power, health and economic growth were all symptoms of diverging salary rates. Countering this, the CBI argued that those at the lower-paying end of the labour market had fared better during the recent recession than higher-earners, and that “raising the minimum wage does not necessarily benefit the poorest”.  

180. Professor Clare Bambra observed that, in terms of public health, helping those in the most deprived 10% of the population would yield the biggest improvements “because the gap between the most deprived 10 per cent and the next block of 10 per cent is much bigger than that at any other step along the gradient.” NHS Health Scotland reminded us that in-work poverty is not just about hourly pay but also about the number of hours worked.  

181. Professor Bambra and Martin Taulbut (NHS Health Scotland) expressed concerns that the benefits of paying the new NLW would be counteracted by a reduction in working tax credits. Dave Watson had specific concerns about the interaction
between the Living Wage and benefits systems, and the practical delivery of Universal Credit. However, Denise Horsfall (DWP) argued that, because of the flexible nature of Universal Credit, those in receipt of in-work benefits would not be disadvantaged.

182. Witnesses were generally supportive of the Living Wage, and we heard accounts of the positive effect of the introduction of the Living Wage as part of the Ethical Care Charter adopted by Renfrewshire Council. There were, however, concerns about the ability of some small businesses to increase wages. One small business owner at our Paisley workshop said the company’s staff were worth twice as much as they were paid but the profit margin just wasn’t there to pay more.

183. Karen Whitefield (USDAW) pointed out that the Living Wage would not be able to protect from poverty those who were in work, but were subject to contracts with insufficient guaranteed hours. She went on to assert that tackling in-work poverty needed to go further than addressing the rate of pay, and aspects such as terms and conditions, paid holiday and sick pay were all important. Ms Whitefield also expressed concerns that employers might reduce other forms of in-kind benefits, such as employer discount schemes, in order to offset the costs of paying the Living Wage.

184. The Cabinet Secretary, when asked about these concerns, agreed that fair work was “not always about just the wages”. Referring specifically to the retail sector, she said—

“I am conscious that there are some big companies that pay quite good wages but where the pressures on workers, such as at checkouts, are extremely difficult and where the wage alone does not necessarily compensate for some of those pressures.”

185. The CBI argued that signing up to the Living Wage should remain voluntary, and that because of the effect on small businesses the Living Wage should not be a statutory requirement. Neil Carberry explained—

“I have had meetings with people from mid-market hotels in Scotland for which the Chancellor’s initiative will, over the next four or five years, halve their earnings before interest, taxes, depreciation and amortisation. The situation there is critical. There is a balance to strike, because those hotels might very well be able to remain profitable by employing fewer people.”

186. Dave Watson explained that while the Living Wage had proved popular in cases of direct employment, procurement through public authorities remained a concern, particularly in the care sector. This echoed our Paisley workshops, where we heard that the amount paid by the local authority barely covered the cost of wages at current levels let alone at the rate of the Living Wage. Liz Cairns put it simply,
explaining “We want to ensure that the living wage is reflected in the sub-contracting element of contracts.”

187. Robert Kilgour (Dow Investments), an owner and operator of care homes, expressed strong support for the Living Wage, particularly because of the positive impact on staff recruitment and retention, but explained that “as 75 per cent of our business comes from local authorities, which are refusing to give us the fees to pay the living wage, I do not see how that will happen”.

188. The Cabinet Secretary, when asked about concerns that employers in small businesses or certain sectors could not afford to pay the Living Wage, pointed out that there were existing examples of companies who had been able to do so, including in the care sector—

> We have been working to encourage companies to step forward and accredit—although we acknowledge that there are companies that may be paying the living wage that are not stepping up to accreditation—to ensure that there are good examples in as many sectors of the economy as possible. For example, quite a list of companies in the care sector are currently paying the living wage—the true living wage—and they are examples of how it can be done.

Enterprise agencies

189. We explored with witnesses the role of the enterprise agencies in supporting businesses that had signed up to the Business Pledge. Jane Martin (Scottish Enterprise) explained that there is no element of conditionality applied to support; however Scottish Enterprise had been engaging account managed companies more directly on the fair work agenda. Subsequently Adrian Gillespie, when giving pre-budget evidence on 11 November 2015, explained in more detail that there would be “no disincentives” applied by Scottish Enterprise to companies which had not signed the Business Pledge. He explained—

> Our approach is always to encourage and to win the argument based on our evidence of the impact of signing up to the pledge on the other companies that we work with. Sometimes that is about money and sometimes it is about getting more attention from us through the resources that we put into our organisational development team.

190. Charlotte Wright highlighted the fact that a number of elements of the Business Pledge lined up with the strategic priorities for HIE, and that it was keen to offer support to businesses through measures such as graduate placement schemes. She went on to speak about the capacity building role of enterprise agencies, and hailed a Caithness-based supplier and manufacturer of battery pack solutions and chargers for the armed forces as a model of successful enterprise agency-business partnership. She explained that, “Denchi Power, having worked through research and development support, has exceeded all its
expectations in relation to job creation and the wage rates that it is able to pay”. She summarised HIE’s approach as being—

… about promoting the good aspects of what can be done without going so far as to make those absolutely conditional. It is more about the carrot than the stick, and about being able to develop the full economic reasons why an employer might want to go down those routes and build up those good stories.245

191. Colin Borland (FSB) suggested it would be inappropriate to link the Business Pledge to publicly funded business support, which businesses contributed to through taxation. He was reluctant to draw a line between good businesses and bad businesses, but agreed that offering enhanced business support to businesses who signed up to the Business Pledge was an “interesting point”.246

192. Jane Martin confirmed that from February 2015 all businesses in receipt of Regional Selective Assistance (RSA) grant funding had agreed to a youth employment commitment, and that Scottish Enterprise planned to monitor the outcomes were in place.247

193. Ms Martin was pressed on whether under new criteria RSA funding would be still be offered to Amazon, a recipient of significant grants in recent years, given criticism of its employment practices. She could not confirm this but said that Scottish Enterprise was seeking to work with the company to address these concerns.248 Scottish Enterprise later confirmed in writing that “assuming that conditions and qualification against the criteria remained the same now as it did at the time of the original award, the project would still be eligible for RSA support”.249

194. The Cabinet Secretary was asked whether the Scottish Government would take a different view on providing funding for Amazon than that taken historically. She was unable to confirm the process for decision-making, or to suggest what decision might be made, but confirmed that she would expect to be a part of such discussions and commented—

I imagine that there would be a fairly robust internal discussion about that.250

195. Following the Cabinet Secretary’s evidence, SPICe sought clarification on the award approval process from Scottish Enterprise. It confirmed that, whilst RSA cases may be discussed individually with Scottish Government colleagues, and more generally as part of ongoing operational update meetings between Scottish Enterprise and Scottish Government, offers do not require approval by Scottish Government Ministers prior to being awarded. Since 2009, when RSA Appraisal transferred to Scottish Enterprise, approval of offers has been the responsibility of Scottish Enterprise.
Conclusions and recommendations

196. We are encouraged by the introduction of the Scottish Business Pledge but concerned that some of the associated language is unclear and potentially open to wide interpretation by employers considering signing up. We refer to the subjectivity of the term “exploitative zero-hours contract” and the initial failure to make explicit that use of such contracts will preclude a business from making a pledge.

197. The Scottish Government should ensure that all of the requirements of signing up to the Scottish Business Pledge, and the parameters of the pledge’s elements, be stated absolutely clearly. This should include a clear timetable for signatories to implement all elements of the pledge applicable to their business.

198. As part of the conditions of the Scottish Business Pledge, we propose that the Scottish Government adopt a revised definition of “exploitative” zero-hours or short-hours contracts, which states that it is unacceptable for a business to use such a contract when a worker would prefer a more secure part-time or full-time contract, and if such a contract—

- causes hardship to individuals due to regularly changing patterns of work;
- denies individuals their basic employment rights;
- and/or, acts to deter workers from asserting their basic employment rights.

199. We appreciate that the Scottish Government is still “testing the water” when it comes to the Business Pledge, which is a key driver in delivering the fair work agenda. The approach is clearly to encourage businesses to sign the Business Pledge voluntarily rather than to make it a prerequisite of support from the enterprise agencies.

200. We agree that the focus initially should be on offering incentives, as opposed to disincentives, in encouraging businesses to sign up to the Business Pledge. We note that RSA grant funding already includes a voluntary commitment by recipient businesses to consider development of an “Invest in Youth” policy, although this is not a prerequisite of an offer of grant. We are pleased to note that since April 2015, all companies which have accepted an award (39 in total) have committed to developing such a policy.

201. We recommend that a similar approach be taken to encourage businesses to sign-up to the fair-work elements of the Scottish Business Pledge. Specifically, businesses seeking support from Scottish Enterprise and HIE should be encouraged to commit, voluntarily, to become signatories of the Scottish Business Pledge.
202. We further recommend that the Scottish Government set a formal target for the number of Scottish Enterprise and HIE account managed companies becoming Business Pledge signatories by the end of 2016-17. Should the number of businesses committing voluntarily to the Business Pledge fall short of this target, we ask that the Scottish Government consider what more it can do to increase sign-up to the Business Pledge.

203. We welcome the Scottish Government’s commitment to the Living Wage and commend the progress made in getting employers across all sectors and in all sizes of business to sign up.

204. We welcome the new procurement guidance on the Living Wage and fair work, and ask that the Scottish Government explore to the full how this is to be applied throughout the chain of sub-contractors. In supporting this work going forward, Public Contracts Scotland should monitor and report on the use of fair work practices in public sector procurement.

205. In respect of RSA grant funding, given commitments to fair work policies made since 2009, we request that the Scottish Government review the process for high value awards in order to consider whether changes may be required to ensure that recipients comply with these policies.

The Fair Work Convention

206. We welcome the Scottish Government’s commitment to fair work in both its revised economic strategy and most recent programme for government. Much of the emphasis in the latter is on the role of the FWC, established in response to a recommendation contained in the Working Together Review.

207. We note that the Convention has only recently been established. We therefore appreciate the joint-chairs’ comments that the current Committee inquiry will feed into the Convention’s deliberations and outputs.

208. We understand the challenges faced by the FWC in completing its first task, the establishment of a ‘fair work framework’ by March 2016. Like our attempts to identify ‘good’ or ‘bad’ quality work, the FWC spoke of difficulties in defining fair work. Nevertheless, Linda Urquhart expressed confidence that by the reporting deadline “some of the areas of fair work and our ideas about the themes will have evolved and been defined, to a greater or lesser extent.”

209. Linda Urquhart described the framework as a matrix, and explained that help companies and organisations would be encouraged to—

“This… plot their current position on the matrix and look at where they might get to. As part of the ability to support inclusive growth and competitiveness, one of the outcomes that we would like to show is that most of the
organisations that are in the upper part of the matrix and performing well on fair work are high-performing organisations.” 252

210. As such, the framework will not be “prescriptive” but “something that people can aspire to and move on from”. 253 Preliminary work by the Convention has identified five themes upon which their framework could be based – opportunity, fulfilment, security, respect and effective voice. 254

211. In drawing up its framework, the Convention plans to engage with a number of employers, employees, public agencies and trade unions. Representatives stressed that the FWC was in “listening mode”. Linda Urquhart spoke of the efforts being made to “reach the people who might otherwise not reach us”. 255 Gordon McGuinness confirmed that SDS was looking forward to the outputs from the FWC and how these could be incorporated into the work of SDS. 256 Liz Cairns (Unite) suggested that it would be good to see the FWC “in action mode” as well as their stated listening mode 257.

212. The Cabinet Secretary reminded us that the FWC is independent, but that the Scottish Government would be working with them closely to implement recommendations once the framework is produced. 258

Potential research approaches

213. When we were in our own ‘listening mode’, we were conscious that we were likely to hear from those who could ‘shout the loudest’, be it through business organisations or trade unions. Our online questionnaire was never intended to be representative or scientific, nor were our workshops expected to produce formal evidence, yet we found these tools to be an invaluable way to hear the voices of small businesses, the self-employed, seasonal and non-unionised workers, volunteer workers, and the currently unemployed.

214. We also welcome current work being done by Oxfam Scotland as it builds on its Humankind Index. Over recent months Oxfam has held a series of focus groups, interviews and surveys “to ascertain the views of the public in Scotland about paid employment, and about what the public thinks constitutes ‘decent work’”. 259 We look forward to reviewing the output from this work.
Conclusions and recommendations

215. We welcome the commitment from the FWC to consider our findings as a contribution to its work. We encourage the FWC to consider carefully the findings of Oxfam’s work, carried out using a similar engagement model, as it develops its own framework.

216. The draft framework provided by the FWC focuses strongly on the employee perspective. Whilst these themes are promising, we would like to see the link to wellbeing and its resulting effect on the economy made clear. For instance, the potential negative impacts on a personal, local economic and wider economic level of the suggested themes and aims not being supported or achieved could be made explicit.

217. We ask the FWC to confirm how it will expand its framework to provide evidence of the economic benefits of fair work.

218. Evidence from public bodies suggested that those providing public services were not always entirely clear about their role in promoting fair work.

219. One of the key outcomes of the FWC should be a definition of the role of public bodies in promoting and enforcing fair work practices.

220. We believe that there should be scope for the FWC to react to evidence once it reaches the next stage of its work, and as such that the framework developed by March 2016 should be flexible and aspirational but not prescriptive.
**Conclusion**

221. At the outset of our inquiry we sought to establish the current quality of employment in Scotland. We found that, despite encouraging labour market statistics, the quality of jobs has decreased for many since the beginning of the recession, and that many people find themselves today in insecure employment that limits their ability to provide for their families and plan for the future. Further to this, a substantial part of the workforce may be suffering ill-health, both mental and physical, as a result of poor quality employment and low autonomy at work. The impact on productivity and the resulting effect on the economy are of serious concern. It is clear, however, that the Scottish Government needs to do much more research in this area in order to inform future policy development.

222. The evidence we have received has been wide-ranging, and it would have been possible to extend this report to cover, in recommendations, issues such as employability funding, education and training, and concerns about the benefits system. We have chosen instead to focus our recommendations specifically on improving job quality – on research and monitoring, including developing a fair work index; setting standards; encouraging and promoting increased performance in health and safety, management, and employee engagement; and in promoting fair work practices through public agencies.

223. Echoing Professor Warhurst’s assessment, it is clear to us that people not only want a job that reflects their skills and capabilities, but also where they are respected, have a voice and are supported.

224. We believe that workers across Scotland are entitled to good quality employment. This should offer workers, as standard—

- regular and sufficient pay which allows for a decent standard of living;
- secure employment;
- safe working conditions;
- working hours known and mutually agreed in advance of shifts;
- a culture of mutual respect;
- training opportunities and routes for advancement; and,
- employee engagement in company/organisational decisions.

225. Underpinning all of our recommendations is the need for the Scottish Government, employers and trade unions to work together to drive up employment standards and eliminate bad practice.
226. We ask the Scottish Government to demonstrate, through the approaches discussed in this report, a commitment to ‘blocking the low-road’ for employers and ‘paving the high-road’ towards an empowered and healthy workforce. At the heart of this should be a firm commitment towards employee engagement and encouraging the strong management and leadership skills needed to involve the workforce in improving its own wellbeing. We expect the Scottish Government to embed these aims in all of the employment and business support programmes it funds.

227. The commitment that the Scottish Government has shown to date in promoting the fair work agenda is encouraging. The Cabinet Secretary has said that Scotland is “punching above its weight” on Living Wage accreditation. We believe that Scotland must continue to build upon this achievement in order to become a model of fair working practice that other countries can aspire to.
1 Economy, Energy and Tourism Committee, 6th Report, 2013 (Session 4): Underemployment in Scotland
4 Scottish Government. The Scottish Business Pledge.
9 Health and Sport Committee, 1st Report 2015 (Session 4), Report on Health Inequalities. (SP number 637) Paragraph 34.
11 Dumfries and Galloway Council, written submission.
12 CBI. Written submission.
13 FSB. Written submission.
16 Patricia Findlay, written submission.
19 SCDI. Written submission.
20 STUC. Written submission.
21 Oxfam. Written submission.
25 Oxfam Scotland. Written submission.
26 Professor Patricia Findlay. Written submission.
30 Scottish Government. Written submission.
31 Scottish Government. Written submission.
32 Telephone conversation between Scottish Parliament Information Centre and NIESR, 12th October 2015.
34 STUC. Written submission.
35 NHS Health Scotland. Written submission.
38 Professor Patricia Findlay. Written submission.
39 SDS. Written submission.
40 North Ayrshire Council. Written submission.
41 Scottish Enterprise. Written submission.
42 Close the Gap. Written submission.
43 Oxfam Scotland. Written submission.
44 Dumfries and Galloway Council. Written submission.
46 North Ayrshire Council. Written submission.
47 SDS. Written submission.
49 Close the Gap. Written submission.
50 CCSPS. Written submission.
53 SSSC. Written submission.
54 UNISON. Written submission.
The concept of ‘exclusionary employment’ can be summarised as low paid, insecure, low satisfaction and high stress work. Research is based on information derived from the Poverty and Social Exclusion survey. See Nick Bailey’s research.

CBI. Written submission.

FSB. Written submission.


WERS. The 2011 Workplace Employment Relations Study FIRST FINDINGS.


CMI. Webpage: Growing your small business: unlock the support you need.

SCDI. Written submission.


Scottish Enterprise. Written submission.


Employment and industrial relations, under the terms of the 1998 Scotland Act, Schedule 5, Section H1.


Accord Energy Solutions Ltd. Written submission.
Clansman Dynamics. Written submission.
Dow Investments. Written submission.
Scott and Fyfe Limited. Written submission.
Scottish Government. The Scottish Business Pledge.
Scottish Government. The Scottish Business Pledge.
Scottish Government. The Scottish Business Pledge.
Poverty Alliance. Written submission.
Correspondence from the First Minister to the Economy, Energy and Tourism Committee (30 October 2015).
Correspondence from the Cabinet Secretary for Fair Work, Skills and Training to the Economy, Energy and Tourism Committee (4 November 2015).
Economy, Energy and Tourism Committee
Taking the High Road - Work, Wages and Wellbeing in the Scottish Labour Market, 1st Report, 2016 (Session 4)
Annexe A

Glossary of terms

CAS – Citizens’ Advice Scotland
CBI – Confederation of British Industry
CCSPS - Coalition of Care and Support Providers in Scotland
CIPD – Chartered Institute of Personnel and Development
CoSLA – Convention of Scottish Local Authorities
DWP – Department of Work and Pensions
EOB/s – Employee owned business/es
FSB – Federation of Small Businesses
FWC – Fair Work Convention
GCPH – Glasgow Centre for Population Health
HIE – Highlands and Islands Enterprise
HSE – Health and Safety Executive
IMF – International Monetary Fund
LFS – Labour Force Survey
NHS – National Health Service
NIESR - National Institute of Economic and Social Research
NLW – National Living Wage
NPF – National Performance Framework
OECD - Organisation for Economic Co-operation and Development
ONS – Office for National Statistics
PHASS – Partnership on Health and Safety in Scotland
RSA – Regional Selective Assistance
SCDI – Scottish Council for Development and Industry
SCVO – Scottish Council for Voluntary Organisations
Economy, Energy and Tourism Committee
Taking the High Road - Work, Wages and Wellbeing in the Scottish Labour Market, 1st Report, 2016 (Session 4)

SDS – Skills Development Scotland
SLAED – Scottish Local Authorities Economic Development Group
SME/s – Small to medium enterprise/s
SHS – Scottish Health Survey
SSSC – Scottish Social Services Council
STUC – Scottish Trades Union Congress
USDAW – Union of Shop, Distributive and Allied Workers
WERS - Workplace Employee Relations Survey
Annexe B

Extracts from the minutes of the Economy, Energy and Tourism Committee and associated written and supplementary evidence

16th Meeting, 2015 (Session 4) Wednesday 10 June 2015
2. Work programme (in private): The Committee considered its work programme and agreed its approach to an inquiry on work, wages and wellbeing in the Scottish labour market. The Committee agreed to publish a call for evidence for the inquiry before the end of June 2015.

18th Meeting, 2015 (Session 4) Wednesday 24 June 2015
1. Work, wages and wellbeing in the Scottish labour market - witness expenses: The Committee agreed to delegate to the Convener responsibility for arranging for the SPCB to pay, under Rule 12.4.3, any expenses of witnesses in the inquiry.

2. Decision on taking business in private: The Committee also agreed to review evidence heard at future meetings, in connection with the Work, wages and wellbeing inquiry, in private.

3. Work, wages and wellbeing in the Scottish labour market: The Committee took evidence from—
   Lucy Stokes, Senior Research Fellow, National Institute of Economic and Social Research;
   Martin Taulbut, Public Health Information Manager, NHS Health Scotland;
   Elaine Drennan, Head of Employability, Skills & Lifelong Learning Analysis, Scottish Government;
   Anna Ritchie Allan, Project Manager, Close the Gap;
   Jamie Livingstone, Head of Oxfam Scotland;
   Patricia Findlay, Professor of Work and Employment Relations and Director, Scottish Centre for Employment Research, Department of Human Resource Management, University of Strathclyde;
   Stephen Boyd, Assistant Secretary, STUC.

4. Review of evidence heard: The Committee reviewed the evidence heard at today's meeting.
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Written Evidence
- NHS Health Scotland
- Scottish Government
- Close the Gap
- Oxfam Scotland
- Patricia Findlay
- STUC

20th Meeting, 2015 (Session 4) Wednesday 9 September 2015
2. Work, wages and wellbeing in the Scottish labour market: The Committee took evidence from—
Clare Bambra, Professor of Public Health Geography, Director, Centre for Health and Inequalities Research (CHIR), Durham University;
Lorna Kelly, Associate Director, Glasgow Centre for Population Health;
Martin Taulbut, Public Health Information Manager, NHS Health Scotland;
Sarah Jones, Head of Director’s Office, Scotland, Health & Safety Executive.
3. Review of evidence heard (in private): The Committee reviewed the evidence heard at today's meeting.

Written Evidence
- Professor Clare Bambra
- Glasgow Centre for Population Health
- NHS Health Scotland
- Health and Safety Executive

21st Meeting, 2015 (Session 4) Wednesday 16 September 2015
1. Work, wages and wellbeing in the Scottish labour market: The Committee took evidence from—
Anne Douglas, and Linda Urquhart, Fair Work Convention;
Denise Horsfall, Work Services Director - Scotland, Department for Work and Pensions;
Gordon McGuinness, Depute Director of Industry & Enterprise Networks, Skills Development Scotland;
Charlotte Wright, Sector and Business Development Director, Highlands and Islands Enterprise;
Caitriona McAuley, Head of Service (Economic Growth), Economy and Communities, North Ayrshire Council and SLAED;
Jane Martin, Managing Director Customer Operations, Scottish Enterprise.
2. Review of evidence heard: The Committee reviewed the evidence heard at today's meeting.

Written Evidence
- Fair Work Convention
- Skills Development Scotland
- Highlands and Islands Enterprise
- North Ayrshire Council
- Scottish Enterprise

22nd Meeting, 2015 (Session 4) Wednesday 23 September 2015
2. Work, wages and wellbeing in the Scottish labour market: The Committee took evidence from—

Neil Carberry, Director for Employment & Skills, CBI.

3. Review of evidence heard (in private): The Committee reviewed the evidence heard at today's meeting.

Written Evidence
- CBI

23rd Meeting, 2015 (Session 4) Wednesday 30 September 2015
1. Work, wages and wellbeing in the Scottish labour market: The Committee took evidence from—

Professor Chris Warhurst, University of Warwick;
Dr John McGurk, Head of CIPD Scotland, CIPD;
Dave Watson, Scottish Organiser, Unison;
Rob Gowans, Policy Officer, Citizens Advice Scotland;
Liz Cairns, Research Officer, Unite.

2. Review of evidence heard (in private): The Committee reviewed the evidence heard at today's meeting.

Written Evidence
- Professor Chris Warhurst
- CIPD Scotland
- Unison
- Citizens Advice Scotland
- Unite
24th Meeting, 2015 (Session 4) Wednesday 7 October 2015
2. Work, wages and wellbeing in the Scottish labour market: The Committee took evidence from—
Colin Borland, Senior Head of External Affairs, Federation of Small Businesses;
Alan Spence, Director, Accord Energy Solutions Limited;
Duncan White, Senior Campaigning Officer, UK Homecare Association;
Robert Kilgour, CEO, Dow Investments;
Dr Matthew Dutton, Senior Research Fellow, Employment Research Institute, Edinburgh Napier University.
3. Work, wages and wellbeing in the Scottish labour market (in private): The Committee reviewed the evidence heard at today's meeting.

Written Evidence
- Federation of Small Businesses
- Accord Energy Solutions Limited
- Dow Investments
- Dr Matthew Dutton

26th Meeting, 2015 (Session 4) Wednesday 28 October 2015
5. Work, wages and wellbeing in the Scottish labour market: The Committee took evidence from—
Karen Whitefield, Campaigns Officer, USDAW.
6. Review of evidence heard (in private): The Committee reviewed the evidence heard at this meeting.

Written Evidence
- USDAW

27th Meeting, 2015 (Session 4) Wednesday 4 November 2015
5. Work, wages and wellbeing in the Scottish labour market: The Committee took evidence from—
Roseanna Cunningham, Cabinet Secretary for Fair Work, Skills and Training, Joe Griffin, Director, Fair Work, and James Boyce, Labour Market Statistician, Employability and Skills Analytical Services, Scottish Government.
3. Work, wages and wellbeing in the Scottish labour market (in private): The Committee agreed its approach to its draft report on the inquiry.
30th Meeting, 2015 (Session 4) Wednesday 25 November 2015
5. Work, wages and wellbeing in the Scottish labour market (in private): The Committee considered a draft report.

31st Meeting, 2015 (Session 4) Wednesday 2 December 2015
1. Work, wages and wellbeing in the Scottish labour market (in private): The Committee considered a draft report.

32nd Meeting, 2015 (Session 4) Wednesday 9 December 2015
5. Work, wages and wellbeing in the Scottish labour market (in private): The Committee considered a draft report.

1st Meeting, 2016 (Session 4) Wednesday 6 January 2016
1. Work, wages and wellbeing in the Scottish labour market (in private): The Committee considered a revised draft report. Various changes were agreed to, and the report was agreed for publication.
Annexe C

List of other written evidence

- Aberdeenshire Council
- Barnardo's Scotland
- Coalition of Care and Support Providers in Scotland
- Clansman Dynamics
- Construction Industry Training Board (CITB)
- CRER
- Dumfries and Galloway Council
- Employee Ownership Association
- European Confederation of Trade Unions
- Investors in People Scotland
- John Lewis Partnership
- Nourish Scotland
- Renfrewshire Council
- Scott & Fyfe Limited
- Scottish Commission on Older Women
- SCDI
- Scottish Social Services Council
- SCVO
- Social and Public Health Sciences Unit (SPHSU) and the Scottish Collaboration for Public Health Research and Policy (SCPHRP)
- South Lanarkshire Council
- The Action Group
- The Equality and Human Rights Commission
- The Poverty Alliance
- The Scottish Retail Consortium
- The Scottish Women’s Convention
- Working Families
- Yvonne Galt-Gourley

Supplementary written evidence

- Scottish Enterprise
- STUC