

**Official Report** 

# ECONOMY, ENERGY AND TOURISM COMMITTEE

Wednesday 24 June 2015

Session 4

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# ECONOMY, ENERGY AND TOURISM COMMITTEE 18<sup>th</sup> Meeting 2015, Session 4

#### CONVENER

\*Murdo Fraser (Mid Scotland and Fife) (Con)

#### **DEPUTY CONVENER**

\*Dennis Robertson (Aberdeenshire West) (SNP)

#### **COMMITTEE MEMBERS**

\*Chic Brodie (South Scotland) (SNP) \*Patrick Harvie (Glasgow) (Green) \*Johann Lamont (Glasgow Pollok) (Lab) \*Richard Lyle (Central Scotland) (SNP) \*Gordon MacDonald (Edinburgh Pentlands) (SNP) \*Lewis Macdonald (North East Scotland) (Lab) \*Joan McAlpine (South Scotland) (SNP)

#### \*attended

#### THE FOLLOWING ALSO PARTICIPATED:

Stephen Boyd (Scottish Trades Union Congress) Elaine Drennan (Scottish Government) Professor Patricia Findlay (University of Strathclyde) Jamie Livingstone (Oxfam Scotland) Anna Ritchie Allan (Close the Gap) Lucy Stokes (National Institute of Economic and Social Research) Martin Taulbut (NHS Health Scotland)

#### **C**LERK TO THE COMMITTEE

Douglas Wands

LOCATION The Robert Burns Room (CR1)

# **Scottish Parliament**

### Economy, Energy and Tourism Committee

Wednesday 24 June 2015

[The Convener opened the meeting at 09:45]

### Witness Expenses

**The Convener (Murdo Fraser):** Good morning, ladies and gentlemen. Welcome to the 18th meeting in 2015 of the Economy, Energy and Tourism Committee. I welcome our members, our witnesses—who I will introduce shortly—and visitors to the public gallery.

I remind everyone to turn off or turn to silent all mobile phones and other electronic devices so that they do not interfere with the committee's work. As a small housekeeping issue, it is quite warm in here, so people may feel free to remove their jackets; they will not be reprimanded for inappropriate dress.

Item 1 is witness expenses for the inquiry into work, wages and wellbeing in the Scottish labour market. Are members content that responsibility is delegated to the convener for arranging for the Scottish Parliamentary Corporate Body to pay, under rule 12.4.3, any expenses of witnesses to our inquiry?

Members indicated agreement.

# Decision on Taking Business in Private

#### 09:46

**The Convener:** Item 2 is a decision on taking business in private. Members are asked whether they agree to take item 4, which is to review the evidence that we hear at today's meeting, in private. Do members agree to do so?

Members indicated agreement.

The Convener: I also ask committee members whether they agree that all reviews of evidence heard at future meetings in connection with the work, wages and wellbeing inquiry be taken in private. Do we agree?

Members indicated agreement.

## Work, Wages and Wellbeing Inquiry

#### 09:47

**The Convener:** Under item 3, we will take evidence on our inquiry into work, wages and wellbeing in the Scottish labour market.

I welcome our first panel. Martin Taulbut is the public health information manager of NHS Health Scotland. We are also joined by Lucy Stokes, a senior research fellow at the National Institute of Economic and Social Research, and Elaine Drennan, head of employability, skills and lifelong learning analysis at the Scottish Government. Welcome to you all.

We have two presentations this morning: one from NHS Scotland and one from NIESR. We will allow roughly 15 minutes for each, starting with NHS Scotland.

I will allow the presenters to run through their presentations without interruption. If members want to ask about points of clarification, they can catch my eye and we will interrupt, but we will keep substantive questions until we have seen both presentations, at which point the three witnesses can answer any questions.

We will allow about 15 minutes for each presentation and about 45 minutes for discussion afterward.

Martin Taulbut (NHS Health Scotland): Thank you very much for the opportunity to come along this morning. In my presentation, I will talk about work and health, why it matters for Scotland and what might be done.

The first point to get across is that being out of work is bad for health. It increases the risk of premature mortality and illnesses, particularly mental health problems. The second point is that good-quality work is better for health than bad work. I will define what precisely is meant by that later. Thirdly, the underpinning social security systems are important, as they can act to protect or destroy health. Fourthly, there is a substantial overlap between bad work and no work. People who are most exposed to the risk of being out of work are also most likely to be looking for work that is bad for their health. My final point, which is the bright spot, is to emphasise that none of what I am saving is inevitable; much can be done about it

In the slides that I am showing you and in the written evidence that we submitted, we drew on a study that gathered evidence from more than 40 international studies. It showed that premature

mortality among the unemployed was more than 60 per cent higher than it is among those in work.

The data in slide 3 is specifically for Scotland and it shows the risk of premature mortality for adults aged 35 to 64. It is based on a sample of people who were taken from the 1991 census and followed up for seven years. What you see on the y axis is the risk of premature mortality. The comparison here is being in work—being in work is 1. If the bar moves above 1, the risk of premature mortality increases. If we compare the unemployed to the employed, we can see that the risk of premature mortality increases by almost 60 per cent. As I have said, that is in line with the international studies. The risk extends to the early retired and the permanently sick.

Not all jobs are equal; some jobs are better than others. What makes a job good for health, though? We can draw on the evidence, at least to get some clearer ideas about what that might involve. Ideally, you would want employment that reduces poverty and insecurity. You would also want there to be an appropriate balance between the level of control and demand at work.

What I mean by that is that there is strong evidence, initially from the Whitehall studies—we have accumulated quite a lot more evidence over the past 30 years—that a fairly demanding or stressful job is not necessarily bad in itself, but it seems to be particularly bad for your health if you have less control over what you do in your job and how you go about it. It even extends to things like how easy it would be for you to take time off in a family emergency. Could you take time off readily? Would that be an issue? A demanding job combined with limited control is especially bad for health, although manager and colleague support can help to protect somewhat against the ill effects of employment.

Another issue is when effort and reward are out of kilter. The Whitehall studies and other research showed that, when there is a perceived imbalance between the effort that people put in at work and the reward that they receive, it has a detrimental effect in that it increases the risk of not only premature mortality but of illness more generally.

To illustrate that, I am using some data from the Scottish health survey. On the y axis is a measure of mental health problems relating to the GHQ-12, which is the 12-item general health questionnaire. A high GHQ-12 score could indicate a mental health problem. Along the bottom, I have divided the categories of people in employment in the Scottish health survey into different groups according to two characteristics—how much control they report having over their work and whether they are in a low, mid or high-income household. You can see that a high proportion of the people with a possible mental health problem have a low household income and less control over their work.

On the far left-hand side of the graph, you will see that those with the lowest level of possible mental health problems have medium or high household incomes and a high degree of control over their work. You will notice that there is not a simple distinction between one group that is, "Oh, that's bad," and everyone else; the graph shows a gradient. Essentially, it is reasonable to argue that you have to look at the degree of control that people have over their work as well as the amount of income that is going into people's households.

I want to talk about the underpinning to that, using a slide entitled "Social security and health". I will show that the type and design of the social security system matters. The data is from Frank Popham and colleagues, and it was published in 2013. They compared the inequalities in life expectancy between groups with the highest life expectancy and groups with the lowest life expectancy in a range of countries. They grouped those countries into different categories depending on how we would describe their welfare states. There are the ex-Soviet welfare states and the Nordics, then the Bismarckian systems, which are the more insurance-based systems that are used in Germany, Belgium and the Netherlands, and then there are the Anglo-Saxon systems.

The relevant point is that Scotland is around the middle of the pack. We may not be the worst at protecting against inequalities, but we are certainly not among the best. The Nordic welfare states seem to be best at reducing inequalities in mortality. A similar point can be made for women: the Anglo-Saxon states are not among the worst but they are certainly not the best. The southern European systems and the Bismarckian systems that apply in countries such as Germany, the Netherlands and Belgium are more effective at reducing health inequalities.

When looking at the role of work in reducing inequalities, it is important to look at both the quantity and the quality of the work that is available. The slide that you are looking at shows some data that compares the number of vacancies reported through the employer skills survey in 2013 with the number of unemployed people, using the survey-based measure in the annual population survey. In Aberdeen and Aberdeenshire, for every 10 unemployed people there were around 10 job vacancies. If everything was equal, it might be suggested that it would be relatively easier to secure employment in that part of Scotland. Everything is not equal, but let us move on.

In 2013 in Tayside, the Forth valley and Glasgow and the Clyde valley, for every 10 unemployed people there were just two job

vacancies. If all things were equal, it would be much harder for someone seeking work to secure employment in those parts of Scotland.

I want to illustrate the effects of quality of work through a graph that uses the GHQ-12, which, as I said, is a measure of possible mental health problems. Higher scores on the y axis indicate an increase in the possibility of mental health problems. The horizontal axis shows the best and worst of occupations, ranked by the possibility of mental health problems. The graph just shows preliminary results for men, but they illustrate what is going on. You can see that the highest risk of mental health problems among men in employment is observed in customer service occupations, which might include contact centre jobs. Elementary trades, including warehousemen and labourers, are another big category. Because they are dominated by women, caring personal services are a smaller category for men, but a higher proportion of the people who work in that sector are at a greater risk of mental health problems.

At the other side of the graph, we see occupations that have a rather lower risk of mental health problems. They include a number of professions and, for example, skilled metal and electrical trades and protective services.

The benefits of promoting good work and fair employment are illustrated on a graph that is based on some work by the Scottish public health observatory that was published at the end of last year. It used the informing investment to reduce health inequalities tool, or III for short, and it looked at a range of health interventions and the contribution that they might make to improving population health and reducing health inequalities. As you move along the right of the graph, you see population health improving and you start to accumulate lives possibly being saved through particular interventions. As you move down the graph—below zero—you see inequalities in health falling. Those who are most disadvantaged are gaining more and the health gap is narrowing.

#### 10:00

Thankfully, a lot of the interventions that we modelled have that effect. They all sit in the bottom right-hand quadrant and they both improve population health, increasing the number of lives saved, and reduce health inequalities. Among the most effective measures for reducing health inequalities is the living wage. It is quite effective in its population health reach and modestly effective at reducing health inequalities, but it is not the most poverty-reducing measure because of the way in which employment and those paid who are paid below the living wage are structured in the economy and the type of households they live in. Although the living wage has a relatively positive effect, the most effective measure for reducing health inequalities of those that we looked at, is an increase in the value of jobseekers allowance and income support. Increased employment is also effective at improving population health and reducing health inequalities when it is targeted at the most deprived areas of Scotland.

What might help? In our written evidence, we have suggested a number of interventions, which I will summarise briefly. The first is looking at job creation proportionate to need. The second is taking a more balanced approach to social security and looking at personal circumstances in more detail—including issues such as childcare and the health conditions of people who are in work. Also, when people move from being out of work to being in work, we should ask whether we can do anything to support them better to remain in employment and, therefore, sustain the health gains.

The third intervention is increasing wages and benefits. You have to look at increasing the income that is going into households as well as improving the quality of work. The fourth intervention is improving job quality and the voice of workers. That could include things such as improved collective bargaining, and you could consider legislation that would give workers a stronger voice and perhaps ensure greater enforcement to improve the quality of employment.

I will finish with a wee quote from Robert Burns—I am not going to do an Ayrshire accent.

Chic Brodie (South Scotland) (SNP): That is just as well.

Martin Taulbut: He wrote:

"I'll count my health my greatest wealth, Sae lang as I'll enjoy it: I'll fear nae scant, I'll bode nae want, As lang's I get employment."

I think that there is a word missing from that final line, which should read "As lang's I get fair employment."

Thank you for your time. I hope that that has been useful and that I have finished on time.

**The Convener:** Yes, and you have finished exactly on time. Thank you very much. We will have a very brief suspension to allow a changeover.

10:03

Meeting suspended.

10:04

#### On resuming-

**The Convener:** Our next presentation is from Lucy Stokes, who is a senior research fellow at the National Institute of Economic and Social Research. Lucy, you have 15 minutes.

Lucy Stokes (National Institute of Economic and Social Research): Thank you for inviting me to be here and for giving me the opportunity to talk about the workplace employment relations study.

The remit for this presentation was to talk about the workplace employment relations study— WERS as it is known for short—and its findings in respect of job quality. WERS covers Great Britain, so I should say at the start that most of the findings that I will talk about apply to Great Britain as a whole.

First, I will give you a brief introduction to what WERS is in order to place the findings in context. I will then talk about the changes in various aspects of job quality in Britain between 2004 and 2011. Covering some of the aspects that Martin Taulbut talked about, I will look at changes in job security, work intensity and job autonomy, and some changes in the types of support that employers might provide—for example, training provision and arrangements for facilitating work-life balance. I will then move on to look at relations between managers and employees, which is another important aspect of job quality, and I will talk about some findings in respect of job satisfaction.

I note at the start that I will not be talking about information on wages today, even though pay is, of course, an important aspect of job quality, as we have already heard. WERS collects some information on pay, but there are other data sources that are better placed to give you a more detailed and up-to-date reflection of trends in earnings.

Although I will focus mainly on findings for Great Britain as a whole, we have some selected findings that are specific to Scotland, so I will, of course, also mention those.

I begin with a brief overview of the key findings. In Great Britain as a whole, some aspects of job quality declined between 2004 and 2011. We have seen falling job security and increasing work intensity. Other aspects have shown some improvement. For example, there have been improvements in the control that employees have over their jobs and in some aspects of support. We have also seen some clear differences between trends in the public and private sectors, with employees in the public sector typically faring worse in the period. The findings that we have for Scotland show some similarity to the patterns that we observe for Great Britain as a whole.

WERS is a national survey that maps the state of employment relations and working life in British workplaces with five or more employees. It is unique and comprehensive in that it collects information from managers, employees and workplace representatives—union and nonunion—within the same workplace. It is a wellestablished study: the first survey was in 1980 and there have been six in all, with the most recent having taken place in 2011. Today, when I talk about change, I am going to look predominantly at change between 2004 and 2011—that is, between the two most recent surveys in the series.

WERS is a large study. Almost 2,700 workplaces were covered in 2011, and we had responses from about 1,000 employee representatives and almost 22,000 employees. WERS is an independent study, and the 2011 WERS had six sponsors: the Department for Business. Innovation and Skills: the Advisory. Conciliation and Arbitration Service: the Economic and Social Research Council; the UK Commission for Employment and Skills; the Health and Safety Executive; and the National Institute of Economic and Social Research, with NIESR's involvement being made possible through funding from the Nuffield Foundation. That mix of funders ensures that the study is independent: it is in all our interests that it is impartial and rigorous. WERS has a good reputation for the quality of the data that it provides and it is endorsed by a range of employer, employee and industry organisations.

I move on to the findings on changes in job quality for Great Britain as a whole. One of the most notable changes that we can see in WERS between 2004 and 2011 is a decline in job security, which is being driven particularly by what has happened in the public sector. In 2004, in both the public and private sectors, about two thirds of employees agreed or strongly agreed with the statement, "I feel my job is secure in this workplace." By 2011, that proportion had fallen to just below half in the public sector, with the number of employees who felt that their job was secure falling from 66 per cent to 47 per cent. In the private sector, we see a slight, but much smaller, fall.

We look at work intensity in a few different ways. Overall, the percentage of employees who agreed with the statement "My job requires that I work very hard" increased from 76 per cent in 2004 to 83 per cent in 2011, and we see an increase in work intensity on that measure in both the private and public sectors. We also ask employees whether they feel that they have enough time to get their work done. The proportion who felt that that was the case remained fairly stable in the two surveys, standing at about two fifths of employees in each survey.

There was a small but statistically significant increase in the proportion of employees in the private sector who felt that they never had enough time to get their work done, from 36 per cent in 2004 to 38 per cent in 2011. Overall, the proportion of employees who felt that way remained higher in the public sector.

In the 2011 WERS, we asked a new question, which was whether people felt that it was necessary to work long hours in order to progress in their workplace. Overall, around two fifths of employees agreed that that was the case; the figure was higher for the private sector than it was for the public sector. That feeling is more common in particular industries—finance, education and hotels and restaurants—and is also more commonly reported by men than it is by women.

As Martin Taulbut mentioned in his presentation, people's autonomy or the control that they have over their jobs forms an important part of theories about what contributes to employee wellbeing in the workplace. WERS asked employees how they felt about their level of control over five different aspects of their job: how the work is done, the order in which tasks are carried out, the pace at which they have to do the work, the tasks that are done in the job, and the start and finish times. In the private sector, there were some small but statistically significant improvements on all those measures between 2004 and 2011. In the public sector, in contrast, there were increases only in control over the pace of work and autonomy in relation to the tasks that are done in the job.

So far, we have seen a bit of a mixed picture. There have been falls in job security and rises in work intensity, although there have been some improvements in job autonomy. In the next part of the presentation, I will talk about what might be thought of as job supports, the first of which is training.

In a period that covered the recession and the downturn, we might well have expected employers to have cut back on training, and in separate findings that are not reported in the study, around a sixth of employers said that they reduced expenditure on training in response to the recession. However, if we look at the proportion of workplaces that provide at least some off-the-job training for at least 80 per cent of their experienced employees their in biggest occupational group, we find that the proportion rose between 2004 and 2011. Overall, the public sector is still more likely to provide training on that basis, but there was no improvement between 2004 and 2011. In the private sector, there was a rise in the proportion of workplaces that provide such training from 31 per cent to 40 per cent over the same period.

Another question that employees are asked is whether they feel that managers in their workplace encourage them to develop their skills. In that area, there was stability in the private sector around three fifths of employees felt that they were encouraged to develop their skills—but in the public sector there was a fall from 61 per cent to 55 per cent of employees.

The provision of flexible working arrangements can play an important role in helping employees to balance their work with their lives outside. WERS presents a mixed picture on changes in the prevalence of flexible working arrangements. Employers were asked whether they provided a set of specified arrangements for any employees at their workplace: there is a bit of mixed picture. There was an increase in the proportion of workplaces that offered the option of working from home for at least some of their employees from 26 per cent to 30 per cent over the period. There was also an increase from 11 per cent to 19 per cent in the proportion of employers that offered compressed hours. At the same time, there was a reduction from 62 per cent to 56 per cent in the proportion of workplaces that offered employees the opportunity to reduce their working hours, as well as a decline in the prevalence of job sharing.

The overall fall in the percentage of workplaces that provided arrangements for employees to reduce their working hours was driven largely by what happened in the private sector. Apart from that, the sectors fared fairly similarly as regards changes.

Whether employees decide to take up flexible working arrangements may depend on whether they feel that their employers look favourably on their doing so. The survey asked employees whether they felt that managers understand that employees have to meet responsibilities outside work. There was an increase in the percentage of employees in the private sector who felt that way—the figure rose from 59 per cent to 63 per cent—but there was a fall in the public sector from 61 per cent to 58 per cent.

At the same time, there was a rise in the percentage of managers who agreed with the statement, "It is up to individual employees to balance their work and family responsibilities." That increase occurred in the public and private sectors, although it was larger in the public sector. Nevertheless, a fair amount of work-life conflict remains evident, with around a quarter of employees agreeing with the statement, "I often find it difficult to fulfil my commitments outside of work because of the amount of time I spend on my job." 10:15

Relations between managers and employees form another important aspect of job quality, and one way in which managers can support their employees is by acting in a trustworthy manner and seeking to understand their views. We asked employees a set of questions in an attempt to gauge changes in that respect. First of all, we found that, between 2004 and 2011, there was a small rise-from 56 per cent to 59 per cent-in the percentage of private sector employees who felt that their managers were sincere in attempting to understand their views, and there was also a similar small rise in the percentage who felt that managers dealt honestly with employees. In contrast, there was no change in that respect among public sector employees. As the private sector was already faring better in those matters in 2004, the changes have served to widen the gap between the two sectors between 2004 and 2011.

employees Managers, and employee representatives were also asked to rate workplace relations between managers and employees. There is always in this respect a gap between the perspectives of managers and employees, with managers being more likely to rate relationships with their employees as better. Indeed, the percentage of managers who rated relations as very good increased from 50 per cent to 55 per cent between 2004 and 2011. Overall, though, we have also seen a small but significant increase among employees; in 2004, 62 per cent of employees rated relations in their workplace as good or very good, and that figure rose to 64 per cent in 2011.

We also asked employees about their satisfaction with a number of aspects of their job. Our analysis uses the eight aspects of job satisfaction that were consistent between the 2004 and 2011 surveys: satisfaction with pay, the sense of achievement that employees got from their work, their scope for using their initiative, influence, training, job security, the work itself and their involvement in decision making. We combined all those aspects in an overall jobsatisfaction scale, with employees being asked to rate their satisfaction on a five-point scale. We also separated satisfaction with pay from satisfaction with the job's non-pecuniary aspectsin other words, the other aspects that I have just mentioned.

In the private sector, therefore, there was from 2004 to 2011 an increase in employees' satisfaction with pay and, indeed, an increase in their satisfaction with all other aspects of their job, with the exception of job security. However, in the public sector, there was an increase in satisfaction with pay but no improvement in most of the other aspects of job satisfaction, except for scope for using initiative, and there was a big decline in satisfaction with job security, which reflects the fall in perceptions of job security that I mentioned earlier.

All the findings that I have highlighted are for Great Britain as a whole, but last year one of my colleagues, John Forth at NIESR, was commissioned by ACAS to undertake a study of selected employment relations measures by ACAS region, and the study includes findings for Scotland that cover some of the measures that I have mentioned. Those findings show many similarities to the picture for Great Britain as a whole. For example, in Scotland, there was a fall from 68 per cent in 2004 to 62 per cent in 2011 in the percentage of employees who felt that their job in their workplace was secure, and there was a rise from 74 per cent to 81 per cent in the percentage of employees who agreed that their job required them to work very hard. That, again, is similar to the position in the rest of Great Britain.

There was also in Scotland a rise in the percentage of employees who reported that they had a lot of influence over three specific aspects of their jobs, and there was also an improvement in respect of employees who felt that their managers were understanding of their responsibilities outside of work. Overall, in 2011, levels of job satisfaction in Scotland looked similar to those that were observed in the rest of Great Britain.

I will summarise the main points. There has been a decline in some aspects of job quality in Britain between 2004 and 2011, with a fall in job security and a rise in work intensity, but there have also been improvements in job autonomy and other aspects. However, there are some clear differences between the public and private sectors, with the private sector faring better on improvements in job autonomy and supportive management and showing less of a decline in job security. That said, work intensity has increased in both sectors. As the findings that I have just presented show, many of the factors seem to apply to Scotland as well as to Great Britain as a whole.

**The Convener:** Thank you very much for that fascinating presentation, Lucy. Again, I suspend the meeting briefly to allow for a changeover.

#### 10:19

Meeting suspended.

#### 10:20

On resuming-

**The Convener:** I welcome Elaine Drennan. She does not have a PowerPoint presentation for us, but she will speak to her submission.

Elaine Drennan (Scottish Government): Thank you for inviting me. I head up the employability, skills and lifelong learning analytical team in the Scottish Government. I am going to talk about the change in the labour market since 2008, about what the term "job quality" means and about what data is available.

Despite the challenging circumstances that have existed since 2007, Scotland's economic performance has improved relative to that of the United Kingdom as a whole. Long-standing gaps between Scotland and the UK on productivity, labour market participation and earnings have been reduced.

Following the end of the recession, Scotland's labour market has strengthened significantly. Employment has risen to a record level—2.6 million people are in work—and there has been a consistent fall in headline unemployment rates, which are now approaching pre-recession levels.

However, the legacy of the recession remains evident. In particular, youth unemployment remains high—it is more than double the overall unemployment rate in Scotland, and it has still not returned to its pre-recession level. The recession has also led to an increase in levels of underemployment and part-time working. Although the number of people who are underemployed is falling, it is currently 38 per cent higher than it was in 2008. Part-time employment is up by 11 per cent since 2008, while full-time employment has only just started to come back to close to prerecession levels.

Real wages remain substantially below prerecession levels, and employment rates among disabled people, some ethnic minority groups and older workers remain well below the national average. Job insecurity has been a feature of the recession, and an increasing number of people are employed on zero-hours contracts, which pose real questions for individuals about reliability of income and security of employment as well as the balance of power between employer and worker.

How do we define job quality? There are a number of areas to consider. There is the impact at the individual level, for example on health and wellbeing; the impact at the firm level on absenteeism, motivation and employee engagement; and the impact at the level of the overall economy, where aggregate impacts can affect overall output, productivity and economic growth.

Although there is no single definition, we can think of job quality in terms of task factors, employment factors and workplace factors. Task factors in particular focus on the level of opportunity that an employee has to influence the work that they do and how it is organised, their working conditions, the level of job intensity and access to opportunities for training and development.

Employment factors include pay, job insecurity, hours of work, flexible working arrangements and clarity on the terms and conditions of employment. Among those factors is low pay, which is associated with some negative outcomes for individuals, including poor health, diminished life chances and a higher risk of being in poverty. In addition, the Resolution Foundation has research that says that people on low pay are at higher risk of becoming unemployed and are less likely to progress in the workplace.

Workplace factors broadly fall into the category of relationships and governance at work, including the perception of fairness, trust and respect; confidence in the ability and integrity of colleagues and managers; access to employee representation; and matters relating to grievance, discipline and dismissal policies.

In relation to the data that is available at Scottish level, Lucy Stokes has covered the workplace employment relations study in some detail. It presents a lot of information on job quality, but the most recent data is from 2011, so we must consider what else we can look at that is more recent. The annual population survey provides information on training and development and hours of work, and we also have the UK employer skills survey, which provides more information on training and development. The other source is the annual survey of hours and earnings, which gives us the main source of information on pay. Most of the main surveys provide some level of disaggregation by sector and geography, with the exception of the workplace employment relations survey.

The Convener: Thank you for that summary of your paper. We have about 35 minutes for questions and discussion, which is not a lot of time to discuss the broad range of topics that are available to us. I remind witnesses and members that the purpose of today's session is to set the scene, not to conduct the whole inquiry or to get to the bottom of every issue. It is more about understanding the headline issues, so members should bear that in mind when they ask their questions.

I want to pick up on a couple of things that I thought were interesting. First of all, the message that came across to me from Martin Taulbut's presentation was about control as an important factor in job quality. The presentation by Lucy Stokes developed some of that and showed that there had been some developments during the period 2004 to 2011, with many employees reporting better control, although that was more prevalent in the private sector than in the public

sector. I thought that that was an interesting development.

I want to pick up on an issue that is mentioned by Martin Taulbut in the written submission from NHS Health Scotland. On low-quality work, you say:

"The prevalence of low quality work in the United Kingdom is not high compared to other European countries, though lower rates are observed for the Netherlands and Denmark."

That was interesting, because it seems countercultural in the context of some of the chatter that we hear about the nature of the employment market in the UK, in which it is often suggested that we are a low-pay, low-productivity economy. You seem to be saying that we are not as bad as some of our European competitors.

Martin Taulbut: I did a wee bit of work on that, based on other people's analyses. I looked at the 2010 figures from European countries and at four different ways of looking at the labour market, one of which is to assess the proportion of bad jobs. That can be described and defined in various ways. The data comes from the European working conditions survey. Right at the bottom, with the lowest proportion of bad jobs, are the Netherlands, Denmark, Sweden and Luxembourg.

The UK figure is around a third of jobs, and some preliminary analysis—I need to go back and look at the data in more detail—suggests that Scotland is not that different when it comes to bad jobs. However, in the context of other factors such as in-work poverty, the UK sits in the middle of the pack, and for out-of-work poverty it is towards the bottom of the pack. The UK's position on employment rates is not bad—it is relatively high although the Netherlands, Denmark and other countries are doing better.

#### 10:30

Those countries are very different from the UK and Scotland, and they are very different from one another, but the data illustrates the point: none of this is inevitable, and you can achieve the quadruple. I should not use any sporting analogies—what do I know about sport?—but you can achieve low levels of poverty in and out of work, a low proportion of bad jobs and a high employment rate. It is possible to achieve all those things—that is my point. Is that all right?

**The Convener:** Yes. Thank you. Those may well be issues that the committee decides to come back to when we get into the full inquiry, but that was interesting for setting the scene.

Lewis Macdonald (North East Scotland) (Lab): I will follow up first on that last point from Martin Taulbut. It would be very interesting to explore that issue a little further. Clearly, some of what you describe is types of work and sectors of the economy that will exist in every country customer relations work and low-skilled jobs exist in every economy—but the key issue is how you make those jobs good for people or bad for people.

In your presentation you said that, depending on the definition used, you could deduce that anything from 10 per cent to 30 per cent of jobs in the Scottish economy are bad for people's health. You fleshed out that point in your presentation. Could you say a little bit more about the issue of how you define those jobs that are bad for people's health? The difference between 10 per cent and 30 per cent is clearly significant. Would you like to say a little more about that and about what influences that range of definitions?

**Martin Taulbut:** This is taken from the European working conditions survey. It is a case of how you package together what questions you use and what questions you want to include. I appreciate that that covers quite a big range. The pattern and the types of jobs are similar.

In relation to how you get from the 10 per cent to the 30 per cent, there are jobs that are bad for almost everything, if you want to put it as crudely as that. The European surveys are quite good in that respect. They say that, even among jobs and industries of the same type, there is quite a lot of room for manoeuvre. There are jobs that are bad for almost everything and there are jobs that are poorly balanced, in that they are perhaps poorer in some aspects but not in others. That explains that range. It is a question of how tightly you want to draw the boundary and whether you want to examine the jobs that are the worst or potentially the worst-as I have said, there is a wide spectrum of individual jobs and employers-or whether you want to do some sort of combination.

You might want to move into spheres where you consider jobs, industries and occupations that are middling, where there may be more scope to improve things. Do you want to consider those sorts of jobs and occupations, too?

I hope that that is a wee bit clearer.

**Lewis Macdonald:** It is. We are keen to understand, first, what jobs are bad for people and, secondly, how to make them better. You have indicated that there is a range to consider.

I wish to ask Lucy Stokes about the same territory. Some of what you said in presenting your research implied that the job quality of public sector workers in particular has been going down, largely but not entirely because of issues with job security in the past few years. Would you like to expand on that and on the impact of reduced job security on public sector workers, in particular? To what extent do people in jobs in the public sector—having started a job at a point when it was relatively secure and gave them a relatively decent degree of control—now find themselves in a job that is not good for them?

Lucy Stokes: You are right. We see a clear pattern in that the public sector employees seem to have fared worse on job quality over this period, particularly—although not solely—on job security. The private sector seems to have moved ahead while the public sector has not.

We looked at the relationship between each of those aspects and recession. In the findings, I compared 2004 with 2011. We all know that that was a period in which the economy saw a big change, and I did not explicitly ask whether the findings were caused by recession. We included some other questions on the extent to which the workplace was affected by the recession. Job security is particularly cyclical, and it took most of the hit in those workplaces in which managers said that the workplace was particularly harshly affected by recession.

It is interesting that perceptions of job security are not as closely related to redundancies as might be expected. In some cases, employees in the public sector might have feared austerity and what was to come rather than what they had already seen happen. Does that answer your question?

Lewis Macdonald: It does, certainly in part.

You mentioned that the dates of the two studies do not quite match the period of the recession, but they clearly cover it. Some of the changes that you described—for example, there was reduced job sharing but increased flexibility in other ways might well be the result of employer decisions during the recession.

Lucy Stokes: Yes.

**Lewis Macdonald:** How many of those changes do you think have become permanent? How many are emergency responses to emergency circumstances that will correct themselves again?

**Lucy Stokes:** I had to be selective in my presentation. There are a number of findings in WERS that may be relevant that I could not cover today.

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. Continuing the theme, those effects were more commonly reported in the public sector than in the private sector. On flexibility, a sizeable proportion of employees said that access to paid overtime was restricted. There were some changes to the organisation of work, but that is a broad term—it might cover some changes to flexible working arrangements, but it could also be seen in the broader sense of reorganising how work is done in the workplace. A relatively small proportion—5 per cent of all employees—had their contracted working hours reduced in response to recession.

**Dennis Robertson (Aberdeenshire West) (SNP):** Good morning, and thank you for your presentations.

There is a myriad of information out there on methodologies for the collection of data and its analysis. Do you think that the information that is collated is comparable or are there significant differences? We need to try to establish whether any variations are significant enough to make us question the data.

Martin Taulbut: There are a lot of surveys and they collect information on important aspects for health. We have now had some questions in the Scottish health survey for a number of years on aspects of psychosocial health at work—control, demand, workplace stress and so on. There are also labour market surveys: the annual population survey and the labour force survey. They ask questions that might be related to physical risks to health at work.

**Dennis Robertson:** Given the different methodologies that are used in the different surveys, if we look at the comparisons between them, how definite can we be in our understanding of the impact, for example, of the inequalities around mental health in the workforce?

Martin Taulbut: There are questions on control, which is a very important aspect for mental health, in most of the surveys. They differ slightly, but I think that they give us a consistent picture. The questions on demand at work differ a wee bit more between the surveys. More work might be needed in that area, purely from a health perspective, to understand precisely what we are looking at there. There may also be scope to look at whether, for example, measures of mental health could be included in some of the big labour market surveys. That is just a suggestion.

Lucy Stokes: The point that has been raised about methodology is really important. Wherever information comes from, I stress that it is important to look at the methods that have been used in collecting it. One of the advantages of WERS is that, because it collects information from different perspectives—from managers and employees—it provides a dual aspect. Different surveys have come about from different intentions and histories, which results in them asking things in different ways. They can sometimes point to slightly different pictures.

I have talked about the findings in WERS in respect of employees reporting improvements in job control over the period between the two surveys. Looking at the responses from managers, who were asked a slightly different question about autonomy in their largest occupational group, the picture there looks a bit more stable. The skills and employment survey again shows a bit more stability.

In each case there were slightly different questions and the information was collected in different ways. For those very reasons, it is important to look at the questions that were asked and the way in which the data were collected. There are no easy answers to questions about which methods are valid and which are not. It is a matter of understanding that when someone says, "This shows improved job control", it is important to ask what is meant by that, and what question was actually asked.

Elaine Drennan: It is important to remember that the surveys are asking different things. Some of them, such as WERS, really go into the topic in depth. By contrast, the labour force survey and the annual population survey are more concerned with the timeliness of data. Although those surveys capture activity, the important thing is for the data to be timely.

There are also different methods by which the information is gathered. A lot of it is self-reported and represents people's own perceptions of their position. Other surveys—such as the annual survey of hours and earnings, which is an employer survey—obtain information from administrative records as well, which is considered to be a bit more accurate than some of the selfreporting aspects.

It is important that we take all those things into account to understand the strengths and limitations of the data that we are using. The story that the data tells may not be as consistent as we would like.

**Dennis Robertson:** I address this question just to Elaine Drennan, because I know that we are short on time. Are we able to manage the impact of some external factors? For instance, the work that the Scottish Association for Mental Health has done in the workplace to enable people to better understand mental health issues, and the reporting of them, means that managers are perhaps more equipped to understand the impact for the employees, and employees may be more able to understand some of the issues, too. Can we take those factors into consideration?

**Elaine Drennan:** In terms of the information that we provide?

#### Dennis Robertson: Yes.

**Elaine Drennan:** To a certain extent. Again, it is a question of bringing together the information. We tend to provide the results of each survey in isolation. Martin Taulbut talked about the results of the Scottish health survey. It may be that we do not make good use of other surveys in which the information on mental health is much better than it is in, say, the annual population survey. We could explore that.

#### 10:45

**Dennis Robertson:** I mentioned mental health only because it has a significant impact on how people work. Lucy, are you aware of any external factors? Do we take into account the impact of people becoming more aware?

Lucy Stokes: I am sorry, do you mean more aware-

**Dennis Robertson:** People are more aware of their mental health and how they can report it, and managers will acknowledge it.

Lucy Stokes: Yes. WERS does not ask specifically about mental health, although it asks about some broader measures of wellbeing including anxiety and depression. Those are aspects of mental health, although they are different from the measures that are collected in some other surveys.

An issue that strikes me in thinking about mental health is how well it is reported. Managers need to be fully aware of mental health issues in their workplaces in order to be able to report them in a survey, and we need to consider how individuals feel in different survey contexts about reporting their own health issues. Someone who is in poor mental health may be less likely to respond to a survey in the first place, which will mean that they are not included in the data. Those are important issues and difficulties.

Dennis Robertson: Thank you.

Gordon MacDonald (Edinburgh Pentlands) (SNP): You said that we should always look at the methods behind any survey. I want to ask you a couple of questions about your survey. First, are the percentages just straight percentages of the responses or are they weighted to reflect the range of size of organisations in the economy, from small and medium-sized enterprises to large multinationals? Is there any weighting in there?

Lucy Stokes: Yes. The findings that I presented are a mix of findings from the employee survey and the manager survey, but everything is weighted, so they can be considered representative of the economy as a whole. WERS covers workplaces with five or more employees, so every time that I give a workplace finding it is representative of that population.

You are right. For technical reasons, we oversample certain groups of workplaces to make sure that we have enough, but we have a set of weights that allow us to correct for that in the analysis.

**Gordon MacDonald:** Right. Is there a margin of error in the numbers? A lot of them are close to each other. For instance, the percentage of public sector employees who agreed with the statement, "I never seem to have enough time to get my work done", went down from 51 to 48 per cent. Given the budget constraints in the public sector, we would not expect that, but if there is a 3 per cent margin of error, the percentage could actually be increasing.

Lucy Stokes: You are absolutely right. With any survey estimate, there is always a margin of error, because it is an estimate of the true value.

I do not know how clearly you can see the slides on the screen, but where a number is underlined, it means that the change between 2004 and 2011 is statistically significant. If a figure is not underlined, the change is not statistically significant. As you say, sometimes there will be a small difference in the numbers, but because there is a margin of error we cannot be confident that that is a true change in the population as a whole.

**Gordon MacDonald:** Right—so the significant figures are those that are underlined.

Lucy Stokes: Yes. They show a significant change.

**Gordon MacDonald:** What proportion, or how many, of the 2,700 workplaces that were surveyed are in Scotland?

Lucy Stokes: The number is 276.

**Gordon MacDonald:** That is roughly 10 per cent. That means that I can ask my last question, which is about the page in your presentation on trust in management and the widening gap. I accept that the numbers are not underlined so they are not significant, but all the numbers show a declining picture. Why do you think that there is a declining picture in the public sector but not in the private sector?

Lucy Stokes: Are you asking why there is an overall decline in trust?

**Gordon MacDonald:** Why is there a decline in the public sector but not in the private sector?

Lucy Stokes: The private sector seemed to be in a better starting position in 2004. I cannot answer that question in a factual way by providing you with findings from WERS that show why the situation has changed, although I am sure that it would be possible to look into that in some analysis.

I guess that broader factors are in play. We looked for a relationship with what had happened during the recession. We anticipated that, in workplaces in which there had been cutbacks, there might have been an atmosphere of declining trust, but the situation is not as straightforward as that. If we look across the public sector, that seems to have been a bit more of a general phenomenon. The decline in trust might be to do with perceptions of austerity rather than being specifically to do with what happened in those workplaces. I cannot give you a factual answer that tells you about specific contributing factors; it is part of a broader picture.

**The Convener:** I remind members that we are quite short of time—we have 15 minutes or so left. Four members want to ask questions, and I will start with Patrick Harvie.

Patrick Harvie (Glasgow) (Green): Good morning. If we think about how we should frame the rest of the inquiry and where we should go from our starting point, several of the discussions and some of the presentations have led us to think about the work situation in Scotland compared with that in other countries-are we a bit better or a bit worse than the European average?--or in relation to how things have moved over time. However, if we want to discuss the impact of work and wages on wellbeing, is it not reasonable for us to focus on what we know about that impact rather than on whether the situation is a bit worse or a bit better than it is for our neighbours? If an injustice is happening here, does it matter that it might be happening in other European countries to just the same extent?

Another question that I want to ask is what we can say about the long-term impact-as opposed to the immediate impact-on health and wellbeing of what is happening with work and wages. In particular, I am thinking about a generational impact. These days, there is a great deal of recognition that children's early years are crucial in shaping their likely health outcomes for the rest of their lives. A parent might not have the confidence of knowing what their income will be from one month to the next or even from one week to the next, and they might not be in control of their working hours because their employer has control of all the flexibility. Can we say anything about the likely long-term impact of such factors on the health of the population? Who would like to have the first stab at that?

Martin Taulbut: I will offer a few comments. We have evidence from the growing up in Scotland study and bigger UK studies such as the millennium cohort study, as well as a range of longitudinal studies, that highlights the importance

of what happens in the early years. What comes out of that evidence is that the most important factors in influencing how a child does later in life as regards their social and emotional wellbeing include being in a household in which there is worklessness or a low-income household and the mental health of their parents, especially the mental health of the mother.

I will join up a couple of those things and look at how the mental health of different groups of the population compares. I would suggest that low or mid-income individuals who look after home and family in low or mid-income households are more likely to be female; that is probable, although it is not always the case. If we compare their mental health with that of those who have low income and low control at work, we see that roughly a quarter of the latter have a possible mental health problem. The inference from that is that if someone moves, for example, from a relatively low income with caring responsibilities to a job with low control but their income does not change much, that will not be good for either their income or their mental health.

As I said earlier, it is difficult to see how that in itself, as the situation stands, will improve children's emotional wellbeing. We have already seen lots of studies that show that if children are tracked through life, those with poorer social and emotional wellbeing in childhood experience a range of poorer outcomes in adulthood. That is partly why that is important. Is that helpful?

**Patrick Harvie:** I am trying to explore something that may not yet have a definitive answer, but the comments are helpful. Does anyone else want to comment?

**Elaine Drennan:** The Resolution Foundation looked at the panel data from the new earnings survey, which showed that 29 per cent of people who were currently low paid had been in low-paid jobs for the past decade—they were the least likely to progress up. That is an important statistic because it means that, for people who are low paid, that is a long-term position, which therefore has an impact on people's health. As Martin Taulbut said, we have evidence to show that the impact on people's health can be quite negative. We could do further work, through the longitudinal studies, to see what we can pull out on the longerterm impact.

**Patrick Harvie:** I assume that the Scottish Government is doing some work on how some degree of devolved welfare policy will connect with that agenda and what the options are. Can you say anything to us at the moment about where that work has got to?

Elaine Drennan: It is early days for that sort of work. We are looking at doing some analysis to

support the fair work convention. We will be able to share that with the committee once it is finished.

Patrick Harvie: When we are looking at the various statistics, for example much of what was in Lucy Stokes's presentation on the overall picture, how can we avoid falling into the trap of looking at the average picture and thinking that that is meaningful? Recent research shows that between 1997 and 2013, the richest 1 or 2 per cent of Scottish society saw their real incomes increase by more than a quarter, while the poorest 3 or 4 per cent saw a real drop in their incomes of about a tenth. That is despite overall growth in the economy over that period. If we are looking at such inequality of incomes, is there also a chance that we are looking at the same kind of inequalities in people's control over their work and people's trust in their managers? Even if there is an overall increase or decrease, how do we explore whether the perception of a growing gulf is an accurate one?

Lucy Stokes: Absolutely—that point sprang to my mind, too. We looked very much at comparative elements over time and with other countries. We have been talking about what has been happening on average, but that tends to forget that there are groups that are perhaps having very bad experiences. They are the ones who we should be—

Patrick Harvie: Very few people are average.

Lucy Stokes: Absolutely. We need to focus on those groups. It is difficult, when we are giving a broad overview, not to focus on the average. There is definitely a case for looking at what is happening within particular subgroups, such as different aspects of income. We did a little bit of that in the workplace employment relations study. We looked at the differences and whether the aspects of job quality that I have talked about today are related to pay. However, it is not clear cut. Sometimes, higher pay is associated with higher job quality. In terms of autonomy, higherpaid jobs would typically be associated with greater control. In other areas, it is perhaps not so straightforward-those jobs are subject to higher work intensity. There is a case for looking within groups.

We might want to look at what is happening with workers in different age groups, or workers in different regions and so on. It is very important to look at differences in inequality.

The Convener: We need to move on, because we are very short of time.

#### 11:00

Johann Lamont (Glasgow Pollok) (Lab): I am very struck by what you are suggesting, Mr

Taulbut—that there is a direct correlation between work and mortality. That is pretty serious. It means that this is not some theoretical argument about what is a good job and what is a bad job; it is specifically about people's health as a consequence of that.

I take Patrick Harvie's point about why we would compare ourselves with other countries simply to make ourselves feel better as being mid-league rather than at the bottom. It is interesting to consider whether there are factors that are consistent with countries that score better.

I should know this, but I do not. Do all the countries that you have examined have a minimum wage?

Martin Taulbut: No. They are quite different across Europe. Some countries do not have a minimum wage, but some countries do. Some countries have strong levels of unionisation; others do not. There is quite a lot of variation. That is all that I can really say, as that is not my field.

**Johann Lamont:** It would be interesting to consider the impact of the establishment of a minimum wage in giving people some sense of job security—but there may be a point when it looks as if there is an increase in job insecurity because of the effect on hours.

We do not have much time to consider a further issue, but it is worth exploring the whole question of particular groups. I am interested in women being disproportionately in low-paid jobs in the public sector. Does that come out in the survey? It is more likely that women will be carers and will have external pressures, so the whole question of flexibility would matter more to them, rather than presenteeism, which is a different challenge and maybe one for some men in high-pressure jobs.

You made a broad presentation, Lucy, but is there a bit of drilling down in your survey into the nature of certain sectors, involving concentrations of women or people in black and minority ethnic communities for example, that we could look at further?

Lucy Stokes: Yes-it is definitely possible to do that. We do cover some of those dimensions in the book; for example, we look at differences between men and women, which you rightly highlight. That can be built into the analysis. WERS asks whether they caring employees have responsibilities and about the number of dependent children and other factors. It is certainly possible to consider their experiences in relation to their demographic characteristics and some of their circumstances at home.

**Johann Lamont:** It is presumably also possible to consider whether certain sectors are particularly unionised or not.

Lucy Stokes: Yes, definitely.

### Johann Lamont: Thank you.

Joan McAlpine (South Scotland) (SNP): Lucy, when you were speaking earlier in response to Lewis Macdonald's questions, you talked about higher levels of insecurity in the public sector. Your survey is GB-wide, as you have said on a number of occasions. The public sector under the Scottish Government's control currently has a no compulsory redundancies policy. Would that policy be reflected in your GB-wide figures?

**Lucy Stokes:** Excuse my ignorance, but at what point was that introduced?

Joan McAlpine: I believe it was in 2011.

Lucy Stokes: Those employees' perceptions of how they rate their job security might be a result of concrete things that they observe, such as redundancy policies, but they might also have a feeling of how they perceive things to be in the workplace. There may be something broader than just seeing a set of redundancies or policies employees might pick up on other, more subtle things generally or within the workplace.

When it comes to differences, we see a fall in job security if we look at Scotland alone. You are right: the figures that are presented are for Scotland overall—they are not disaggregated for the private and public sectors—but we could certainly look into that issue.

**Joan McAlpine:** On page 4 of your written submission, Martin, you have some very interesting figures based on modelling by the Scottish public health observatory over 10 years relating to the effect on health of different policy changes. For example, you mention that:

"A modest (10%) increase in the value of Job Seeker's Allowance (JSA), would result in 26,000 fewer 'years of life lost', 17,000 fewer hospitalisations".

You mention similar impacts from

"Increasing the National Minimum Wage to £7.20 per hour"

and the conclusion that

"A 10% rise in the value of the Working Tax Credit would result in more than 8,000 fewer years of life lost".

Those are very striking figures, and it struck me that they relate to changes in things that we do not control in Scotland. We do not control the jobseekers allowance, the national minimum wage or working tax credit. Is that a correct observation?

Martin Taulbut: That is a correct observation.

Joan McAlpine: Okay. Thanks very much.

**Chic Brodie:** Good morning. I want to ask about control. I go back to the question from my colleague Dennis Robertson about collecting data. Have you done an exercise to look at the variations in health in relation to those who have full participation in a company, including equity participation and participation in decision making? Have you looked at the third sector and social enterprises, in which there is, of course, almost full control for people? Has any work been done on that?

Martin Taulbut: A recent report looked at the third sector in Glasgow, the experience of employees there and their health and wellbeing. I think that the picture was quite positive, but it would probably be better if I found out more details about that.

**Chic Brodie:** Can you do that? Certainly my experience with companies in Europe is that, where there are works councils and involvement in the management process and decision making, people are not always happier than people here but there is a tendency towards that.

You also say in your paper:

"to truly offer work for all, opportunities should be distributed geographically and occupationally according to need".

I would love to know how to do that. Has there been any discussion of mobility and people's ability to move to where there are jobs? You have used the examples of Aberdeen and Aberdeenshire, and Glasgow. Has any work been done on people's desire for mobility and the impact of that?

Martin Taulbut: Economists might give a slightly different answer, but it is probably worth putting the case that if Scotland is broken down into different regions—those are the regions that are used by Skills Development Scotland, for example—there is quite an interesting spatial pattern. In fact, if we go back to 2008 and before the recession, we see a similar pattern in the west of Scotland and Dumfries and Galloway having a relatively lower number of vacancies available for unemployed people against a more buoyant picture in the east of Scotland and north into the Highlands and Islands.

That does not answer your question.

Chic Brodie: No, it does not.

Finally, a lot of techniques are being employed in continuous improvement processes that involve employees. In effect, they are involved in decision making on how to improve the productivity of their workplace. Have you considered the implications of that for the wellbeing of employees?

**Martin Taulbut:** I am not aware of those kind of questions being asked in the health service.

Lucy Stokes: There are certainly studies that have looked at the growth of those methods for employee involvement. There are various terms in the literature, but there are certainly studies that have looked at the association between employee involvement and employee wellbeing and productivity.

Two main paths can be gone down. There is the question whether those practices lead to employees feeling more engaged and higher wellbeing and those things leading to greater performance for the firm, and the question whether employees perhaps feel the stresses more of work intensification and so on—maybe the firm sees an improvement, but the employees do not. There are certainly references on that to which I can direct the committee.

**The Convener:** We are out of time. I thank Martin Taulbut, Lucy Stokes and Elaine Drennan very much for coming along. The session has been very helpful in setting the scene. We will now have a short suspension to allow a changeover of witnesses.

#### 11:10

Meeting suspended.

#### 11:16

On resuming—

**The Convener:** We reconvene, and I welcome our second panel of witnesses. We are joined by: Stephen Boyd, the assistant secretary of the Scottish Trades Union Congress; Anna Ritchie Allan, who is the project manager for close the gap; Patricia Findlay, professor of work and employment relations and director at the Scottish centre for employment research in the department of human resource management at the University of Strathclyde; and Jamie Livingstone, who is head of Oxfam Scotland. I thank them all for coming along.

We have about one hour and 10 minutes for this evidence-taking session. I remind members that we are here not to conduct the whole inquiry but to set the scene and get an understanding of the topline issues. Because there are four witnesses on the panel, it will take a long time to get through the topic if they all try to answer every question. Therefore, I ask committee members to direct questions at one witness initially and, if one of the other witnesses would like to respond to a point that somebody else made, they should catch my eye and I will bring them in as best I can and as time allows. If we keep questions and answers fairly short, that will allow us to get through the topics in the time that is available.

I think that all the witnesses listened to the evidence that we heard earlier, which was helpful for setting the scene. In its evidence taking today, the committee is trying to focus in as best it can on the broad topic of work, wages and wellbeing. We will progress with an inquiry on that after the summer recess. I ask each of the witnesses to say in a few sentences what the key issues are on which the committee should focus in its inquiry. We will start with Stephen Boyd.

# Stephen Boyd (Scottish Trades Union Congress): Okay—right.

The inquiry has clearly been framed around what has happened in the labour market since 2008, but it is important that we do not treat 2008 as some kind of year zero. Many of the trends in the Scottish labour market that we are concerned about were apparent before then. The concern is that the recession and the prolonged period of stagnation that followed have further embedded those trends. Nothing radically new or different has happened since 2008, but some adverse trends have become embedded.

It is important to examine the trends in the Scottish labour market and think through the extent to which they might reverse as the recovery becomes further embedded. There is a lot of uncertainty about that. What are the implications if those trends continue on their current trajectory or intensify? For example, the employment rate for women in Scotland has grown rapidly over the past couple of years. The reasons behind that are not particularly well understood. In addition, an important trend to which we constantly draw attention but which is underdiscussed is the increasing number of older people who remain in work, which can also be read optimistically or pessimistically. As usual, the truth is probably somewhere in between and more complex.

Another concern is rising inactivity among young people. We have seen a big drop in youth unemployment over the last year, but we have not seen a concomitant rise in employment, which means that a lot more young people are going into inactivity. What does that mean? If they are going into full-time education and training that is not a bad thing, but if they have fallen out of the labour market and education altogether that will be a real concern. There is a lot of work to do to understand the situation better.

As the first panel said, there is a great deal of uncertainty when it comes to qualitative issues about job quality—there is not a huge evidential base on which to draw. A couple of good points were made about the difficulty in comparing Scotland with the rest of the UK and beyond. In a lot of the work that I have been looking at over the last few years, which has used low wages as a proxy—albeit an imperfect one—for job quality, the evidential base is quite strong. When we try to extend that into other areas, the comparisons become more dubious. Patrick Harvie made the point that understanding what is happening in Scotland is a good thing in and of itself; better understanding those processes is a very important part of the committee inquiry.

An important focus is the last point in the committee's call for evidence, on what the Scottish Government and policy makers in Scotland can do to improve job quality. I would argue that there has been a long-standing structural deficit in decent employment in Scotland. There are a number of areas that we can look at in detail in considering what we can do to reverse that.

**The Convener:** That was quite a long answer, but I appreciate that I sprung that question on you.

**Stephen Boyd:** I hope that I came up with something intelligible in the end.

Anna Ritchie Allan (Close the Gap): On the focus of the inquiry, it is critical to understand that women and men have very different experiences of the labour market and how that difference impacts on local economies and the Scottish economy.

Here are some things to consider briefly: the implications of public sector spending cuts on women's employment, women's position in the labour market and how both of those impact on the gender pay gap. Thinking more broadly, we need to look at welfare reform, because we know about the links between in-work poverty and the impact of welfare reform: 85 per cent of social security cuts have come from women's incomes. Those cuts have a direct effect on women's poverty and child poverty. They impact on household budgets and the local and national economies.

We need to look at the underutilisation of women's skills. That manifests in occupational segregation in the labour market, which is one of the main causes of the gender pay gap. The economic arguments for addressing occupational segregation are well rehearsed.

We should also look at the equalities practice of employers. There is a lot of evidence now on the public sector equality duty and how public sector employers are not performing very well in that respect. We are working on a project on that and I can speak about that later or put it in the response from close the gap. We also need to look at the private sector. There is less data on that, but we know that examples of sex discrimination and of pregnancy and maternity discrimination are up, but women are unable to access justice because of tribunal fees.

Professor Patricia Findlay (University of Strathclyde): Thank you for your invitation. I have

four things and if I say them quickly I should stay within your timescale, convener.

The first point, which follows on from this morning's session, is that there is a huge issue around measures. There is no one accepted measure of job quality, either in this country or elsewhere; nor is there a map of job quality in Scotland, although there is some on-going work that is attempting to address that. There is a danger of getting drawn into what is—committee members drew on this—a broad range of different types of survey evidence that does different things, some of which is less reliable than others. That would be a diversion: evidence is important, but we need to take it in context.

Secondly, in simple terms, there are two ways to think about the findings. As someone pointed out this morning, if we take a rough estimate of some of the measures that were put forward by NIESR we could say that, on average, just under two thirds of people are quite satisfied with their job quality. We could look at that and say, "Fine, let's not do anything else." However, the key issue for me is to ask what is happening with the other 30 or 40 per cent.

We can think about that in different ways. One is to ask what costs are being imposed on the people who occupy that 30 or 40 per cent. Are the people in that group distinct from those who are in the other group? Do we need to understand better what the demographic map of job quality is? That relates very much what Anna Ritchie Allan has just said. Another way, to take a less negative sense and not just to think about the costs imposed on individuals, is to ask what the potential is for those people whose job quality is not maximised or not improved. Are we losing out on some of the population's potential? That is quite an important issue.

That takes me to my third point. It is very important that we think about the full costs of job quality. We have talked about health outcomes in terms of the negative impacts on individuals, but poor job quality imposes a whole host of other costs on the welfare, health and taxation systems. It also imposes significant opportunity costs on employers. Indeed, we know that there are associations between the level of job quality and issues of productivity, performance and innovation, so people who do not have decent job quality lead to such a cost.

My last point is that the committee, in order to move forward, should drive an agenda that looks at the problems, rather than necessarily having a debate about statistics.

Jamie Livingstone (Oxfam Scotland): Fundamentally, job quality is an issue that goes right up the income distribution, but the focus for Oxfam is on poverty. Clearly, people in poverty work fairly hard for their poverty. A poor-quality job has an impact right across their everyday lives. In addition, even though they work long hours, are on call and work multiple jobs, they still struggle to earn enough. In doing so, they are degrading their wider assets and therefore compounding their level of poverty.

As has just been said, there is no clear definition of job quality, but we must at least move towards a level where we have minimum benchmarks. In order to do that, we are keen to ensure that we do not just sit around the table and carve up those benchmarks ourselves, but that we go out and talk to people about them.

Many of you will be familiar with our humankind index. A similar approach would be useful when it comes to defining job quality. We are planning to do research on that.

Fundamentally, we must ensure that we embed how we measure job-quality success in how the Scottish Government measures its own success through, for example, the national performance framework, and for that then to inform policy solutions.

Oxfam has also been focused on looking beyond Government action to influencing the private sector in general. We have done quite a bit of that internationally, and I can speak about that. The international perspective is useful: the committee could make gains by looking at, for example, the United Nations framework on business and human rights, which looks at corporate responsibilities. We could talk a bit more about that, too.

**The Convener:** I am not sure how helpful that was in narrowing down the focus of our inquiry, but it has been helpful in getting witnesses' views on what the priorities should be.

I will ask one more question before I bring in other members. The committee has been kicking around the idea of good and bad jobs. Are bad jobs inevitable in some form or other? Let me illustrate that with an example. In Fife and Perthshire, which is the area that I represent, agriculture and food production are an important part of the economy, and there are large operations that employ people doing dull, repetitive jobs in big sheds, where they sort and pick vegetables such as potatoes, broccoli and carrots. They work in an environment with little daylight and it is also cold, because the temperature is kept down. Such jobs would drive me mad. I would regard them as bad jobs, but somebody has to do them. Is it inevitable that parts of the economy will depend on what we might call bad jobs?

Jamie Livingstone: I would hope not. There are some structural issues in the economy that are worth talking about. For example, people talk an awful lot about how less-developed countries have benefited from globalisation through technology, which impacts on people's jobs through automation and so on. However, it is important to note that job quality is an issue not just in the UK but in developing countries. We often assume that we have exported all the bad jobs internationally and that, somehow, the problem does not exist here, but the hollowing out of middle-tier jobs has had an impact internationally as well as in the UK. We have created more bad jobs here and, at the same time, we have exported more bad jobs internationally.

On whether bad jobs are inevitable, we could say that almost anything was inevitable. There has been a lot of talk about inequality recently, and I am highly encouraged by the number of eminent academics and economists who have come forward and said exactly the opposite on inequality—that it is not inevitable. The same is true of job quality. There are policies and measures that we know can have a fundamental impact on job quality. It is a question of having the political willingness to put those into practice.

#### 11:30

**The Convener:** I am not sure that that answers my question. Other people might take a different view of the jobs that I regard as bad jobs. Someone has to do that work.

**Jamie Livingstone:** It might well be a question of matching expectations with roles.

**Professor Findlay:** I do not think that bad jobs are inevitable. I wrote a book with the title "Are Bad Jobs Inevitable?", to which I hope that the answer is no.

We know that work is an incredible source of meaning for people. We have talked about the fact that what makes a job good or bad depends on a variety of aspects such as pay, the intrinsic nature of the job, the relationships in which the person works, the task that is involved and how much voice the person has in the job.

It is a mistake to assume that a job that is low skilled or routine or that has some adverse physical or environmental factors is necessarily a bad job. We want to do two things. We want to align people's skills and talents with the opportunities that are available in the labour market, and we want to expand those in ways that are meaningful for the employer and the employee. The fact that a job is low skilled does not mean that it does not have other aspects that make it a good job—it might be reasonably well paid and people might be treated with respect and dignity.

The danger of that argument is that we say that it is not possible to get good job quality for a whole section of the economy. Recently, someone asked me a question during a presentation at a similar session. They said that they spent their life trying to get people with learning disabilities into employment and that, for them, a good job was any job. I very much reject the view that a good job is any job. People want a job that reflects their skills and capabilities, but components such as whether they are respected, whether they have a voice and whether they are supported are important parts of any job, whatever the task is.

**The Convener:** Thank you for that answer. I should say that the workers whom I met in some of the businesses that I am talking about would not regard themselves as being in bad jobs, but the external perception might be that those are bad jobs.

I will bring in some other members, starting with Richard Lyle.

**Richard Lyle (Central Scotland) (SNP):** I have a question for Stephen Boyd. In your submission, you say:

"The STUC believes this is a crucially important inquiry".

You go on to say:

"The STUC has long been concerned over the range and quality of labour market statistics and the length of time it takes for these inadequate statistics to be published."

#### You say that although the UK

"compares poorly to other advanced nations"

when it comes to labour market statistics, you believe that

"the Scottish Government plays the weak hand dealt by ONS very well".

I love your concluding remark, which is:

"The sectoral employment data for Scotland is extrapolated from a UK survey and is next to useless."

#### Will you explain that?

**Stephen Boyd:** In the submission, I set out quite clearly, I hope—a range of concerns. I am always struck by the fact that, quite correctly, the headline labour market statistics are the source of much political argumentation in this place. That is entirely proper. However, if we look at the quality of the statistics that the Office for National Statistics publishes for Scotland on a monthly basis, they tell us very little about how people experience the labour market in real time. Often, the information that is presented compares what is happening in Scotland with what is happening in the UK as a whole. Once the margins of error in the statistics are taken into account, we are often arguing about very small differences.

Specifically on sectoral employment data, I am talking exclusively about the workforce jobs survey data that the ONS publishes each month, which is extrapolated from a UK-wide survey. It will interview company X, which might have 10 significant workplaces in England and Wales but none in Scotland, but despite that, the ONS will deduce from that information a figure for Scotland. The survey does not relate to the sectoral makeup of the Scottish economy.

After the methodology was changed—in 2010, I think—there were some really quite remarkable statistics. In 2011, the data showed that there was the highest ever level of workers across the public administration services in Scotland at a time when we knew that public sector jobs were falling in Scotland. The information is imperfect because the survey does not just include public sector workers, but there was a range of sectoral data coming out that just made no sense.

I know that the Scottish Government is very reticent about using those figures, and due to a range of problems we essentially stopped using them. The Scottish Government is able to use a number of surveys that are not published for general use to embellish those statistics and thereby come up with stats that are more credible, but from a user's perspective, we have to be extremely cautious about how we use those statistics.

**Richard Lyle:** What action would you take to improve the situation? We have so many companies employed in this area that you could almost go out and touch anyone and they would do statistics. There is also the old saying—dare I say it?—about lies, damned lies and statistics. What would you do to improve the information, which we need in order to ensure that the inquiry progresses in the right direction?

**Stephen Boyd:** We are dealing with a problem of underinvestment. The sample size in Scotland for the labour force survey is too small, which is why, four times a year, we have to embellish it using the annual population survey, which is four times the size. We need bigger and better surveys, which is going to cost someone a significant amount of money.

Unfortunately, the direction of travel at ONS, as you can imagine, is in precisely the other direction. About 18 months ago, we were even discussing the possibility of stopping doing the census. ONS seemed to be moving to a position where it would just undertake the stats that are required by European directives; it was just going to have a UK version of what Eurostat produces. We managed to fight that off, but from a Scottish perspective it is difficult to see how things are going to improve if we carry on with the current model, where we sometimes Scottify the UK-level survey data without doing our own, new and better surveys.

As I said, someone would have to spend a significant amount of their own money to do those surveys. Until that happens, we have to be cautious about how we treat some of the statistics that we come across.

Lewis Macdonald: I would like to go back to what makes work satisfactory for the people who do it. One of the strongest pieces of evidence that we have is the information from the workplace employment relations study, which separates out job satisfaction into pay on the one hand and everything else that the witnesses have talked about—control, autonomy and respect—on the other.

What are your views on the relative importance of pay for people who do the routine jobs that the convener described? What is its relative importance in the context of the other aspects of job satisfaction that you have all talked about?

**Professor Findlay:** There is quite a lot of research that suggests that pay is not the predominant element in calculations of job quality. The European job quality indicator, which is the most commonly used indicator for European comparison, allocates a weighting of 20 per cent to pay, which suggests that other job factors are significant. However, we need to be careful about that. Research suggests that, when we ask people to rank different factors of their jobs, pay does not always appear at the top, but we know that it is fundamental to the other outcomes that people receive from their jobs. We need to be careful about how we factor in some of those pay issues.

Jamie Livingstone: In our experience with the humankind index, which gives a nod towards elements of work,

"Having satisfying work to do"

came out third of the 18 priorities, and

"Secure work and suitable work"

came out fifth. Those factors came above financial factors, so I absolutely agree that those non-financial factors are primary in people's minds. However, they are underpinned by pay levels.

**Professor Findlay:** The issues of satisfaction are very sensitive to issues of expectation. If people expect very little from the type of job that they do, their satisfaction can be fairly high, despite the fact that the job is low quality. We have to be careful that the issue of expectation does not feed into a misaligned view of job quality. To give an illustration of that, many women who downsize their careers or work in particularly flexible forms of employment during their childbearing and child-rearing years voice higher levels of job satisfaction than men, but that is in a constrained context. They are satisfied with the job that they can get that will fit with their life, but that is not necessarily a maximisation of their potential for job quality.

Anna Ritchie Allan: I agree with Patricia Findlay's point. To add to it, from our experience of working on women's equality, we know that what matters to women is working in a workplace culture that supports gender equality. That means providing flexible working so that women can balance their caring and other responsibilities outside their working life.

**Stephen Boyd:** The timing of the most recent WERS is interesting. It was in 2011, which was two years into a five-year period of falling real wages that was entirely unprecedented in modern times. The survey might well have started to find different results if it had been done two or three years later.

Lewis Macdonald: That is interesting. It is clear from some of the evidence that we heard from the first panel that pay or income is critical to inequality and therefore to some of the other outcomes that we have talked about, although the point about pay being relative to other things is also important.

One debate that will happen in the next few months will be over measures that were taken under the previous UK Government to address the relative poverty of people in work through things such as tax credits. That approach is now being questioned by the current UK Government. Without going into the political choices between tax and benefits, how significant are incomes, whether from social security or employment, to people who face disadvantage, particularly in the context of work? Perhaps we need to address the political question, as it is going to dominate the period of our inquiry. Social security for those who are in work has been questioned, although there is no suggestion yet from the Prime Minister as to what should happen instead. What do the panel make of that, in the context of the issues that we are examining in our inquiry?

**Professor Findlay:** There is a particular issue in Scotland with the rate of employment growth. In my submission, I refer to the pay deciles in which we have seen employment growth in the past 10 years. In Scotland, job growth has been much higher in the lowest two pay deciles—the people who are in the bottom 20 per cent of income. There are more of those jobs now, and there are more jobs in the highest three deciles. Given that the issue of taxation and in-work benefit is likely to hit people in the lowest pay deciles, variation in that is likely to have quite a big impact, because those are also the areas of the economy in which we have seen job growth.

Lewis Macdonald: So more and more people will be affected.

**Professor Findlay:** Yes, and that raises the issue of polarisation and ending up with some people in the Scottish labour market who are doing very well. There is significant growth in higher-level jobs, such as associate professional and technical jobs, and a lot of growth at the bottom end. That raises a difficulty not just for pay but for broader job-quality issues—part of job quality is about people's potential to develop their career and maximise their potential—and it means that the number of middle-tier jobs is significantly lower than it used to be.

Anna Ritchie Allan: In any discussion about low-paid workers and social security cuts, it is important to remember that both of those issues have a gendered dimension. As I mentioned, 85 per cent of the social spending cuts so far have come from women's incomes. That is the focus of an inquiry in the Welfare Reform Committee. Given the concentration of women in low-paid jobs, there will undoubtedly be a gendered impact to any increase in those jobs.

#### 11:45

Stephen Boyd: Lewis Macdonald's question raises all manner of different issues. A question in the call for evidence asked about the impact of low job quality and low pay on the economy as a whole. Over the past 30 years, we have seen a consistent fall in workers' pay as a proportion of gross domestic product, and I would argue that that has led to a less resilient and less stable economy. There are more low-wage jobs at the bottom and people are having to supplement their household incomes with debt, while an ever-larger share has been going to the very top of the income distribution, to people with a much lower marginal propensity to consume. That is stripping demand out of the economy and it is enabling the latter people to engage in speculative investments, which have a destabilising effect as well. That macroeconomic effect is worth the committee's attention.

Looking at the benefits of policy mechanisms that have been introduced over the past few years, the committee might want to address political questions, but I will do my very best to keep politics out of it. That is difficult in this kind of conversation as we immediately get into what Government X did and what Government Y did, but it is helpful just to look at the policy mechanisms and what they have achieved. The work that David Bell and David Eiser presented to the David Hume Institute last week, from which 60 slides are now up on the David Hume Institute's website, clearly shows the very beneficial effect that the national minimum wage and tax credits had on income distribution. I would argue that that is a good thing in dampening the effects of inequality, which rose less in the UK over those years than they did in other nations. That also has a stabilising macroeconomic impact, which we need to think about.

**Chic Brodie:** I thank Patricia Findlay for defining the difference between good and bad jobs in terms of perceptions versus reality.

I do not think that any of us would demur from having a focused, high-wage, high-productivity economy in which there is equality of treatment and conditions, and treatment and advancement are based on merit regardless of faith, gender or ethnicity. We have a mini-crisis in the economy in the form of a lack of engineers, yet we cannot get enough women into engineering. As an aside, I understand that there is a conference on that issue today.

Anna Ritchie Allan mentioned a lack of inclusion in the workplace in that particular sector. What evidence is there for that? What actually happens in that marketplace regarding women?

Anna Ritchie Allan: There are some structural barriers that women face relating to participating and progressing in engineering roles that are distinct to them, but there are commonalities across the whole labour market. It is similar in all male-dominated occupations and sectors.

First, there is gender stereotyping, which starts at school and means that girls are less likely to study subjects such as mathematics and physics, which are requirements for anyone who goes on to study engineering. The likelihood of girls studying such subjects reduces again at the further and higher education levels. We know that occupational segregation has an effect throughout the skills pipeline, and girls and women detach at various points.

Engineering firms are often in the private sector and are therefore less likely to have good equalities practice. We know that, when women want to take time out to have children, it can be difficult for them to combine care with work because there is a lack of flexible working practices. In relation to progression, we find that there are unfair and biased recruitment practices, which are often linked to what is known as the old boys network. That is based on informal networking practices to which women do not have access—or do not have as much access as men—particularly when they are based around stereotypical male activities such as playing golf. There is also straight-out discrimination where some employers, colleagues in workplaces or people in broader society feel that women are just not suitable for engineering. The perception of engineering as a profession is different from the reality. It is seen to be quite dirty, which is a misconception of what engineering is. That is not to say that some girls and women do not like doing things that involve getting dirty, such as working in an abattoir.

**Chic Brodie:** Do you think that positive discrimination might help with that, or does it in some cases hinder women substantially?

Anna Ritchie Allan: Positive discrimination is unlawful, but positive action is not. We could have some positive action measures that specifically targeted training, for example, and pre-vocational taster sessions for girls. A lot of discrete project work has been done to encourage girls and young women into engineering and other maledominated sectors, which has proven successful to an extent. The problem with individualised projects, however, is that they are guite expensive and the outcomes affect only quite a small number of girls and women. When the funding is taken away from them, the number goes back to zero. That is why gender equality should be mainstreamed. Every employer and public sector body should take into account how gender equality could be factored into the functioning of their organisation.

#### Chic Brodie: Thank you.

I have a couple of questions for Stephen Boyd. I asked the earlier panel about the voice of employees and the success of companies that have had equity of participation in the management process and works council involvement. What are your views on those things?

I would also like to consider the substantial growth of social enterprise, the voluntary sector and the third sector. What does that mean for trade unions?

**Stephen Boyd:** You made a very good point earlier. The voice that employees have in the workplace is a major determining factor in a job. The MacLeod report, which was published six or seven years ago, looked at employee engagement across Europe and found that the UK was something of an outlier in terms of employees having a voice within firms. As you rightly identified, other countries tend to use mechanisms that we do not have here. If someone is in a unionised workplace and benefits from a UK-wide collective bargaining agreement, they are probably in a better place than other workers, but they may not have the kind of co-determination that is the norm in Germany. We also have a lower level of employee-owned enterprises, and some of our employee-owned enterprises are employee-owned in name only—they do not really walk the walk in terms of their engagement with employees in their strategic thinking. I would put all of that under the banner of industrial democracy, which is much weaker in Scotland and the UK than it is in other European countries, where workers benefit significantly from that democracy.

I do not think that this conversation translates easily into a conversation about the whole of the third sector in Scotland. Some third sector organisations—they tend to be the bigger ones are unionised, and some are well managed and provide decent-quality work. However, some are not well managed and provide poor-quality work. There have been industrial disputes in some of our major third sector employers over the past few years. Although the sector has played a positive part in discussions about how we can improve the Scottish workplace, I do not think that it would pay to be too Panglossian about the role that it has played up to now.

**Chic Brodie:** What is the impact of trade unions, industrial democracy and employees having more say in the workplace?

**Stephen Boyd:** The evidence is pretty clear, over a range of places and a long period of time, that unionised workplaces tend to provide betterquality work. I do not think that there are any special issues with the voluntary sector, which is pretty similar in its unionisation to the rest of the economy. The issues are pretty similar in all sectors of the economy.

**Patrick Harvie:** Good morning. One of the questions that I was exploring with the previous panel was how to avoid being distracted by averages and understand the inequalities in the granularity underneath those figures, whether they are inequalities of age, gender, socioeconomic background, different employment types or what have you. That of course relates to Professor Findlay's comment that if two thirds of people say that there is not a problem, that does not mean that there is not a problem, and that we should be looking at the rest of the experience.

I am aware that human beings often look for bits of information that they like and form a pattern out of them, and that that is a mistake that we can often make, so correct me if am wrong in what I am about to say. However, slide 11 from the NHS presentation earlier presents information on the impact of income on mental health, rather than wellbeing in general. I do not know whether you have seen the slide, but it shows that all those rated "Mid income" have better mental health scores, but those rated "High income" have scores that are spread across from high to low impact on mental health. Jamie Livingstone mentioned the humankind index, in which people commented that what really mattered to them was satisfying work. If I remember rightly, when people talked about money, they talked about having enough to pay the bills or enough to live with dignity. There is a sense that people get the concept of enough. However, Governments, regardless of party politics, very often focus on attracting or creating high-paid jobs, which are not necessarily the same as good jobs.

One of the interesting aspects of Jamie Livingstone's discussion with the University of West Scotland is that one of the pay criteria that people were talking about was lower wage ratios between low, middle and high-paid employees. Is there not a strong case for saying that creating lower wage ratios in our economy—public and private sector—would focus our minds as employers, employees and Governments on what really matters in terms of job quality, which are the other factors referred to in the humankind index, as opposed to continuing with what I regard as the slightly unhealthy delusion that high pay is the measure of what is important to attract in the economy or in our own lives?

Jamie Livingstone: You are right that the humankind index focused on sufficiency of income. Anecdotally, the view is that people are looking not for footballers' wages but for an income that is sufficient to support a decent quality of life. However, even then, the financial factors were rated lower than things such as an affordable, decent and safe home, and physical and mental health—that is the overall context.

You are right about wage ratios. We recently had a policy forum—some of this panel were speakers there—to look at minimum criteria. The policy forum was done with the University of West Scotland and was somewhat of a precursor for the research that we hope to do. However, the issue of reward came out quite strongly in the forum in terms of the gap between the top and the bottom. I agree that it would be beneficial to have lower wage ratios.

Speaking as a former journalist, I think that journalists and politicians generally focus almost exclusively on job numbers. When the latest job statistics came out last week, senior figures from the Scottish and UK Parliaments seized on them as encouraging, without much reference to the quality of the jobs. I think that we have a bit of a culture shift to make in that regard. There is a degree of momentum in Scotland—this inquiry is part of it—for broadening the approach beyond looking just at the number of jobs to considering quality.

We need to do more work on improving pay ratios. From memory, I think that we have

previously talked about having a 1:20 ratio, which is completely non-reflective of current pay ratios, particularly those in large FTSE 100 companies, for example.

#### 12:00

**Patrick Harvie:** Does anybody else have comments on, in particular, what Government economic policy or the practices of enterprise agencies and so on can do to shift the focus away from fetishising high-paid jobs and on to the things that matter more in terms of the quality and equality of people's experience?

**Professor Findlay:** We know from a whole stream of research over a very long time how important equity is to how people perceive fair or unfair pay. People make equitable comparisons with people who work in the same organisation or who do the same job in another place. Equity is a fundamental aspect of how people perceive issues of fairness. However, it is challenging to work out where the ratio would apply, so the comparison is not always an internal one in one organisation; it is not just about what happens in your workplace irrespective of what happens in other workplaces.

There is a related debate about the mechanisms through which we have seen inequality rise in some organisations. Inequality has risen in part not in full, but in part—because of individual payment for performance. That takes us into another area of concern around job quality, which is around performance management targets, which sits nicely with some of the WERS data on intensification.

The issue of equity is very important, but there are not an awful lot of levers that Government can use at any level, particularly when it comes to private organisations, to deal with ratios and equity.

Stephen Boyd: A more compressed wage distribution is very desirable for the reasons that were outlined earlier in the discussion about inequality. The issue is how best to achieve that. I would argue that nations that have a much more compressed distribution and do not have a national minimum wage benefit from very high levels of collective bargaining coverage-that is the case in the Nordic nations, in particular. I would argue that collective bargaining is a much more efficient way of managing that more compressed wage distribution, particularly when there are strong social partner organisations that engage in national level collective bargaining. That is a much more effective way to achieve a more compressed wage distribution than applying wage ratios. Patricia Findlay has already alluded to some of the difficulties with that.

I briefly come back to the point that you made about mental health, because it is a huge issue and it also relates to the point about performance management that Patricia Findlay has just made. Our submission mentions the research on performance management that we published a couple of years ago with specific reference to the retail banking and communication sectors, which shows that the new forms of performance management, which seem to have become more embedded post-recession, are having а detrimental impact on people's mental health, because they are seen as arbitrary and as intensifying work.

That is borne out by the statistics. What we have seen over the past few years is that, despite all the efforts that have been made, the number of people on disability benefits, which began to fall post-recession and continued with very weak falls, has recently started to go back up again. The composition of the group of people who claim disability benefits has changed radically. It used to be dominated by people with musculoskeletal disorders who used to work in heavy industry and so on, but it is now overwhelmingly dominated by people with mental health problems-particularly stress and depression. I think that there must be some link to changes in the modern workplace, although I am not aware of any empirical research that bears that out.

I come back to your previous question about what the Government might do. It is guite difficult in the Scottish context. The Government is already doing much of what it should be doing through things such as the fair work convention, which is in its very early stages. The research shows that, particularly for low-wage work, the quality of labour market institutions is pivotal. The most important labour market institution is collective bargaining, so anything that can be done through the fair work convention to make the case for wider collective bargaining coverage and to help to make that happen will be particularly important. The Government can use a whole range of moral persuasion techniques. I guess that the business pledge is the latest one, although we have some concerns about how that has panned out. Economic development policy and what sectors it chooses to invest in will clearly also have a longterm impact.

**Patrick Harvie:** Are any of those issues criteria for applying for corporate welfare systems such as regional selective assistance grants?

**Stephen Boyd:** It was interesting that when the business pledge was first mentioned in the programme for government, it seemed to have an element of conditionality, so support from Scottish Enterprise, Skills Development Scotland and so on would be conditional on signing up to the pledge.

However, the element of conditionality has now been completely lost; it is now a voluntaristic tool. You could make the case that it is all progress, so I would not want to be too critical of the business pledge, but there are some concerns about how it might cut across the work that is taking place on the living wage. If companies, by signing up for the business pledge, self-certify as living wage employers rather than going through the Scottish process the accreditation that Government has funded, something of a problem might emerge.

I will quickly mention two last things, one of which is public procurement. Also, there has been much discussion about new indicators for employment, and I think that that discussion is already happening through the Scotland performs round table. It seemed to be making some progress in the early part of last year, but I am not entirely sure where that work has reached. Any new indicators that can be developed to better reflect how the labour market is affecting people in real time is all to the good.

Anna Ritchie Allan: I want to make a point that is linked to the focus on high-growth businesses that has been mentioned in the model that economic development agencies use in providing business support to self-employed people. The experience of women who own businesses, which is well evidenced by Women's Enterprise Scotland, is that they find it more difficult to access business support that is specific to their needs and more difficult to access financial support. Because the economic development agencies focus on high-growth businesses, they are excluded. They can get start-up support from the business gateway and whatnot, but that is not what they need when they have reached a certain level. There is a glass ceiling at that point for womenowned businesses because of the focus on highgrowth companies.

I know that you did not ask about this, but my other quick point is that there is a gender aspect to performance-related pay. We know that when individuals are able to negotiate their own pay, the potential for pay discrimination increases massively.

Jamie Livingstone: I endorse lots of what Stephen Boyd said. We have been involved in the Scotland performs round table and the national performance framework. We have been pushing for a broadening of that review so that it takes into account, for example, the Scottish Government's current economic purpose, which has economic growth at its core, despite what we know about that growth being disproportionately captured by the wealthiest. The purpose and the national outcomes were not up for review; it was the indicators. We could do with having another look at relevant indicators for decent work. There is an indicator for improved economic participation, for example, but it does not account for the quality of economic participation.

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.

**Dennis Robertson:** I think that we would all agree that this is a fairly wide-ranging inquiry and, to some extent, it is fairly complex. One aspect of the inquiry is wellbeing, as we are looking at impacts. I hope that the fair work convention will look at some of the impacts and any positive outcomes.

With the danger of broadening the inquiry even further, I want to ask whether we are doing enough at the education level prior to work to try to align people's expectations, skills and abilities so that they get into the right kind of job—the job that is going to match their expectation, ability and skill. Obviously, that would include all sectors of the population, including women and people with disabilities. Are we doing enough at the careers advice end, or is the culture still the barrier to taking that forward?

**Professor Findlay:** There is a huge amount of positive work going on, primarily by Skills Development Scotland but also by other agencies and the education system. They are trying to make sure that there is a much better matching of what people leave school with and the destinations they end up in.

There is a slight problem with that. If you have concerns that we have pockets of very poorquality work, one of the arguments about aligning skills very closely to what employers currently need is that we might recreate the pattern. We may reproduce poor-quality work rather than encouraging people-through skills acquisition and utilisation, which is very important-to undertake higher-value and higher-quality work. The policy over the last couple of decades in Scotland and the rest of the UK has been to emphasise the acquisition of relevant qualifications. It has been about supply push: the thought that if we push enough skills and accredited gualifications into the economy, that will have an impact. The reality is that it has not had a great impact.

The barrier is not that the education system does not recognise what the world of work needs: it recognises that well. The barrier is that the skills and talents it develops are not properly deployed in the workplace. That comes back to the design of jobs, how broad the jobs are and whether they are inviting and welcoming to different demographics.

I will give an illustration from my submission to the committee. Of the EU countries that participate in the job quality index, Scotland has the lowest proportion of workplaces in which people can engage in discretionary, problem-solving activity. We may think that that is not an issue, but we also have the lowest G7 productivity and, although it is difficult to establish a statistical link, the two things might be connected.

It is not just about defining what people do when they leave school. It is also about opening up the world of work so that it is inviting to an increasingly well-educated and well-qualified school-leaving population.

**Dennis Robertson:** Positive destinations sound great—very positive with no negative connotations. Depending on the type of work that a person is going into, however, we might ask whether they are getting any real satisfaction, whether the job is impacting on their health at an early stage and whether we have taken into account the shift in types of work. We are no longer a nation of heavy industry, although the impact of heavy industry on the health of the nation is probably still there.

Are we doing enough, and what more can be done, on positive destinations for young people to ensure that they go into employment that will not have a negative impact on their health?

**Stephen Boyd:** I am not well informed about the school end of things, but it is important to emphasise that we know from recent research that prolonged periods spent in low-quality, low-wage work, or in a cycle of low-quality, low-wage work and periods of unemployment, have effects on young people and, indeed, older people that are very similar to the effects of prolonged periods of unemployment. We know in Scotland that we are still living with the consequences of the long-term effects of prolonged periods of unemployment. It is important to understand the extent of the problem.

There is also a general point about the labour market system, managed by Government, that we have in the UK. The system takes a work first approach and prioritises getting people into any kind of work as quickly as possible. The Danish model, for instance, which is generally regarded as the most efficiently functioning labour market in the world, places much more emphasis on matching people correctly with work. If someone loses a job, they have much higher benefits, which allows them to take a bit more time to ensure that they get the right job next, rather than just any job.

We should not change from our system to the Danish system tomorrow—it would not be wise to make such a change too quickly—but we have to start thinking through the longer-term consequences of the work first model.

We spend very little money on active labour market policy in Scotland and the UK, compared with other European nations. We spend significantly less as a proportion of GDP than Denmark, and come very close to spending less in nominal terms than that economy, which is a twelfth of our size.

If we want our active labour market system to function well, it has to be better, more consistently and less cyclically funded than the UK system has been up to now.

**Dennis Robertson:** Is the remit of the fair work convention sufficient to take us down that transitional pathway of matching skills, which we hope would lead to better health for the nation?

**Stephen Boyd:** Patricia Findlay is probably the best person to answer that.

**Professor Findlay:** I am mindful that I am here in a professional capacity and that I am not representing the fair work convention, to which I am the academic adviser.

As you will have seen from the published documents, the convention's remit is very broad. In its first year of operation, the remit is to provide a framework for fair work in Scotland.

The convention is at the very early stages of its deliberations, but it is dealing with an awful lot of issues that are similar to those that have been discussed this morning. The working definition is that the convention is interested in looking at work that provides employees with opportunity, fulfilment, security, dignity and an effective voice, and some of that—particularly opportunity—will cover issues of transition into the labour market and how people move into and out of the labour market.

Like the committee, the convention has a big job to do in quite a short period of time on its first target, but part of the transition that Dennis Robertson asked about is within its remit. It is taking evidence from all the public agencies, as well as a broader range of stakeholders, to inform its work in that area.

#### 12:15

Anna Ritchie Allan: I would like to go back to the original question about how schools are preparing young people for entry into the labour market. We are involved in a bit of work that is looking at occupational segregation and modern apprenticeships in the West Lothian Council area. We have been working with colleges, schools and the education authority to identify where, along the pipeline, there can be positive points of intervention to address that issue. One message that is coming back quite clearly from a number of stakeholders is that employers find that young people who do not go on to university, who may go to college or who go straight into the labour market, lack basic employability skills, such as how to be interviewed, how to fill out an application form or how to behave in a formal setting. That seems to be a common response from a number of stakeholders.

Johann Lamont: The focus of our inquiry is on the individual. We know that it is not good if someone becomes ill because of the job that they are in or if their job reduces their life expectancy, but we also have to consider why that is bad for the economy, and Stephen Boyd's comments reflected that.

I am interested in how we can get a proper sense of what is happening. I think that there is probably a distinction between a hard job and a bad job. Last week, I talked to a care assistant in a nursing home who said that she loved her job although she could not possibly expect to make a lot of money out of it—she was content in her work. However, I know someone else who works in the care sector under conditions that mean that staff do not get paid until they get to the place where they will be working and are under phenomenal pressure. How can we get a proper understanding of what is actually happening in such circumstances?

I have another example of a person in the hotel sector who thought that she would get paid for working a certain number of hours but was told that she would get paid per room that she had cleaned. It would be good to hear the witnesses' ideas on how we can get the evidence that we need to properly understand what I see as the casualisation of too many workforces.

I would like to start by asking Stephen Boyd about zero-hours contracts. You said that, rather than just accepting the explanation that this is all an effect of the recession, which has perhaps become a justification for some of these things, there are longer-term trends that we should be aware of. You also said that people now understand zero-hours contracts and have no expectation of anything different. To what extent do businesses now actively use zero-hours contracts or casualisation as part of their business model, and what can we do about that?

Stephen Boyd: It is important for the committee to be realistic about what is likely to be achieved in quantifying the problem, for the range of reasons that we have already heard this morning. The issue of zero-hours contracts is illustrative of the wider problems. It is not something that the ONS has published on over a prolonged period of time, but since it became a political issue, the ONS has done its best to go back and redesign the labour force survey and some of the employer surveys to get a better handle on what has happened.

The graph in my written submission seems to show a huge jump in 2012. We attribute that to people having a better understanding of their own zero-hours contracts, so that when they are asked a question in a survey, they can answer accurately. Before, they probably would not have been asked explicitly, "Are you on a zero-hours contract?", but they might have been asked, "Does your contract guarantee you a certain number of hours?", and they may have answered inaccurately. The big jump in 2012 probably reflects more accurate responses.

The ONS has also done a lot of work with employers that suggests that the figure is significantly higher, because employers clearly answer the survey more accurately. However, for a range of technical reasons, the ONS seems to think that that probably overestimates the number of zero-hours contracts. To be fair, it has done a lot of work on the area over the past couple of years, and it is working towards a point when we will get a much more accurate measure of the number of zero-hours contracts in the economy. We hope that the ONS will also disaggregate that information on a national and regional basis.

We have tried our best to extrapolate from the UK figures. In coming up with an estimate for the number of zero-hours contracts, we understand that the trends are slightly different, particularly in the health service, which might show Scotland as sitting slightly below the UK average in that regard.

With regard to the question that you concluded with, employers are increasingly taking advantage of labour market conditions to offer work that is less secure than in the past. Anecdotally, I can say that that is true. The situation concerns not only things such as zero-hours contracts but pay between assignment contracts. There is also the issue of self-employment. In the construction sector, bogus self-employment has been a longstanding issue, but we now see places such as call centres offering people work on self-employed contracts—often people do not understand that until they are at the point of starting the job.

Anecdotally, we can say that such things are happening, but it would be irresponsible for me to try to quantify them because we do not have the information that would enable us to begin to put numbers on the proportion of work that is becoming more insecure now and the proportion of work that has become more insecure since 2008, at a Scottish level.

Johann Lamont: If we accept that insecurity in work is bad for the individual and bad for the

economy, what can we do to encourage people to move away from that model?

**Stephen Boyd:** Again, I will start with a pessimistic point. The UK has a highly deregulated labour market, and an even more deregulated product market, which has practically forced a lot of firms down what we would describe as low-road approaches to competitiveness. I think that the business models of many companies are built on insecure low-wage work, and that it will be difficult to send those employers down another route. You can present all manner of case studies concerning companies that do these things well, but they are unlikely to resonate with companies that are doing just fine with the kind of business models that I have described.

With regard to what we can do in Scotland to change behaviours, I can do no more than list again the range of activities that I listed in response to Patrick Harvie's question. Again, though, some of those are pretty long-term activities and are pretty difficult to achieve. With regard to economic development policy, it is important to move beyond the key sector-led approach to economic development. We are engaged in a project with the Scottish Government that is trying to do just that. However, the outcomes are long term and are highly uncertain. It would, therefore, be highly irresponsible to overpromise in terms of what can be delivered.

Johann Lamont: On unionisation, it is interesting that the minimum wage policy developed as a result of women trade unionists, in particular, feeling that collective bargaining in itself was not going to address job segregation and so on. If unionisation reflects less job insecurity, what can be done, in policy terms, to support that? Is it the business of Government at any level to be involved in that?

**Stephen Boyd:** Although higher rates of unionisation are clearly a good thing from the STUC's perspective, what is really important is collective bargaining coverage. There is a subtle but very important distinction between the two. France is the outlier in that respect. For historical and cultural reasons, France has 8 per cent union density, but 85 to 90 per cent collective bargaining coverage. What can the Government do to support and encourage collective bargaining at a Scottish level? The easy answer is to say that the fair work convention will be considering that issue over the coming years, but I will try to give you a slightly more useful answer than that.

Some of the major unionised employers in the key sectors in which the Scottish Government currently provides a significant amount of support have managed to change workplace organisation and job design through engagement with the unions. You could sell the story through effective

case studies-we have done that ourselves with regard to what has happened at, for instance, Rolls-Royce in East Kilbride and Diageo in Methil. You could be slightly more ambitious and consider some sectors that we know suffer from a high proportion of low-wage, low-quality work, such as social care, which is a sector in which Government procurement plays a major role. You need to start through the various levers that thinking Government has in relation to those sectors and how they can be used, in the first instance, to encourage a more European social partnershipstyle approach between employers and unions to try to determine issues around pay, job quality and so on, moving towards a more prescriptive collective bargaining arrangement.

Quite a lot can be done but, as I have just demonstrated, there is no quick, snappy answer to the question. We are talking about complex, long-term stuff.

**Professor Findlay:** I will tie up the two parts of Johann Lamont's question on zero-hours contracts and unionisation. We know about the comparative impact of collective bargaining coverage. A few years ago, the Joseph Rowntree Foundation produced work that showed that collective bargaining coverage is the single factor that impacts on whether there is a high proportion of low-paid jobs in an economy, so we know that it is a significant factor.

Looking at Scotland in the UK, I invite the committee to consider the fact that there is no evidence of any other alternative systematic forms of voice in UK organisations. There have been times in the past couple of decades when we have talked about non-union channels for collective and individual voices, but the reality, looking at the results of the workplace employment relations study, is that only 7 per cent of UK workplaces have stand-alone non-union forms of representation.

We know that collective bargaining produces good outcomes, and we know that, in the absence of collective bargaining, there is not much evidence of any other channels at all, other than one-to-one communication between employees and managers.

Tying that in with the issue that Johann Lamont raised about zero-hours contracts, a knee-jerk approach to such contracts is, in my view, problematic. There will be circumstances in which individuals and employers will be able to align on such contracts, and a very small proportion of zero-hours contracts will take that form. The way to resolve the issue is by having a mechanism of dialogue and voice. The two issues—unionisation and zero-hours contracts—are quite well aligned. Jamie Livingstone: The Scottish Government's focus right now is on movement building, and on cajoling—rather than forcing—and incentivising through initiatives such as the business pledge. There is no doubt that there is a business and economic case to be won with employers, and all the evidence points to the view that there is no trade-off between job quantity and job quality. Businesses that provide decent work report lower staff turnover, higher levels of loyalty, better employee morale, lower costs in terms of sick pay, and higher productivity.

I want to flag up a couple of areas in which we have seen progress, certainly through our international work on supply chains. Trying to find common cause with consumers and buyers has worked effectively through the behind the brand scheme, which tries to get corporate brands competing against one another to improve practice.

We did some work with the 10 biggest global food and drink companies, which led to the likes of Coca-Cola and Pepsi competing publicly with each other on things such as land grabs and land rights in their supply chains.

It is not just about being critical from the outside; it is equally about supporting businesses to move towards better practice. We have done some work with Unilever, for example, and in 2013 the company allowed us to examine its supply chains in Vietnam. We looked at collective bargaining, living wages, working hours and contract labour, for example. That work led to the publication of a joint report and to positive action from Unilever. I am sure that we would have wanted the company to go further, but that is an example of an opportunity in which moral suasion comes into its own.

**Chic Brodie:** On contracts, I am currently completing a project involving youth football. One thing that surprised me from my contact with HM Revenue and Customs and BIS was that any contract that pays less than the minimum wage is not a contract—it is not worth the paper that it is written on. Have you come across that?

#### Stephen Boyd: No.

**Chic Brodie:** That is a point that might be worth thinking about.

The Convener: I will ask one question to finish off. The committee has been looking at whether there are particular sectors of the economy that we should concentrate on. We have talked about the care and hospitality sectors, for example. Does anyone have a view on that? Would those be good examples, or are there other sectors that we should focus on? **Professor Findlay:** Hospitality and food and drink are very important sectors. The food and drink sector is interesting, because it has a very high proportion of high-quality work as well as low-quality work. It is quite a polarised sector.

Hospitality is interesting for a variety of reasons. There is not necessarily a link between the level of product value in hospitality and the quality of jobs, so someone who works in a five-star hotel does not have a much better job than someone who works in a no-star bed and breakfast.

Hospitality and food and drink are also areas in which, given the proportion of women workers, there are huge gender issues.

#### 12:30

Anna Ritchie Allan: From our point of view, one thing that has not been mentioned yet is the concept of value: how we value types of work and who is doing a particular type of work. Johann Lamont alluded to that issue when she talked about female-dominated workplaces in the care sector.

Women are concentrated in the care sector, and the jobs are low paid because women are doing them. There are two aspects to undervaluing. The type of work that women tend to do because it is traditionally done in the home, such as caring, is low paid because women do it and because the skills are not valued very highly.

The other type of undervaluing is where women are paid less for doing the same work as men. A focus on any particular sector—in fact, the committee's whole inquiry—needs to look at value and how that contributes to job quality.

Jamie Livingstone: That is important in terms of how you define work, and whether the committee's inquiry is looking at unpaid work as part of its remit.

Broadening out the sectoral focus, in addition to women, ethnic minorities and migrant workers are more likely to work in the types of jobs in which job quality is an issue. It is perhaps worth taking that into account.

**Stephen Boyd:** The financial services sector is particularly interesting for a number of reasons. Hitherto, it has provided pretty decent employment, particularly in retail banking. The sector has gone through massive change in the past few years, and there is strong anecdotal evidence to suggest that the quality of jobs has deteriorated significantly.

Most important, looking to the future, financial services is a sector that will stand foursquare to the world in terms of technological change and what that might mean for job quantity and quality. **The Convener:** Thank you. We have come to the end of our time. The session has been helpful. On behalf of the committee, I thank everyone for coming along. It has been very useful.

12:32

Meeting continued in private until 12:46.

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