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Work
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Ms Siobhian Brown MSP
Convener
Covid-19 Recovery Committee
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Dear Siobhian,

Inquiry into the impact of the pandemic on Scotland's labour market

Thank you for a copy of the report on 7 February which outlined the observations and recommendations of the Covid-19 Recovery Committee regarding the impact of the pandemic on Scotland's labour market, and in particular long-term illness and early retirement as drivers of economic inactivity.

I have addressed the issues raised in your letter in the following annex and I hope that the Committee finds this information useful.

Yours sincerely,

Richard Lochhead

ANNEX A – Scottish Government responses

The Committee notes the Scottish Government’s evidence that for every £1 that employers invest in mental health support for their employees, they will receive an estimated £5 return on their investment. **The Committee recommends that the Scottish Government should prioritise raising awareness of this research and working with employers to invest more in mental wellbeing services.**

Response

Early intervention and prevention are key priorities for the Scottish Government in taking forward our approach to mental health and wellbeing. Our aim is to support people to positively engage with their mental health at an early stage, promoting and supporting the conditions for good mental health and wellbeing at a population level. We are taking forward a range of key actions to achieve this, aiming to reduce the need for clinical interventions by helping to address some of the social determinants of mental health.

We know that creating workplaces which support and promote good mental health, benefits both individuals and employers. As the committee notes, evidence shows that for every £1 an employer spends on mental health interventions, they can expect to see a return on their investment of around £5.¹

This evidence is included in the [Supporting Mentally Healthy Workplaces](#)² online employer platform which was launched last year by the Scottish Government in partnership with Public Health Scotland. The platform aims to help employers create and maintain mentally healthy workplaces, signposting employers to free sources of support, information and guidance on mental health and wellbeing, including a wide range of staff learning and development opportunities as well as a number of case studies from employers.

We are continuing to engage with stakeholders and delivery partners on employment and mental health. This includes working with employers to seek their feedback on the content of the platform from a user’s perspective, to allow us to develop and update the platform, ensuring that it meets the needs of employers across Scotland.

Through this continued engagement with employers, a gap was identified for a mental health and wellbeing practice sharing network. Scottish Government officials are working with partners to establish this network, with the first meeting planned within the first quarter of 2023.

¹ <https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/consultancy/deloitte-uk-mental-health-report-2022.pdf>

² www.healthyworkinglives.scot/mentalhealth

The Committee also welcomes the work being led by some industry bodies on supporting the development of flexible working policies to support employee wellbeing. The Committee seeks clarification on **what action the Scottish Government is taking to support industries to develop practical resources for employers to support the adoption of flexible working policies and share best practice.**

Response

A [recent publication](#)³ by flexible working experts, Flexibility Works, tells us that 2 in 5 workers need flexible working, or they just can't work at all. That 1 in 3 would like to change jobs but won't because they're worried they won't get flex elsewhere, and almost half will only apply for a new role if it specifically mentions flexible working. Even noting that 1 in 5 are considering giving up work because of a lack of flexibility. In recognition of this we will continue to promote existing and new advice and guidance on the benefits of flexible working to organisations across Scotland by working with public bodies to assess provision and highlight best practice throughout this parliamentary term. To support this:

- We are providing a total of £222,000 in funding over 2022/23 to flexible working experts Flexibility Works to promote (and support employers across Scotland to adopt) flexible and family friendly workplaces.
- Since 2019 we have also provided funding of £350,588 to Timewise to deliver 'A Fair, Flexible Work Programme for Scotland'. This focused on training a network of 70 Change Agents, both employment professionals and employability advisers on how to promote flexible working to employers and individuals. The [summary report](#)⁴ for this was published on 20 September 2022. Across the two year programme 2,900 employers and 2,895 parents or carers received advice and support, with feedback demonstrating that the majority of Change Agents felt better equipped to advise and encourage employers to offer fairer flexible working to employees and jobseekers
- In addition we are now providing £36,000 in FY 2022/23 for the production of a 2022 Scottish Flexible Jobs Index, due to be published at the start of April this year, and a nine month on evaluation of the Fair Flexible Work programme, report due in May.
- In October 2021 our flagship Fair Work First (FWF) approach to public sector spend was expanded to include new criteria that asked employers to offer flexible working from day one of employment. FWF has been applied to over £4bn of public funding since 2019.

By end 2023 we will work with partners to join up provision of advice and support for employers by establishing a central Fair Work resource, making it as simple and efficient as possible for employers to use. This would enhance and consolidate existing material to ensure employers have a clear route to access guidance, support and advice on Fair Work. It will involve:

- Advice and tools to promote the benefits of Fair Work and workplace equality
- Good practice case studies
- Advice on networking and establishing peer support groups
- Collaboration with existing trusted business support services and partners.

³ <https://www.flexibilityworks.org/flexible-working-research/beyond-hybrid-why-all-kinds-of-flexible-working-matter-in-2023-2/>

⁴ <https://timewise.co.uk/wp-content/uploads/2022/09/Scotland-Fair-Flexible-Work-Summary-Report.pdf>

We continue to liaise with colleagues in the UK Government Department for Business, Energy & Industrial Strategy (BEIS) on the UK-wide policy and legislative programme following outcomes from the Making Flexible Working the Default consultation.

The Committee notes that chronic illness is a leading reason for economic inactivity in Scotland. The Committee seeks **clarification from the Scottish Government on what guidance and support it is providing within its devolved powers to employers to implement fair work employment policies, including sick leave and return-to-work programmes, that are tailored to the needs and experiences of people with chronic illnesses, including Long COVID.**

Response

While employment law, including around statutory sick pay, remains reserved to the UK Government, we will use our Fair Work policy to promote fairer work practices across the labour market in Scotland.

We endorse the [Fair Work Convention's Framework](#)⁵ which sets out 5 key Fair Work dimensions, including respect, which at its most basic, respect involves ensuring the health, safety and well-being of others. Working with Scottish Enterprise, we have developed a Fair Work Employer support tool, which provides employers with advice and guidance on how to strengthen fair working practices. For Fair Work First, we have published guidance to support employers and public sector funders to apply and adopt the Fair Work First criteria.

With regards to employee health; we support services such as Healthy Working Lives which provides guidance and support to employers on employee physical and mental health, return to work services through SALUS Occupational Health, and medical support through Working Health Services Scotland. These services provide vital support to those with chronic conditions, including Long Covid. From those who have used the services to date, feedback is positive and satisfaction rates remain high. However, continued marketing and promotion of activities and services to employees, and their representative bodies, will be key to maintaining and growing engagement.

As the Committee will be aware from its current inquiry on long COVID, the Scottish Government has established a £10 million long COVID Support Fund and made an initial £3 million from the fund available this year to support NHS Boards to develop clearer and more co-ordinated pathways of support for people living with long COVID. In developing these pathways, close links are being forged with NHS Boards' Occupational Health Services to provide NHS employees living with long COVID with access to appropriate support to remain in or return to work.

Additionally, the Scottish Government supports health at work through its [Fair and Healthy Work for All Strategy](#)⁶, we are currently reviewing and updating the recommendations contained in this Strategy to meet changing demands resulting from the Pandemic.

Where powers are reserved we collaborate with bodies such as the Health and Safety Executive on employee safety, and the Department for Work and Pensions on the implementation of the new Fit Note legislation and their 'Health is Everyone's Business' consultation. Health and work outcomes are dependent on both devolved and reserved powers and it is therefore vital to have high levels of coordination and understanding between these areas, something which we seek to facilitate.

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⁶ <https://www.gov.scot/publications/fair-healthy-work-review-scottish-governments/>

More broadly on employability support the Scottish Government has committed to ensuring everyone has access to support that will help them towards and into sustainable employment. This is being done through a combination of locally designed services, delivered through No One Left Behind, and our national employment service, Fair Start Scotland. Through our employability services we are providing person-centred, tailored employability support to those further from the labour market including those with long term health conditions.

Statistics published on [22 February](#)⁷ show that 62% of people receiving support through Fair Start Scotland reported a long-term health condition and 44% were disabled.

No One Left Behind provides person centred support and the needs of the individual determine the scale, scope and duration of the support required. There is no fixed duration or content and the person, and their employer where appropriate will receive the support they need for employment to be sustained.

Fair Start Scotland offers 12-18 months of personalised, one-to-one support, tailored to individual circumstances and up to 12 months in-work support, offering a package of support for the employer and their new employee to ensure people remain supported during employment.

⁷ <https://www.gov.scot/publications/scotlands-devolved-employment-services-statistical-summary-17/documents/>

The Committee notes that for people who are far away from the labour market, wrap-around employability services, like the Fair Start Scotland programme, are essential for supporting people into employment. Good work is being done using this and other available employability funding programmes. The Committee considers that best practice should be shared and implemented across all local authorities. **The Committee invites the Scottish Government to consider how it can use the findings from its evaluation of the Fair Start Scotland programme to embed best practice across all local authorities.**

Response

The Scottish Government remains committed to investing in employability and training to help the economy recover and allow people to fulfil their potential, with over £110m being made available in the Scottish Budget for delivery of employability support in 2023-24.

Statistics published on 22 February show there were 54,030 starts on Fair Start Scotland from April 2018 to December 2022 and 18,819 job starts. Experimental statistics for No One Left Behind show that 29,279 people started receiving support in the first three and a half years from April 2019 to September 2022.

There has been a comprehensive evaluation programme covering the first 5 years of Fair Start Scotland service delivery. This has gathered evidence from Fair Start Scotland Service Providers, participants and key delivery partners and fed in to continuous improvement activity. The next Fair Start Scotland evaluation report is due to be published later this year and will cover years 4 and 5 of delivery (from April 2021 to March 2023). Evaluation activity for the remaining years of delivery is currently being scoped.

The findings and learning from our Fair Start Scotland evaluation work will influence and drive continuous improvement of our employability services to ensure that it delivers better outcomes for the people of Scotland.

Building on the successful implementation of Fair Start Scotland and using findings from previous evaluations, we are working with local government partners and the public, third and private sector to embed and share our learning to shape and develop an employability system that delivers joined up, flexible, responsive, person-centred provision through our No One Left Behind approach.

Our focus on improvement continues to be taken forward with input from partners across the public, third and private sectors, as well as with service users via Fair Start Scotland and our Employability Services Lived Experience Panel.

To help us meet this ambition, we have developed the [Shared Measurement Framework](#) (SMF)⁸ that helps us to articulate and measure success, that enables this ambition – and our wider shared Purpose as set out in the National Performance Framework – to be achieved.

The SMF sets out a shared understanding of how we measure the impact of employability services focusing on what is working for people. This will help us to identify what is working well and having the greatest impact and share good practice to drive continuous improvement.

Partnership Working is integral to the success of No One Left Behind. To realise our ambitions we are taking a collective approach to employability where Scottish and Local Government are working in partnership with third, public and private sectors and service users themselves as we work to design, deliver and continuously improve the Scottish Approach to employability.

The No One Left Behind approach allows for a place-based approach to funding and the design of services driving the integration of services and aligning with the opportunities and challenges present in each local area.

Whilst No One Left Behind provides flexibility at a local level to design, deliver and fund services that provide personalised and wrap around support as required, there is a need to ensure a level of consistency. Therefore we have developed some national products including a Customer Charter and Service Standards in consultation with a Lived Experience Panel with representatives from groups further from the labour market. As part of our ongoing commitment to continuous improvement, we will work with partners and service users to review how these are being utilised and whether they require to be amended to ensure better outcomes for those people using services.

⁸ <https://www.employabilityinscotland.com/media/pgujxbke/for-publication-shared-measurement-framework-updated-december-2022.pdf>

The Committee welcomes the Scottish Government's progress on reducing the disability employment gap in line with its existing 2038 target. The Committee notes that the provision of reasonable adjustments appears to be a significant and ongoing barrier to eradicating the disability employment gap. The Committee seeks **clarification from the Scottish Government on what steps it is taking to monitor and support the provision of reasonable adjustments by employers.**

Response

The Scottish Government agrees that this is an important issue - however there is currently no mechanism that would allow the Scottish Government to monitor the provision of reasonable adjustments. Reasonable adjustments are required by law - however, equality legislation is reserved to the UK Government, and enforcement and compliance of this are matters for the courts and for the Equality and Human Rights Commission (EHRC). EHRC is independent and cannot be directed by Scottish Ministers. As it is a reserved public body its powers cannot be changed by the Scottish Parliament.

The Equality Act 2010 places a duty - Public Sector Equality Duty (PSED) on public authorities to have due regard to the need to eliminate unlawful discrimination, advance equality of opportunity and foster good relations. The Act requires service providers to make reasonable adjustments in circumstances where a disabled person is placed at a substantial disadvantage in comparison with non-disabled people. That requirement covers changing the way things are done; making changes to the built environment; and providing auxiliary aids and services. The [Equality and Human Rights Commission has produced a Code of Practice⁹](#) that gives more information on the application of reasonable adjustments, and where to get advice and support if an individual's needs are not met or they want to contest an employer's decision. This may include, for example, an individual making a disability discrimination claim to an employment tribunal, if they do not get the reasonable adjustments they need at work, and are unable to resolve directly with the employer.

The Department for Work and Pensions' 'Health is Everyone's Business' consultation looked at a number of proposals to minimise the risk of ill-health related job loss through better workplace support for disabled people and those with long-term health conditions. This included seeking views on helping employers to improve support for employees during return to work. In response, the UKG will not be implementing the proposal for a new right for non-disabled employees to request workplace modifications on health grounds to assist their return from sick leave. UKG indicated this was due to risks identified by consultation respondents re introducing new legislation (e.g. creating confusion in an already complex area and potentially undermining existing workplace protections) and feedback highlighting issues with the existing framework. UKG will instead take steps to increase awareness and understanding of existing workplace rights and responsibilities, in particular the duty to make reasonable adjustments under the Equality Act 2010 for disabled employees.

⁹ <https://www.equalityhumanrights.com/en/multipage-guide/reasonable-adjustments-practice>

However, in Scotland, we are also using Fair Work guidance, tools and messages to raise awareness and create understanding of how to make workplaces more inclusive and accessible, including around the requirement to make reasonable adjustments, and what it may mean. We are also seeking to improve awareness and uptake of the DWP's Access to Work programme, which can provide vital funding support to enable disabled people to enter and/or remain in work. In conjunction with DWP, we established the Scottish Access to Work Stakeholder Forum in October 2020. It gives stakeholders the opportunity to engage directly with DWP on this crucial programme of support, enabling them to help improve policy and practice in relation to the programme. We continue to push for DWP to improve awareness of the programme, to ensure all those who may be entitled to support are able to access it.

By end 2022/23 we will also have invested £1M into our Public Social Partnership (PSP) which is working to improve the recruitment and retention rates for disabled people, and their experience in the workplace, by developing and testing different types of support for employers. This includes addressing the gaps in employer knowledge and expertise in providing reasonable adjustments.

The Committee notes the evidence from Professor Sir Aziz Sheikh that the pandemic has shown that Scotland has the potential to be a world-leader in using health data to inform public policymaking, including policies aimed at tackling economic inactivity and its underlying causes. The Committee heard in evidence that the biggest barriers to realising this ambition appear to be a lack of "instruction, resources and permissions". The Committee seeks **clarification from the Scottish Government on its response to this evidence, including what amount, it is investing in the advances made in health data analysis during the pandemic in wider policy areas, particularly initiatives to support the preventative health agenda and open access public health data.**

Response

Scottish Government is building on the legacy of the COVID-19 pandemic by deepening its collaboration with Public Health Scotland (PHS), developing a dashboard of local public health data. This is part of the Care and Wellbeing Portfolio, which aims to improve population health and reduce the health inequalities highlighted by the COVID-19 pandemic through continuing to prioritise investment in services that support primary prevention. Primary preventative interventions are those that improve the fundamental building blocks of wellbeing, for example through learning, communities, and population health policies.

This is supported by the Scottish Government's digital health and care strategy, with the latest strategy [published on 22 February](#)¹⁰. One of the key ambitions of the Data Strategy is to ensure fit for purpose data is readily accessible through secure and safe means for planning, research and innovation. Data will be used for the benefit of individual wellbeing and the public collectively, including the development of new and innovative ways of working, improving care, developing new treatments and technologies. To help us achieve that ambition, the Strategy aims to support access to data for research and innovation purposes in a more streamlined manner.

¹⁰ <https://www.gov.scot/publications/data-strategy-health-social-care-2/>

The Committee also considers that there is an opportunity for greater cross-portfolio working between the health and economy portfolios to reduce economic inactivity. The Committee welcomes the publication of the wellbeing economy monitor, which aims to provide a baseline to measure progress towards a wellbeing economy. **The Committee invites the Scottish Government to consider including measures of health-rated reasons for economic inactivity as additional indicators in the monitor**

Response

The Scottish Government shares the Committee's view of the important relationship between health and economy outcomes, as detailed in earlier parts of this response. The Wellbeing Economy Monitor is intended to provide a broad picture of wellbeing outcomes. It currently includes the rate of preventable deaths as a high-level indicator of health.

We are planning to review the set of indicators included in the national Wellbeing Economy Monitor in 2024. This timing will allow us to respond to any lessons learned through the review of the National Performance Framework. It will also allow us to align the Monitor with any changes that might be made to the Framework as a consequence of the review. When we undertake the review of the Monitor's indicators we can consider whether including additional indicators of health-related reasons for economic inactivity would be appropriate.

Ahead of that review, it should be noted that data on health-related reasons for economic inactivity are published annually by the Scottish Government in *Scotland's Labour Market: People, Places and Regions - Statistics from the Annual Population Survey*. Quarterly data from the Annual Population Survey is available from the ONS.

The Committee notes that flexible working practices are a priority for many older workers, which would incentivise them to stay in the labour market for longer. The Committee considers that the Scottish Government's proposal to establish a Centre for Workplace Transformation is a laudable policy ambition to embed some of the learning gained from the pandemic on flexible working. Notwithstanding current inflationary pressures on the Scottish budget, the Committee was disappointed to learn that this policy commitment has not been delivered within the 2022 target. The Committee **calls on the Scottish Government to clarify its plans for delivering this policy ambition, including any costings and delivery options that it has explored for implementing the policy commitment.**

Response

There are already a number of institutions and programmes which are dedicated to improving workplace productivity and wellbeing, and which are already effectively engaging with businesses at scale. Establishing a new Centre for Workplace Transformation (CFWT) would have added to this landscape. In the current fiscal and economic climate, we have had to make some tough decisions around prioritising our commitments to ensure help reaches those who need it most and therefore, in order to ensure the best value for money, we have decided not to open a dedicated new Centre. Instead, officials will explore opportunities to pursue the aims of the CFWT through the National Strategy for Economic Transformation (NSET) projects, other Scottish Government initiatives, and discussions with partners.

Ministers do however recognise the environmental, health and wellbeing benefits, and efficiency gains that a four-day working week could bring and remain committed to exploring the benefits of a four-day working week in the public sector. Officials are in discussion about how best to develop and implement the pilot. This work will continue to be informed by experience drawn from similar projects in other countries, and elsewhere in the UK.