



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

ECONOMY, ENERGY AND TOURISM COMMITTEE

Wednesday 30 September 2015

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ECONOMY, ENERGY AND TOURISM COMMITTEE
23rd 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:

Liz Cairns (Unite)

Rob Gowans (Citizens Advice Scotland)

Dr John McGurk (Chartered Institute of Personnel and Development)

Professor Chris Warhurst (University of Warwick)

Dave Watson (Unison)

CLERK TO THE COMMITTEE

Douglas Wands

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament

Economy, Energy and Tourism Committee

Wednesday 30 September 2015

[The Convener opened the meeting at 09:32]

Work, Wages and Wellbeing Inquiry

The Convener (Murdo Fraser): Good morning and welcome to the Economy, Energy and Tourism Committee's 23rd meeting in 2015. I remind everyone to turn off—or at least turn to silent—all mobile phones and other electronic devices, so that they do not interfere with the sound equipment.

Agenda item 1 is a continuation of evidence taking for our inquiry into work, wages and wellbeing in the Scottish labour market. We are joined today by Professor Chris Warhurst, who is from the University of Warwick, and Dr John McGurk, who is head of the Chartered Institute of Personnel and Development Scotland.

We will allow about an hour for the first panel, during which we will cover issues such as job quality, fair work, training, trade union involvement and so on. I ask members and witnesses to keep questions and answers as short and to the point as possible, which will help us to get through the topics quickly. Members should address their questions to one panel member. If the other panel member wishes also to respond, they should catch my eye and I will bring them in, as time allows.

I start by addressing a question to Professor Warhurst. Your submission talks about job quality and identifies two routes that an economy can go down in that regard: the high road of high-skill, high-value jobs; and the low road that involves competition in the area of pay with other economies. I am interested in exploring that with you to find out where you think the Scottish and United Kingdom economies are on that spectrum. How realistic is it to move towards the high road, assuming that that is your objective?

I will give you an example to put the question in context. When the committee was in Paisley last week, some of us spoke to representatives of a high-volume manufacturing business. It has high levels of employment and is in a labour intensive industry, and its competitors are in eastern Europe and China. The business strives to be a living wage employer, but it was clear that, although it might like to pay its staff more, to do so would

mean that it would be difficult to compete in international markets.

How can we address the concern that wage levels will always be subject to international competition? Do we just have to recognise that some of these jobs are better done elsewhere?

Professor Chris Warhurst (University of Warwick): Are you looking for a short answer to those questions? *[Laughter.]*

The Convener: No. I will be flexible for your first answer.

Professor Warhurst: Academics have put forward a number of different models to try to explain why the UK's performance is relatively weak against that of other countries—the example is usually Germany.

Towards the end of the 1980s, a fairly prominent American economist called David Finegold started suggesting that there were what we might call high-skill equilibriums and low-skill equilibriums—in other words, economies that more or less settle around having high skills and economies that more or less settle around having low skills. He said that those equilibria have knock-on implications for the workplace. In other words, the type of economy that we have influences the management, organisational governance structures, work organisation and skills that we have. If we want to compete on low cost, it is likely that our workplaces will be tightly managed and have low-skill, routinised, low-paid work.

We can see the chain that runs through that. The interesting question becomes whether we can break that chain or whether we will be locked into it for ever. In terms of workplaces, the high-skill equilibrium model is called the high road, but it is clear that in the UK there is a propensity to opt for the low road. In countries that have been held up as examples of the high road or the high-skill equilibrium model, such as Germany, there have been pressures to move towards the low road. However, certain Länder have made specific decisions not to compete with China, even though there have been pressures to do that.

In North Rhine-Westphalia, which is one of the German states, there was a lot of pressure on manufacturing companies to start lowering their costs in order to compete with China, but the strapline was “You can't beat Beijing on price”. The Government there offered to fund initiatives, with its social partners, to go to companies that felt under pressure and ask them, “What can we do to help?” In some cases, it was about companies rethinking their products and considering whether they could be positioned in different markets, to keep them in high-value-added areas. In others, it was about rethinking their production and

considering whether they could do things differently to allow them to remain competitive.

It is interesting that real partnership is going on between the companies that had to open their books to allow other people to come in and the trade unions, academics and consultants that were involved. In many cases, the academics acted as brokers between people. Where it was necessary to rethink work design, consultants came in to help people to change their work processes.

It is possible to prevent people from moving down from the high road to the low road, but the key question for the UK is how we move from the low road to the high road. There are two ways of thinking about doing that. One is to block off the low road—I and colleagues have been keen to say that. The other is to pave the high road—to use the phrase that we use—in order to encourage companies to go down it. It might be worth while picking up some of those issues later.

In a nutshell, that is where we are in the UK. We have a propensity to go down the low road, so the trick for us is how we break out of that and move towards the high road.

The Convener: That is a helpful top-level summary. I will drill down into that a little bit more and return to my example of a west of Scotland manufacturer that has competition in China and eastern Europe and is facing wage pressures. How does that manufacturer get from where it is today to where you think that it should be, on the high road? What is the journey?

Professor Warhurst: If we accept that there is a logical link between the business strategy and how a company, including its human resources, is organised—what I think of as business development, work organisational development and workforce development—and if the causal chain goes from where you position yourself in terms of business through to your workforce, then we need to help such companies to rethink their business. We need to help them with their business development.

The Convener: Who is “we”?

Professor Warhurst: That is a good question. The Government has to take a lead. It is not the task of Government to manage firms, but things can be done. I suggest in my submission that we need to think about management education. Some people think that opting for the low road is the easiest way forward. As we all know, there are companies with simplified work processes and low-skilled, low-paid jobs that make money. Although that is true, it is interesting that those companies’ relative performance diminishes compared with companies that operate in high-value markets. We know that from evidence from

across the UK. In other words, such companies may be profitable now, but in 10 years’ time they will not be as profitable.

A way to help companies would be to re-educate company leaders and managers to open up their horizons to think about something else, so we should think about management education. Another thing that we could do—we already do this relatively well, but we perhaps need to consolidate and expand it—is help people to understand and read the market.

Lots of small firms would like to offer better job quality. I call them willing employers. They know the benefits of offering better job quality, but they do not know how to do it. They have neither the capacity—many people who own small firms are running around like headless chickens, because they are doing lots of tasks, including finance, HR and marketing—nor, in many cases, the capability, because a lot of them have not gone through an educational process. We are talking about small entrepreneurs who are starting their businesses.

We can intervene and help those people to read and understand the market and to see where the opportunities are. Government and its agencies have a role there.

The Convener: I know that members will want to explore a lot of those issues—Lewis Macdonald wants to follow up on what has been said. Before I bring him in, does Dr McGurk want to add to or contradict anything that he has heard?

Dr John McGurk (Chartered Institute of Personnel and Development): There is a polarised argument between low-road flexibility and high-road competition. We must be mindful of the competition, the labour market and productivity globally. China is often used as shorthand for what we must compete against. However, China has rising unit-labour costs because it has used up a large surplus of migrating labour from the rural hinterlands. That labour force is becoming more assertive, even within an authoritarian political structure. China is offshoring quite a lot of low-cost manufacturing to places such as Vietnam, Indonesia and Bangladesh. As the unit-labour cost increases for producing high-value manufactured and finished goods, a lot of that work will go to Europe. The issue is which part of Europe it goes to. The assumption is that quite often Germany makes the things that China makes things with, such as machine tools. However, other parts of the European economy can prosper by developing high-value manufacturing niches, and Scotland is one of them. To achieve that, there must be an open dialogue between business, unions and Government about how to develop a high-road economy.

Everybody has a different view about how to do that. The fact is that will we have a hybrid economy, including companies that operate a low-cost production model that is quite profitable, but not necessarily sustainable in the long term. How do we develop the high-road economy? It is done through innovation, skills and learning. That is a very easy and glib answer, but there is a lot of evidence from international comparative research that that is the way to build clusters of high-value manufacturing and service industries.

09:45

Professor Warhurst: For the past 20 years, the UK and Scotland have competed against countries such as China by saying that we will take the high-value-added stuff and the Chinese will take the low-valued added stuff. Our response to that has been to expand higher education and have graduates as more highly skilled workers.

Two things have happened in that time. One is that we have not used those graduates properly; they are vastly underutilised. The second is that we have failed to appreciate that China creates more graduates in one year than Scotland has in total. My institute is starting a project to look at innovation and job quality in China, and it is astounding to see the number of graduates who are created there every year. China will also be competing on brains in the future.

The Convener: On that point, I notice that the CIPD submission says that 58.8 per cent of UK graduates are in non-graduate jobs, which is a very striking statistic.

Dr McGurk: Yes, absolutely, and there is a long history of research into what is a very simple question: are more graduates likely to lead to a more productive economy? It obviously depends on what they are doing, on the workplaces that they are in and on how their jobs are designed and enriched. It depends on whether competitive strategies are designed so that people can be more productive and higher paid. If they are not, people will not be.

We have just produced a major report on overqualification. Creating lots of graduates is obviously a good thing, but we have to think about what skills those graduates are attaining. We are not focusing on the sectors that are going to be most productive in the face of international competition.

The Convener: Lots of members want to come in with follow-up questions, but I promised that Lewis Macdonald could go first.

Lewis Macdonald (North East Scotland) (Lab): I have been struck by some of the evidence

that we have heard. In his written submission, Chris Warhurst said:

"What the UK lacks is a Ministry for Labour."

That points us directly to the question of what form any Government intervention should take. The discussion that we have just had about graduates illustrates that: Governments of all parties have promoted higher levels of graduate completions, but that has not necessarily addressed the issues that you have described.

What should Government be doing and how should Government be paving the high road or enabling the rights skills mix to come out of our education institutions? Is the current balance between further and higher education tilted too far in favour of higher education and not far enough in favour of trade skills?

Professor Warhurst: If we focus on the skills issue for a second, it is quite clear that we are oversupplying graduates. Remember the logic that I just talked about, in which we start with business development, which filters through to organisational development, which filters through to workforce development. That is the chain.

There were those who argued that the point of intervention for Government should be in workforce development—in other words, in increasing the supply of graduates. The argument then goes something like this: you create all these graduates and put them into non-graduate workplaces or jobs. They bring all their skills and abilities with them and they start to grow their jobs. In order to accommodate them, employers have to reorganise their organisation, allow them to make inputs and give them a voice, and that somehow pushes firms up the value chain. They have to compete in different areas to accommodate the graduates.

That just has not happened. All that we are seeing is graduates entering non-graduate jobs. The funny thing is that we do not actually know what happens to those graduates in non-graduate jobs.

We are just finishing some research on the effect of graduates on estate agency in Scotland, which has traditionally been a non-graduate job. We have found what we call hybrid workplaces, in which graduates and non-graduates are doing exactly the same job for the same wages. In many cases, employers do not know what the graduates bring. They know intuitively that the graduates should be bright and so on but, beyond that, they do not know what the graduates offer. In some cases, they hire them because they are available rather than because of a real desire to employ them.

Related to that is the fact that we do not know what is happening to the non-graduates. We have completely forgotten that there is a huge swathe of people out there who are non-graduates who are now competing with graduates for jobs. In the future, will they be pushed out of jobs by graduates?

In the middle are the fairly bright working-class kids who in the past would have gone into the trades but who are now being encouraged to go to university. There are no huge skill shortages in Scotland, except in the intermediate areas. I have been doing work in Glasgow with some of the skilled trades, which are crying out for apprentices—good apprentices; the old-style apprentices who would spend three, four or sometimes five years learning a craft.

Those trades cannot find apprentices now, because the kids who would previously have followed that path are being pushed into higher education. As one of my interviewees said, they are learning their skills at the board, not the bench. That means that they are great at doing computer-aided design but they are not skilled in using tools. That is partly because we have been encouraging young people to go into higher education and it is partly because the people who are teaching them have also gone through higher education rather than learning at the bench. There are many skills issues that we need to address in Scotland.

The short answer is that there is a need to rebalance, but if we are to do that, we need to think about how people are taught and the pipeline for apprenticeships. That is a slightly different issue, which links to job quality. We need to think about the people who are coming into apprenticeships, how they are taught and how they link to businesses, because businesses will take apprentices only if there is a business need for them.

In addition, if we want to encourage people to go into further education and apprenticeships rather than higher education, there will have to be good jobs for them to go into. There is no point in redirecting them from higher education to further education and apprenticeships if at the end of it they do not come out with good jobs.

Lewis Macdonald: I want to ask about the other side of the same coin—blocking the low road. What more can government—in this context, I am thinking specifically of the Scottish Government, Scottish local government and the public bodies—do to discourage employers from following the low-value, low-wage, low-quality jobs route?

Dr McGurk: A key issue for a small, open, mature economy such as Scotland that wants to compete in a global economy is having a highly

educated population, which Scotland has; whether they are educated in the right subjects is something that we can think about and address. We have established industries with particular business models that have developed over time, and we have a fairly active Government that wants to intervene in a helpful and supportive way.

One of the issues about Scotland is that it is small enough to be scalable and it is very clubbable—very well networked. People can get together in different groups and do things that can make a difference. I think that the biggest impact that can be made is through innovation.

I should declare an interest in relation to the Scottish Government's innovation centres, because I sit on the board of the construction Scotland innovation centre. The chief executive and the chairman asked me to sit on the board specifically because I had labour market expertise and because they knew that I had started off in the industry as an apprentice tiler many years ago. I went through a very exploitative, low-skilled apprenticeship, during which we were used, basically, as manual labour. I was not the big, burly guy that I am now; I was a bit of a waif. I had a white boiler suit, which is always a bad thing on a Glasgow building site.

Sitting on the board has made me reflect on how much things have changed. How much have we changed the supply chain of skills? The construction industry is moving towards a revolution and a new form of construction. A lot of it is taking place in factories and requires different skills, and yet we still have a very male-dominated, hard-scrabble industry. Many people in the industry are doing a lot to try to address that, but one of the key issues is that, if you drive innovation at the top, people adapt their business models to that. You then have to support the biggest sector, which is the small and medium-sized enterprises, to try to compete. That is a real challenge—I am sure that we will say much more about that.

Gordon MacDonald (Edinburgh Pentlands) (SNP): My question is for John McGurk. I was taken by the fact that 59 per cent of UK graduates are in non-graduate jobs. What should be the role of universities? Yesterday, in the Education and Culture Committee, we heard that there are 11,000 information and communication technology vacancies in Scotland and 150,000 across Europe. On engineering, you have already touched on the fact that there is a difficulty at technician level. There is also a difficulty in relation to graduate engineers, which is having an impact on the ability for companies to grow. Is the focus of universities wrong, rather than the number of graduates? Are the courses that graduates are

undertaking not in tune with the economy's requirements?

Dr McGurk: We have lots of people doing humanities and professional degrees and not enough doing technical and engineering subjects. Without having a centralised, planned economy, where we point the finger at people and tell them what industry to go into, how do we address that? What we do is that we build—we hope—the desire and aspiration for young people to go into those roles.

That does not just apply to young people. We have an ageing labour force in Scotland. In our “Scotland’s skilled future” report we talk about

“developing skills from pre-school to pension age and beyond.”

We have to think about the whole skills supply chain in the labour market. One of the key issues is that we have to build young people from pre-school, which is well known to have massive benefits in terms of integrating the most excluded young people into the labour market at an early age. We have to focus on good vocational education, where appropriate, in the school system. The commission for developing Scotland’s young workforce has made big strides on that.

When we are talking about university, we have to think seriously about what kind of economy we are shaping up to. I benefited from doing social sciences and aspects of humanities at university. I would not want to suggest that we should shift the entire curriculum, but we may need to think about having a slightly more specialised form of technical education in Scotland that would fit in with our emerging industries, such as biotech, the IT industry, green energy and so on. We have probably got to think about that. Some people think that the polytechnic sector delivered quite a lot of those skills in a fairly focused way. We sometimes need to go back to the past to think about our future.

Professor Warhurst: One of the things that we often forget about higher education is that it started off, effectively, as a vocational training college. It was for law, medicine and the clergy. We sometimes view higher education through the prism of the 1960s and liberal arts education. With cost pressures on higher education—from the top in terms of funding it and from the bottom in terms of people participating in it—there is now a legitimate question about its function. If it is to create a healthy and happy workforce, we provide a liberal arts education, which is great: we train people to be critical thinkers who are able to engage in the world differently.

What has been very interesting over the past couple of years is that research has come out of America that has tested the thinking skills—as we

used to call them in Scotland, under the old Scottish Executive—of students as they went into universities and as they came out of universities. Let us say that the results are very uneven. Some students’ thinking skills actually diminished in university. Some did well—they plodded along—and some enhanced their thinking skills.

One of the things that we should be thinking about is what happens inside higher education. The UK Government is thinking about that with the Higher Education Funding Council for England learning gain initiative. It is politically—with a small P—a tricky thing to do, but it is important for us to think about in the context of universities and higher education always being about vocational training in its broadest sense.

10:00

Gordon MacDonald: Two other statistics jumped out at me from the submissions to the committee. One is that the CIPD

“found that only 36% of employees felt their managers usually discussed training and development opportunities with them”.

The other one is that data from the UK Commission for Employment and Skills survey

“shows that 28% of Scottish employers”

provide

“no training to their staff”.

Are those levels linked to the overprovision of graduates, or are there other reasons for them?

Dr McGurk: It depends on the business and the type of work that is undertaken. It is easy for a company to say that it trains everybody if it does compliance training. A hospitality and tourism provider that has to provide a lot of training on health and safety or hygiene might look like a higher trainer than an employer in another sector that is not in such a compliance area. It is difficult to drill down into what that industry would consider appropriate training to equip people for the environment if it took a more high-road approach.

An absence of training is not automatically a sign that employers are not engaging with the need to increase the skills of their workforce. The issue is that, if people are in a complex and evolving labour market and are not being trained, they are not keeping up with the kind of skills that they need to develop. That may well mean that they are working in a fairly low-skill, low-intensity environment. That is not necessary. A bigger picture for us in Scotland is how we build the industries that require training and skills. The biggest issue on training is not just the supply but the demand from employers.

Gordon MacDonald: Productivity in the UK over the past seven or eight years has started to fall. Is that a reflection of the lack of training?

Dr McGurk: Productivity is multifactorial: it involves capital, labour and investment. The CIPD labour market team did some research, which was published on Friday, that drills down into what employers are doing. We have empanelled survey data that looks into what employers are doing on capital investment, which either substitutes labour for machines or enhances the productivity of labour through investment in machines. For example, in a supermarket with automated tills, the staff are often doing other things, such as helping to introduce people to new products and providing more customer service. Quite often, they are also showing people how to use the machines. The issue is how employers are using capital and machines.

We found several cohorts of employers. As you would expect, the most common in the recession was a cost-cutting mentality—which chimes with the evidence that Professor Warhurst gave—because employers are in survival mode. They are trying to keep their businesses going in a difficult environment, which often means that they have to suspend investment, batten down the hatches and keep on a survival path. As we come out of the recession, more employers are trying to invest in capital and skills. It is a circular argument but, if they invest in capital without skills, they will not get the productivity out of the capital investment, which is a key issue.

I can make the report available to the committee.

Dennis Robertson (Aberdeenshire West) (SNP): Part of the question that I was going to ask on graduates has already been answered. Sir Ian Wood's report says that universities and colleges have to be better at thinking about pathways for their graduates. The University of Aberdeen, Robert Gordon University and North East Scotland College are working together—which is perhaps a new concept—to determine what skills are required to encourage graduates to go down particular paths and to encourage people who are going through college to take up particular skills.

The other issue is whether we should be trying to ensure that there is no differential in our thinking about someone who is a university graduate and our thinking about someone who comes out of college. Their ability and what they bring to society could well be equal in quality and we should give them an equal status. What is your opinion on that?

Professor Warhurst: The question is about parity. We sometimes look back to not necessarily a golden age but an age that defines a lot of our

thinking—the 1960s. That is when we created that binary divide, which looks to be set in stone. However, the University of Warwick, which is one of the leading universities in the UK and has a global reputation, does a lot of what we would call vocational training and now has higher apprenticeships. The university's manufacturing group has created schools that pick people up from the age of 14.

There can be models of integration, but it has to be done properly. Whether we can have parity depends on the quality and the level of further education. As somebody who works in higher education, I might be shooting myself in the foot by saying this, but further education has been relatively neglected across the UK and we need to address that.

Beyond that, if we are going to integrate, we need some system or mechanism for linking not just the colleges and universities but employers as well. In effect, we need to create an ecosystem in which there is a meeting place and there are protocols that define responsibilities and resources, so that those who supply vocational education in its broadest sense—whether that is further education, higher education or even some of the private providers—are linked with the employers who are going to use those skills.

In Scotland, we sometimes talk about clusters but we do not have effective mechanisms to co-ordinate those clusters, and that is where the role of Government can come in. It should not dictate what goes on inside the clusters but provide the form in which the clusters can meet and operate by creating protocols.

About seven years ago, when I was at the University of Strathclyde, we tried to bring people together to determine the best thinking on something called skills ecosystems. We need to bring all the parties in Scotland together to create protocols for how to operate in particular sectors. That might be the creative industries, food processing, whisky or whatever we want to define as our successful sectors. However, integration will work only if we have the right framework around it, and Government can provide that framework.

Dennis Robertson: At the beginning of our evidence sessions, the Confederation of British Industry said that it is not advisable for Governments to determine the quality of work—what is good or bad—and that we should not even attempt a definition. However, I am hearing this morning that there is a role for the Government. Do you agree with the CBI that it is not up to politicians to determine what is good or bad-quality employment? In some respects, you are suggesting that that is a role for the Government.

Dr McGurk: It is up to politicians to create a dialogue around key issues such as the future of work, to listen to different stakeholders and parts of society and to feed their views into policy making. Most Governments do that. It would be less desirable for the Government to come up with a blueprint if it had not benefited from the expertise of industry, unions and other partners that have a view on the future of work. From what I gather, the Scottish Government's approach is very much to create that dialogue.

Dennis Robertson: You do not agree with the CBI.

Dr McGurk: It is polarising the issue. The Government should be interested in the quality of the labour market, as that is a critical part of how a society functions.

Professor Warhurst: Many stakeholders have an interest in job quality. All employers, in one sense, have an interest in job quality, whether they are interested in creating bad jobs or good jobs. One of those stakeholders is the CBI, which has a role and a legitimate voice but its focus can be different from that of the Government; their interests can coincide, but they can be different. The CBI might represent certain employers, but the role of the Government is, in its broadest sense, to represent its citizens. Given that context, good jobs might provide outcomes that are other than those that the CBI wants.

I said in my written submission that the Scottish Parliament, including this committee, must think seriously about what it wants from job quality. If it is about making Scotland wealthier, the point of intervention is wages—for example, moving to the living wage. However, if it is about wanting the Scottish economy to be more competitive through innovation, it is about focusing on work and job design, and organisational development.

One of the things that we must bear in mind about organisations such as the CBI is that they might speak with one voice but they do not necessarily speak for all employers. We have to appreciate that employers, whether they are in the public sector, the private sector or the voluntary sector, are not all the same when it comes to job quality. There are some good employers out there who, either by design or by default because of their business systems or their moral engagement, provide good jobs in Scotland and care about their workforce. Another group of employers are what I call the willing employers—although they do not currently provide what we might say are some of the best jobs, they would probably be willing to do so if they knew how, but they do not. That point applies to SMEs, as in many cases they do not have the capacities or capabilities.

There is a third set of employers who are indifferent and currently offer bad jobs because there is no incentive for them to do otherwise. Their attitude is, "Why change a model that works?" Finally, there is a group of employers whom I would regard as bad employers because their business model is built on creating bad jobs.

I think that the bulk of employers are in the middle two groups—the willing and the indifferent—and the extremes are probably those who provide good jobs and those who provide bad jobs. The Government's responses to those employers have to be different. We should laud the good employers and set them up as exemplars of what can be done; we should provide support for the willing employers; we should educate the indifferent employers; and we should regulate for the bad employers.

Dennis Robertson: Do you believe that the good, the willing and the indifferent are also mindful of their employees' wellbeing? Part of our inquiry is looking at the impact of employment on peoples' lives in terms of their health and wellbeing.

Professor Warhurst: I suspect that the majority of employers look at their employees through two lenses: on the one hand, the employer considers employees simply as units to help the employer achieve what they want to achieve; on the other hand, the employer realises that the kinds of job that they offer impact on both the employees and the business. If employers offer the kinds of job that provide employment insecurity, their employees will leave at the first opportunity. Retention becomes an issue for employers, and recruiting people costs employers money. Having a committed workforce that is engaged because the employees think that their employer values them is cost effective for employers.

Dr McGurk: You asked about wellbeing. When a business is trying to compete in a global economy and continually lift itself up the value chain, innovate and so on, which involves lots of changes, disruptions and transitions, a key need at the centre of that is resilience, and employees' wellbeing is part of that resilience. We talk about engagement, wellbeing and resilience as key outputs that we should expect from the workplace. Once we get people into jobs and get them trained, we should keep them engaged and well, which obviously has benefits for the society that we live in, given the deep-seated health and socioeconomic problems that we have.

We should keep employees resilient so that they can be agile and adapt to change, which means giving them skills, support and development. It is easy to say all that, but doing it on a Government scale is quite challenging. One of the key issues that I come back to is the need to create a

dialogue around how we do that, and around the roles that Government, individuals and employers can play.

10:15

The Convener: I am conscious that we are two thirds of the way through our time. A number of members are still to come in, so we need to sharpen up a little. Two members have questions on job quality. Chic Brodie will go first, followed by Patrick Harvie.

Chic Brodie (South Scotland) (SNP): Good morning. The previous question offered a new definition of the good, the bad and the ugly.

I have not yet heard what exactly we mean by the term “job quality”. I know that in Australia we are developing a quality index—using our funds, which is great—and Professor Warhurst has discussed the question whether a job is good or bad.

We have talked about clusters in Scotland, and Professor Warhurst mentioned Germany. I highlight the Mittelstand exercise in Germany, in which employees are involved. The companies in that exercise are small—we have discussed the challenges for SMEs—but they compete globally.

Is the Scottish economy structured in the way that it should be? Are we trying to do too much? Should we focus on developing experience in specific industries so that the Scotland brand becomes much better known, as it is in food and drink?

I have one other question to develop that point. Professor Warhurst spoke about training, which is imperative, but I have not yet heard the word “leadership”, which is more important. How do we find the leaders?

Professor Warhurst: I mentioned the word “leadership”—I spoke about leaders and managers. Looking at examples of where job quality has been improved—in the United States, for example—it is clear that one of the key drivers of that change has been leadership. There are two types of leadership: political leadership and senior management leadership.

As an example, I highlight some of the work around the construction trade in Los Angeles. People have realised that it is not simply enough for the local state or municipality to create employment standards: those standards have to be enforced. Los Angeles has brought in a model that Janice Fine and her colleagues would refer to as tripartism. That is now a strange word in the UK, but it was very prevalent at one time. In that model, the state sets the standards and employers implement them, but a third party—a trade union or a community group, for example—monitors

them. The trigger for that initiative was political leadership; it was driven very much by the election of particular mayors in Los Angeles.

On the other hand, we might think about some of the initiatives around skills utilisation, which involves a set of practices in the workplace around job design, work design and everything else. However, that works only if senior management buy into it. In Australia, the Government has put in money to try to improve the level of education in leadership and senior management among senior managers. I flagged that up in my submission.

I seriously think that there is an exercise to be done in mapping what is taught in business schools in Scotland. Are we teaching the next generation the right things? Are we teaching them that job quality makes a difference? I do not often bet, but I suspect that if we were to bet on that we would find that there is not much teaching on the importance of job quality in Scottish business schools. There will be a lot of teaching on finance, risk and all those things, but very little on what we might call the meat and veg of what works in workplaces. Part of the answer therefore involves changing the way in which leaders think.

Dr McGurk: I will give a very quick answer on the Mittelstand exercise, which is massively complex and layered with regard to how companies are financed and issues such as patient capital. Jim Mather did some great thinking in that area as part of his review, “Working Together Review: Progressive Workplace Policies In Scotland.”

We have to think about how we develop a sectoral core of Scottish industries that can start to build that capability. The process starts with innovation and links in with education, including the need to look at the vocational education aspect. A massive element concerns the way in which business is financed and how we treat returns to various stakeholders over a certain timescale. Those are big challenges for any country. We cannot simply adopt and import the German model wholesale—I do not think that anyone thinks we can.

Chic Brodie: Forgive me, but we might look at Tuscany, where the focus is on furniture, for which the area is world renowned, or Switzerland, which produces watches and chocolates. My question is, are we trying to do too much? Should we be concentrating on fewer industries or on just a few sectors?

Dr McGurk: I think that we can focus through the innovation approach on key industries such as oil and gas, in which we have a competitive advantage and a global profile, and on sectors such as energy, green energy and construction. I think that we will see, as the innovation process

takes place, which industries can stand up in the competitive heat and can actually innovate.

Patrick Harvie (Glasgow) (Green): Good morning. Dennis Robertson's questions covered some of the territory that I want to explore. Perhaps understandably, there was a great deal of talk in the first half of today's session about rising up the value chain, and about whether wages or competitiveness should be the goal and the point of intervention. Those things matter—I do not want to take away from that—but even a job towards the lower end of the pay scale can leave somebody feeling either respected or treated with contempt. They may feel that they have a voice at work, or that they are being ignored.

Am I right in thinking—to go back to Professor Warhurst's comments—that intervention is needed among the indifferent group of employers? The Scottish Government has limited options for regulating the genuinely bad, exploitative employers, but could a specific programme be designed within the scope of the Scottish Government's powers?

We cannot necessarily expect the UK Government to comply with recommendations from this committee. Are there things that the Scottish Government can do in relation to wider aspects of wellbeing and job quality? Those aspects may be subjective, but it may be within the scope of the powers of the current devolved Administration to raise standards in those areas among businesses in the intermediate "indifferent" group.

Professor Warhurst: We need to recognise that not all economies can be high-skill economies. If everywhere was a high-skill economy, there would be no competitive advantage. In the same way, not all industries within countries can be high-road or high-skill industries. There are some occupations and industries in which we will not make huge leaps—especially in the short term—from the low road to the high road, if indeed we ever will.

I invite the committee to think about something called employment enrichment. In other words, it might be that we cannot—at least in the short term—get organisations to rethink their work, but we can get them to rethink their employment. The two things are quite distinct. The work is what people do, whether they are bashing bits of metal, selling records—sorry, I am showing my age there—selling jumpers or something else. The terms and conditions of their employment can be separated out, and we can think about trying to boost that employment.

There are a couple of areas that you might think about, such as health and safety, working time, contracts, pay, training and paid entitlements. The

Scottish Parliament has responsibility in some of those areas, but not in others, although my understanding is that it is pushing for more responsibility on certain aspects. In health and safety, for example, we should ensure not just that standards exist but that they are enforced. I am talking about not just physical health and safety, but aspects such as psychosocial health and safety. The same applies to working time. The European Union has indicated, and produced regulations on, the length of working time, but we should think about what I would call protected time to counteract unsocial hours.

When we marry together health and safety and working time, research tends to find that working unsocial hours affects people's health. If someone constantly works night shifts, they will have illnesses later on in life. If someone is on a precarious employment contract, that also affects their health as well as intergenerational wellbeing. That is some of the research that has come out of the United States, so we can think about health and safety, working time and contracts all bundled up together.

We can also think about pay. The UK Government sets the national minimum wage but Scotland has taken a lead on pushing the living wage. You can do that without regulation. It would be nice if Scotland moved to becoming a living wage country. That would be a real brand for this country. On training, we have some responsibility; we can affect some of the training. We can use training to help companies do their jobs better to get more out of their workforce.

We can also use training to help people get out of bad jobs, either through internal labour markets or external labour markets. One of the things that the Scottish Government was good at supporting in the past was the union learning fund. That really helped people at the bottom end of the labour market to take up education opportunities and to get on not just a skills escalator as they improved their skills, but a jobs escalator as they moved up into different jobs. We did some research on that with colleagues in Scotland. At the moment, Scotland cannot legislate on paid leave entitlements but it can ensure that they are being enforced. There are things that we can do in Scotland to enrich employment, at the very least.

Patrick Harvie: All those things are important—I am not trying to take away from those objective factors. I was trying to get towards some of the more subjective factors that impact on how somebody feels about the quality of their employment. We have heard evidence from NHS Scotland about the impact that simply feeling that one is respected at work can have on health and wellbeing and then on one's ability to progress in

work. It might be dismissive to call those softer issues, but I am interested in what needs to happen to ensure that employers who may be in the indifferent category see those things as more important than they currently do.

Dr McGurk: Obviously, when there is abuse of people's rights in the labour market, Governments of all persuasions have been ready to undertake regulation. The real issue is that we cannot regulate every individual workplace and every individual contract. However, we can create an aspiration to improve workplaces at every level.

The work that the Scottish Government is undertaking under the fair work convention is creating a mood that will drag forward a lot of those indifferent employers—they will be in supply chains, they will be part of larger organisations that might start to put pressure on them to live up to different labour market standards, they will be part of public procurement chains and so on. There are lots of opportunities to address those issues.

On the subjective health and wellbeing issue, it is well known that a lot of research shows that it increases firms' profitability if staff have high subjective wellbeing. That in itself is a business benefit that has to be communicated. I have been really impressed by the living wage campaign in Scotland, in which a lot of the benefits of paying higher wages and having higher skilled people are being demonstrated to organisations that had previously been unaware of those benefits. That is part of the dialogue that we need to have. In Scotland, we have the scale and the networks to be able to do that so we should at least try to do that.

Professor Warhurst: On the questions around soft power and trying to influence the willing and the indifferent employers, there are three ways that we can do that, the first of which is through the educative function that I mentioned before. We have to start thinking about how we educate senior managers and the people who are going through universities and further education.

The second way is through cultural change. It is about creating dialogue and signalling that such things are important, as John McGurk suggested. The committee's inquiry and the fair work convention are indications of that. We are flagging up what is important to the Scottish Parliament and to the Scottish people.

The third approach—to pick up on John McGurk's point—involves public procurement. In the past, we have spoken about how public procurement can be used as a lever to obtain the outcome of employers training apprentices, for example. One small thing that we could do is to attach to public procurement contracts a clause

that requires the company that wins the contract to report on their job quality. To achieve that, we must ensure that doing so is not burdensome for the companies. That would require some simple indicators of job quality on which the company would report as a condition of having the contract. That takes me back to a point that was mentioned at the beginning. What is job quality? What about the markers? The question about job quality is not an academic debate; it is also be a practical issue for you. There is no reason why we cannot ask companies to report on their job quality.

10:30

The Convener: I am conscious of the time. There are two members who still wish to come in. Joan McAlpine is first—I ask you to be as brief as you can be.

Joan McAlpine (South Scotland) (SNP): Professor Warhurst, I was struck by paragraph 12 of your written submission, where you say:

"Where governments fail to act, trade unions and community organisations often step in, sometimes working together".

You go on to talk about how union influence has declined. You add:

"responsibility for having a better job has shifted onto the shoulders of individuals".

What role do you see for the trade unions in improving job quality, given that decline?

Professor Warhurst: That is one of the tricky issues around job quality. We know that, in the past, job quality has been improved through trade union interventions. The US auto industry is a good example of that: jobs, wages, prospects and health and safety were all improved because trade unions were given the opportunity to negotiate with employers. We know that trade unions have a real role in Germany, where supervisory boards are often underpinned by the involvement of trade unions; as I just said, they even have a role in places such as Los Angeles, in the construction industry and the janitors industry. London Citizens, as it was known when it first started off—it was part of where the living wage campaign came from—was a community group that, ironically, was part funded by American trade unions.

There is a definite role for trade unions. The real issue for us is how we get them involved. Trade union involvement in the UK is generally pretty low, although it is slightly higher in Scotland than it is throughout the UK. We need to try to find ways to get them involved. We can do that at different levels: at national level, by involving trade unions in dialogue and cultural change; or at industry or sector level. In Germany, there are sectoral agreements, and all employees are covered by them, whether or not they are in trade unions. We

can also involve them at workplace level. It is a matter of thinking about where the points of intervention are.

Dr McGurk: I am mindful of the time, so I will not add anything.

Joan McAlpine: I am mindful of the time, too, so I am quite happy not to ask any further questions.

Richard Lyle (Central Scotland) (SNP): I am also mindful of the time.

Professor Warhurst, you have made a number of points that I will take away and look at. Starting in the 1960s, I was employed in the retail trade for 20 years. I went to night school, got certificates and got trained. Nowadays, there are 24-hour shops, and people might work until 10 o'clock at night. You covered all the points: there are some good jobs and some bad jobs in retail, care and hospitality. What more can employers do to improve job quality? I would suggest that job quality in retail has diminished in the past 30 years.

Professor Warhurst: People worked night shifts in the past—my father did, for example. The difference between then and now is that people were paid differential compensations for those shifts, which signalled that they were not necessarily good. That is what I mean by protected time. It turns out that that protected time is important to people's health and welfare.

We either signal that people should be compensated or, wherever possible, encourage employers to moderate those effects, by having decent shift rota systems, for example. There is a lot of work coming out of Australia around that issue and how we might deal with it. We can push that towards the committee, if that would be helpful for your inquiry.

Dr McGurk: On the point about trade unions, in "Scotland's skilled future: a pathway to productivity and prosperity", we talk about the role of trade unions as part of the leadership of Scotland's labour market. We ask employers to raise their ambition. Well, everybody should do that, but part of what employers should be doing is raising their ambition, competing internationally and focusing on exports, innovation and so on.

To be credible partners in the improvement of the Scottish labour market and the Scottish economy, unions have to move beyond their traditional bargaining agendas and get much more into trying to grow the cake. I am a big advocate of unions. After my brief sojourn in construction, I was a train driver for 10 years and a shop steward. Later, after a career in academia, I was the director of research for one of the most powerful unions in the country—the British Airline Pilots

Association, which is now subject to a lot of challenges and pressures. I am a big believer in the role that unions can play in developing an economy and a labour market, but they have to have a wider discussion that goes beyond their traditional bargaining agenda.

Richard Lyle: Chris Warhurst made an interesting comment: although you could be doing yourself out of a job, you believe that there is a possibility that we should place more emphasis on colleges rather than universities. I did not have the opportunity to go to university, but I made sure that my kids did, and my son is now in a job that pays more than I get. I am proud of that. Should universities concentrate on producing the quality graduates of tomorrow? Could you explain again what you feel colleges should be doing?

Professor Warhurst: There are two debates. The first is a legitimate debate about whether we want to maintain the binary divide between FE and HE. If we decide that there are different levels of skill that require different forms of pedagogy, we might want to maintain that binary divide. If we think that there is a closing of the gap, because technical education has become more complex and higher education has become very broad—I use that word advisedly—we might want to rethink the binary divide.

The second debate is about the function of higher education if it is kept separate from further education. Is it to provide a liberal education to young people—in other words, to give them a set of generic skills such as problem solving and so on—or is it about training for the higher professions such as law, medicine and accountancy?

Those are two separate debates, although one follows on from the other and they are intertwined. We need to start thinking about those debates.

Dr McGurk: My previous role in the CIPD involved heading up our learning and development research. What we know about how people learn and develop is completely at odds with how we traditionally deliver learning in further and higher education institutions. Access to learning materials and knowledge is almost limitless, but we still insist on assuming that people have to go down particular paths to acquire knowledge. It is going to take a big shift in our mindset to start thinking about how we acquire knowledge in a much more fluid way.

I think that there could be a real separation. As can be seen in the work that is being done in the north-east—I have visited North East College—people have to co-operate and agree on the talent that is needed in the labour market and how it will be developed over the lifetime of the person who is in work. I am sorry to talk so subjectively about

people, but if an individual is to be developed, it has to be across their lifetime, because their skill requirements will be changing constantly. However, we assume that people are finished articles at the age of 21 or 22. I went to university at 26 and ended up staying there and doing the typical mature student thing—once I got there, I could not leave. However, the fact is that I had a great education after contributing to the labour market and doing a productive job, and it served me well. I think that more people should get that opportunity.

Johann Lamont (Glasgow Pollok) (Lab): The discussion has been really interesting, and there is loads of stuff for us to consider.

How do we stop being seen by people in business as just doing good works? Our inquiry is not just about the impact of low-quality jobs on people's health and wellbeing; it is also about whether low-quality jobs impact on our capacity to develop a strong economy that can compete. I was struck by the fact that the CBI said that we need flexibility, by which I think it meant that jobs and security work for business because it can pick and choose. The CBI also said that we need a high level of skills. Is it the case that a good economy needs good-quality jobs, with people involved, and that it is not just about being fair to people who happen to be in work, but that it is in the interests of the economy to have good-quality jobs?

Dr McGurk: There is a mix of skills, qualifications and abilities in the labour market. Obviously, we do what we can to ensure that everybody has the ability to participate.

It is a fact that having flexibility is part of building a sustainable, global, internationally competitive, small, open economy, but that does not mean building flexibility in as a perpetual feature of the labour market. Obviously, there are atypical contracts—for example, zero-hours contracts—and other ways that offer flexibility. Many people criticise such contracts, but our research shows that job satisfaction among zero-hours contract workers and typical contract workers is roughly the same, for example—the difference is statistically insignificant—and that the number of zero-hours contract hours and the tenure of zero-hours contracts are greater than those of a lot of full-time jobs when we take into account the actual hours worked.

There are lots of egregious abuses of zero-hours contracts. We have submitted strong evidence that asks for zero-hours contract workers to be compensated with at least an hour's pay and expenses when they are not granted hours and to be given a written copy of their terms and conditions no later than two months into the contract, for example. We think that those

measures would strengthen the rights of individual employees and maintain the flexibility that we need.

Obviously, the ambition is to get people into productive, high-value and high-earning jobs, but we have talked about the complexity of that and the factors that are involved. We need to be mindful that all those factors are in the background and that we must have a joined-up solution.

Professor Warhurst: I think that Johann Lamont is right. There is a danger in engaging on job quality, in that some organisations will see that as purely about helping individuals and that it is an employee agenda. Of course, we have to be very clear that there is an employee agenda: this is about ensuring that workers in Scotland have job security so that they have income security and can plan. If a person is not bringing in a steady wage, it is difficult for them to plan their life. It is difficult for them to buy a house or to pay for a holiday next summer. If a person's workplace adversely impacts on their health, they will not be able to run around with their kids in the future, and they will not see their grandchildren, as they will not live that long. Therefore, there is an employee agenda.

However, despite what some employers say, it is also very clear that employers have a lot to gain from good job quality. We know that there are links between good job quality and higher productivity, and between good job quality and innovation, as John McGurk mentioned. We know that there are links between good job quality and employers being able to attract and retain the right sort of workers. Therefore, this is also an employer agenda.

It is also about Scotland. That is where the Scottish Parliament and the inquiry come in. There is an agenda for Scotland. If we generally want healthier and wealthier—depending on how we want to class “wealthier”—citizens, we need to look at job quality, as well.

Something that has become a mantra but which is certainly true is that we need not just more jobs, but better jobs. We know that countries with good job quality have higher rates of participation in employment—in other words, they have more people in work—and that countries with the highest job quality have lower unemployment rates.

As academics, we can make such links—there are correlations. However, there is a trick for academics that we have not yet solved—we have to hold our hands up on that. We do not know the causal links. We do not know how all those things work. That is a task for us, and we will certainly pursue that task if we get the right signals from the Scottish Parliament and other places that we should do that.

The Convener: The discussion has been fascinating, and we could have allowed it much more time. However, I am afraid that we are already over time, so I have to bring it to a close, unfortunately. I thank both witnesses very much for coming to the meeting and sharing their thoughts with us.

We will have a brief suspension to allow a changeover of witnesses.

10:45

Meeting suspended.

10:50

On resuming—

The Convener: I welcome our second panel. We have been joined by Liz Cairns, research officer at Unite; Dave Watson, Scottish organiser at Unison; and Rob Gowans, policy officer at Citizens Advice Scotland. Welcome to you all.

We will run this session until about 12 o'clock. We have a reasonable amount of time, but if you saw any of the previous session, you will know that we have a range of topics to discuss. I ask members to keep their questions as short and to the point as possible, and it would be helpful if answers were the same. Given that we have a reasonably disparate panel, I ask members to address their questions to one panel member. If others would like to come in and agree or disagree with their fellow panellists or respond to a point, they should catch my eye and I will bring them in as best I can, as time allows.

I will start with a question for Dave Watson. We have taken a great deal of evidence on the living wage, and I think that everybody would agree that it is a good thing and that we should aspire to have it paid across the public and private sectors. However, an interesting issue came up when the committee visited Paisley last week. We met Renfrewshire Council, which has developed the ethical care charter, and it aspires to ensure not just that it pays the living wage but that all its contractors do so.

In the afternoon, when we met some people from the local community, some of us met a local employer in the childcare sector. She said that she would be delighted to pay her staff the living wage but that she could not afford to do that. Part of the issue is that the money that comes from the council through partnership provision is not enough to allow her to do that. I suspect that you will have identified a similar issue in the care sector, Mr Watson, which is another sector that the committee is interested in. Many care workers are not paid the living wage and employers in the sector might well say that, until the contracted

rates that they receive from councils increase, they are not in a position to pay it.

I am interested to get your perspective on that question. If we are going to increase uptake of the living wage, what impact is that going to have on public sector contractors?

Dave Watson (Unison): I think that it is fair to say that we have made good progress with the Scottish living wage in terms of direct employment. Most bits of the public sector—there are one or two little exceptions—both pay the living wage and have a mechanism for uprating it, and that is good progress. The key challenge is with procurement. I was particularly asked to talk about the care sector in our written evidence, and I know about your trip to Paisley.

The constraints that explain why the ethical care charter has not been picked up by more local authorities are twofold. The first aspect is the legal issues and the second is budgets. I will deal with the legal issues first. We and the Scottish Government disagree on the interpretation of European law on whether public authorities can make it mandatory for public authorities to specify the living wage. That has undoubtedly been a blockage.

In my submission, I point to both the Procurement Reform (Scotland) Act 2014 and section 52 of the Local Government in Scotland Act 2003, which has been around for years. That ought to deliver the living wage. We also have some guidance from the Scottish Government, and I understand that the regulations on which we have been working with the Government will be published shortly. They are not going to say that there can be a mandatory requirement, but they will set out a way in which public authorities can ensure that the living wage and wider workforce issues are covered in contracts.

I stress the wider workforce issues because there is little point in a public body paying the living wage if all that happens is that it cuts travelling time, puts people on zero-hours contracts and introduces the other poor-quality factors that Chris Warhurst and others talked about earlier. There will be a way forward on the issue, and I think that we can get round the legal constraints.

The second issue that employers rightly raise is cost. It is certainly the case that bad practice in the care sector has largely been driven by bad procurement. I recognise what Chic Brodie said about good, bad and ugly employers. There are certainly some very good employers in the care sector. There are some very ugly ones, too—I have interviewed some of the people in that sector. The ugly employers are not going to change their pile-'em-high business model. That is their approach. They think that they make their

margins by ripping off their workforce and their clients.

However, there is a group in-between. I think that the committee has heard from care providers and others that, if the funding was there, they would be delighted to pay the living wage. Doing so would save them money, given the high turnover that there is in the care sector. I was talking to senior social workers the other day, who were saying that they have contracts with providers but they cannot get any packages delivered because the providers do not have any staff. It costs at least £3,000 per turnover for a care worker. That makes no sense.

More money needs to be put into social care. I understand the political pressure to put money into the health service, but putting money into social care would help the health service, by clearing the hospital bedblocking backlog. There are efficiencies to be gained from paying the living wage: we would not have the turnover, and the living wage delivers many other advantages, as the best private employers have recognised.

I am hopeful that we can get over the legal constraints in the next few weeks when the new statutory regulations are published, because what they say will be a must-do for local authorities and others, unlike the current voluntary guidance. The second issue is about getting more money into social care, so that employers can meet the requirements.

The Convener: Do you recognise that there are employers who aspire to pay more but cannot afford to do so because of the contract?

Dave Watson: I absolutely do.

The Convener: Does Liz Cairns want to add to what has been said?

Liz Cairns (Unite): Dave Watson talked about procurement. We want to ensure that the living wage is reflected in the sub-contracting element of contracts. It is often the case that something is agreed at contract level, but the contract is then sub-contracted—and sometimes sub-sub-contracted—and before we know where we are, we are at quite a distance from the good intentions that were expressed at the outset.

I was pleased to see that Lidl and Morrisons have ensured that a living wage will be delivered for thousands of workers in the supermarket industry.

Joan McAlpine: I would not want us to misrepresent Renfrewshire Council. When we were talking to the head of procurement there about the ethical care charter, she was very specific in saying that the council could not mandate the living wage. That was the council's view; it is also the view of the Welsh Government

and Glasgow City Council. It is not just the Scottish Government that takes that view.

Dave Watson talked about other ways of delivering the living wage. He will be aware that the Scottish procurement policy note of 4 February 2015 makes it clear that, although public bodies cannot mandate the living wage, they can encourage suppliers to pay it as part of their procurement exercises. I take it that you support the policy.

Dave Watson: We disagree on the legal point and, as other committees have heard, we have given our legal view on the issues. For example, a lot of play is made of the recent Dortmund case. The facts of that case are that the work involved was data input that was done in Poland, so the case is not comparable to the situation that we have here.

11:00

As a lawyer, I love to argue about the fine points of law on such matters, but the important thing is what we achieve at the end of the day. The procurement policy note was very helpful, and I said so—our guidance to branches points to that. I have seen the draft regulations and will welcome those when they come out. That shows a way of bringing in the living wage, but the public authorities have got to do it. There is no point in issuing glorious guidance notes if people do not follow them. In this case, that means public authorities setting a clear procurement policy that says that the living wage and broader workforce matters are a requirement. The policy does not have to specify the fine points of detail; when the contracts are evaluated, a significant weighting can be given—that will be another challenge, because there is no point in giving tiny little weightings for the wrong things—to the living wage and other wider workforce matters.

If you are one of the ugly employers who wants to operate in the old-style model, you are probably not going to bid for the work. There is evidence in some parts of Scotland where I have been in which local authorities have had that discussion, and the ugly employers have said, "The game's a bogey—I'm off," and they have managed to negotiate with the better employers. I think that the legal stuff is doable.

The Convener: Before I bring in Johann Lamont, I have a question to put to Liz Cairns about an issue that is identified in Unite's written submission. On page 6, you make a statement on wage distribution:

"Since 2008 we have seen a larger share of national income going to the top earners creating a widening income gap and greater income inequality."

All the published measures show that income inequality has reduced since 2008, so where does the evidence to support your statement come from?

Liz Cairns: My copy of the submission must be different from yours. There is definitely a movement on income distribution. However, if you look at any research by the High Pay Centre, you see that there is undoubtedly a shift in the difference between those at the top and those at the lower end of the wage spectrum. I have some figures. In the 1990s, high earners' incomes were 60 times greater than the average wage. Now, the income of high earners in FTSE 100 companies is 160 times greater than the average wage. Pay is undoubtedly diverging between those at the top and those who are on the lower side of the earnings scale.

The Convener: I am looking at the Scottish Government publication "Poverty and Income Inequality in Scotland: 2013/14", which goes into the matter in some detail. The Scottish Government measures the Gini coefficient, which is the measure of income inequality. In 2008-09, that was 34; by 2013-14, it had reduced to 30. That is a substantial reduction. The Government also measures the percentage of incomes going to the bottom and top three deciles. Those have reduced since 2008-09. The figures are not massive, but the trend is certainly downwards. I am just concerned that there is something in your submission on which I cannot see any evidence to support.

Liz Cairns: As we research officers say, there are lies, damned lies and statistics. We can all pull out something from somewhere that would support our particular angle. I have certainly seen evidence showing that our members are not feeling the benefit that you suggest is there. The committee had asked for specific examples from members of the workforce. I have brought with me a number of people's personal experiences who are saying exactly that—that they are not getting a fair share.

The Convener: I am sure that there will be anecdotes about that. I am just making a point about the published data that is available to us. If you have anything that supports your view, perhaps you could feed that into the committee.

Liz Cairns: Yes, I will forward that to you later.

The Convener: Thank you.

Johann Lamont: On procurement, Professor Warhurst said that the least we could do would be to ask those who benefit from the public purse to comment or report on job quality. Do you think that would make a difference?

Dave Watson: I do, and under the guidance that is about to be issued there will be an opportunity to do that. It is very important to understand that the procurement agenda is not just about the living wage. Wages are a key issue, but if you look at the work that we did on the care sector, you see that it is very obvious that there are also big issues to do with job quality.

The new regulations will give local authorities the opportunity to specify in their procurement policy the sort of reporting requirements that Chris Warhurst was talking about. If councils set out that something is a requirement, the new contractors will bid on that basis and say that they will do it. That will then be incorporated in the contract. Therefore, nothing will be imposed, because people will be bidding on that basis. That is how we get round the legal issues that were mentioned earlier. I think that that will be very helpful.

The committee's inquiry has highlighted issues to do with how some of those requirements can be defined, but we have been doing tender evaluation under the old section 52 provisions and the public-private partnership protocol, and we have checklists that we give our representatives on the evaluation panels, which include a range of factors to do with quality of work. Therefore, it is not difficult to do—there are things that can be measured and things that can be asked. I think that that would be a very positive way forward, but it would be done as part of the evaluation rather than as part of the tender specification, to get round the perceived legal issues that concern the Scottish Government.

Johann Lamont: If the focus is on the benefits to not just the individual but the quality of the service, that would allow providers to—

Dave Watson: To me, that was crucial when I did the focus groups for our "Time to care" report. In the care sector in Scotland, there are two spikes of workers—there are those in their late 20s and those in their late 40s. When you talk to those in their late 20s, they say that they want to get out as quickly as they can, and that the moment there is a job in Lidl or anywhere else they will leave the care sector. Those in their late 40s, who have been around for a long time, talk about "Time to care". They remember a time when they could spend time with their clients, which they can no longer do, because they are rushing around trying to do the 15-minute visit and other types of care visit. The issue of quality for clients and others is crucial to this agenda.

Johann Lamont: I want to ask about trade union representation. I was very struck by some of the evidence from Citizens Advice Scotland on what it was like to be a care worker. I am sure that you will know from your experience about the people who have six hours' work, but it takes them

10 hours to do it, because of the time that it takes them to get to and from their clients. Those stories ought to be publicised.

According to evidence that we have received,

“Sectors with the highest density of trade union membership include public administration, education, transport and health/social work activities.”

Within health and social care, what is the pattern of trade union membership in the public, third and private sectors?

Dave Watson: Just under 200,000 people work in the care sector at Scotland, 77 per cent of whom are in the home care sector, which is predominantly in the private and voluntary sectors rather than the public sector, where the density of trade union membership is much higher and there are partnership and other arrangements.

That is not to say that all employers in the private and voluntary sectors have an anti-trade union attitude—quite the opposite. We have recognition agreements with many organisations in those areas. Obviously, we do not have recognition agreements with the ugly employers. In that sector, the difficulty is that, in years gone by, home care workers would have come to a community base and would have had regular discussions, which meant that union representatives could meet their members and organise. Now, particularly in the private and voluntary sectors, people go straight from their home to their first place of work. From a trade union perspective, that makes organising a challenging task to do, particularly when the employer might not be encouraging trade union involvement.

We have sent organisers into local supermarkets to recruit home care workers, because that is where you see a lot of them in their uniforms. I have done that myself—I have engaged with workers in such settings—but, from an organising point of view, that is not easy. Part of the issue is that, in the context of public service reform, we need to think about how we join up some of these services.

In the old days, if a home care worker saw that Mrs McGuffie was not well, he would go back to the base and would probably pop into the general practitioner and say, or say to the senior social worker, “Mrs McGuffie is not looking very well. I think someone ought to go and see her,” and the social worker or even the GP would go and do it. That does not happen now because there is no feedback of that nature. We argue that we should reinvent a hub system in communities to start to get some of that informal soft-power guidance into them. The issue is how we organise public services as well as their quality and the situation for individual workers.

Patrick Harvie: Given the convener’s exchange with Liz Cairns earlier in this evidence-taking session, it might be worth mentioning something on which time was against me last week. The March update of the Scottish Government’s economic strategy shows that, from 1997-98 through to 2010-11, the top 1 per cent of taxpayers saw a huge benefit in their overall share of the national income, only the top 17 per cent saw any significant benefit in their share and most of the rest of the population saw a decline in theirs. The richest 1 per cent of taxpayers earned nearly 7 per cent of total pre-tax income at the start of that period. That had risen to 8 per cent by 2010-11, which means that that 1 per cent of taxpayers had an income greater than that of the bottom 20 per cent put together. That is pre-tax income, so it is before the more recent years when wealthy, highly paid individuals have had a 5p tax cut from the UK chancellor. It is worth reflecting on those figures, given the earlier exchange.

I suspect that Unison and Unite agree with the basic proposition that there is good evidence to show that a higher level of union membership results in flatter wage ratios and a range of better employment practices. Rather than ask the witnesses whether they agree with that, I ask them what action Scotland can realistically take to achieve a higher level of union membership and good relationships between employers and trade unions. Is getting back to high unionisation levels a realistic idea? If so, without the power to regulate the employment market, what can the Scottish Government do to help to achieve that?

Dave Watson: Although the Scottish Government does not regulate the market, there are sectors in which it could do some of the things that Chris Warhurst and others have talked about. There is a lot of Scottish Government money, and the convener mentioned the need to put money into the care sector. A national rate for the residential care sector is agreed between the Scottish Government, the Convention of Scottish Local Authorities and the employers. We do not have an equivalent rate in the home care sector, as that is left to individual authorities. However, my view and the view of an increasing number of employers in that sector is that we ought to have a national rate in the home care sector as well.

If we were to do that, we would have the basis of sectoral bargaining for that sector of the type that Chris Warhurst talked about, because we would have a tripartite arrangement in which the rate was largely funded out of the Scottish Government’s public purse, there would be agreements about that and we could tie that into a range of employment and wage issues. I agree with John McGurk from the CIPD that that would include a wider bargaining agenda.

All the academic studies from throughout the world show that collective bargaining drives the issue. Particularly at the uglier end and in some of the more difficult-to-organise areas, sectoral bargaining would give a kick in the right direction. The care sector—it involves 7 or 8 per cent of the Scottish workforce, so it is not insignificant—would be a good area in which to implement that, and I am sure that there are other such areas in the private sector with which I am less familiar and with which Liz Cairns is more familiar. That would be a practical way to introduce collective bargaining into the home care sector.

Patrick Harvie: So you suggest taking a sector-by-sector approach in the public services.

Dave Watson: Yes—not a big bang. We should start particularly with sectors that public sector money goes into and where it can create leverage.

Patrick Harvie: Will Liz Cairns comment on the wider economy and how we engage beyond the public sector?

11:15

Liz Cairns: Having membership in 23 industrial sectors, Unite has a unique insight into the matter. We certainly support a move to sectoral bargaining and the introduction of national agreements where they can be agreed.

However, we are increasingly seeing national agreements being ridden roughshod over on specific issues. In the construction industry, Unite has a national agreement in place that is being bypassed by an organisation that has subcontracted mechanical and engineering work to a Danish organisation. In that situation, Unite had also negotiated with the employer a 10 per cent apprenticeship target, which has now been basically ripped up. We wish to move to sectoral bargaining—we certainly want to see that—but we need to ensure that national agreements are maintained and abided by rather than being in place but not being adhered to.

Patrick Harvie: There seems also to be a huge barrier in relation to some of the more exploitative ends of the labour market that we have heard from—particularly the retail sector and hospitality and catering. Their levels of union membership are so low that the question about the relationship between unions and employers simply does not arise. How do we resolve that? How do we change expectations and give people who might be on zero-hours contracts a reason to think that being a member of a union would be worth while?

Liz Cairns: Rather than opting for zero-hours contracts, we need to pursue permanent direct employment. When someone is permanently and directly employed by their employer, they have the

ability to take cases to employment tribunals, if the situation arises. They also have more ability to challenge their employer than they would have if they were an agency worker or employed on a zero-hours contract. Such precarious employment types do not allow people to challenge some of the behaviours that come out of precarious work.

Patrick Harvie: I want to talk about employment tribunals with Citizens Advice Scotland. Is it appropriate to ask my question now, convener?

The Convener: Yes, briefly.

Patrick Harvie: The case that CAS's submission makes against employment tribunal fees is very strong and the arguments against the fees are clear. The Scottish Government has committed to abolishing the fees as and when the powers are formally devolved. Do you know where we are with that and when we can expect that to happen? Is there any clarity yet about whether employees south of the border will retain the ability to seek to access an employment tribunal in Scotland if their employer operates in Scotland, as they may at the moment? Do we know whether that jurisdictional issue will still be relevant? Can that become a case that puts pressure on the United Kingdom Government to change its position once the Scottish Government has done so?

Rob Gowans (Citizens Advice Scotland): I understand that there are still jurisdictional issues to be worked out over what would be a Scottish case and therefore eligible to go to a Scottish employment tribunal.

We welcome the Scottish Government's commitment. We have been making the case for the abolition of employment tribunal fees for a number of years. The fees have diminished the amount of cases that get to an employment tribunal by 80 per cent.

You asked when the powers will be transferred; 2017 is the year that I have in my head, but I can find out what the latest state of play is. I hope that we are seeing a positive sign south of the border, where the Ministry of Justice is looking into reviewing fees in the whole system to see whether the system has done what was intended. It would be interesting to see the two systems side by side.

One of the most important things is that the people who have had their rights infringed at work should have access to justice. One thing that we can still do better on in Scotland—I think that we have the power to act on it now—is improve the rate of pay-out of awards. Something like 41 per cent of people who win their case at tribunal do not receive any of the money that is due to them. Around half do not receive their award in full. We can do stuff on that. The rate in England is slightly better, although it is not brilliant.

We can do things to make sure that people can pursue the employer and have the support of the sheriff officer system to do that. We have seen people who have been awarded £10,000 or more but their ex-employer has vanished into thin air. Some people know perfectly well where their ex-employer is but cannot pursue them for the money. There is something in there that we can get on to.

Patrick Harvie: If we assume that at some point—early in the next session of Parliament, I hope—tribunal fees are abolished, will other barriers remain to people accessing justice in such situations that we will still need to address? I am thinking of areas such as enforcement capacity. Even under existing legislation, whether a matter is devolved or reserved, if enforcement is supposed to happen locally but the capacity is not there, that is a barrier. Are there other barriers that we need to address?

Rob Gowans: A range of things can be done to enforce the national minimum wage and clamp down on bogus self-employment, which is when employers do not pay their employees' tax or national insurance and in some cases that is not clear to the employee for a number of years. We saw a case recently of someone getting a letter from Her Majesty's Revenue and Customs to say that their employer did not pay their taxes three years ago, which was the first that they knew that they were self-employed.

Plenty can be done. A lot of the cases of poor practice that we see are technically illegal, but the employee can do little to challenge that, whether that is because they fear that they will be disadvantaged, because they have not been in post for two years or because they cannot afford the tribunal fee. The tribunal fees will be abolished, but a lot more could still be done to proactively enforce basic employment rights that are enshrined in law.

Richard Lyle: My questions are for Rob Gowans, although Dave Watson and Liz Cairns may want to come in. First, I compliment the CAB on the work that it does. I know about many constituents that you have helped over the years.

A couple of weeks ago, we heard from Denise Horsfall, who is from the Department for Work and Pensions. She went on about the flexibility of universal credit. Among the examples that you gave in your submission, there are some glaring and shocking examples of the low pay of people who are in full-time employment. One lady in the east of Scotland is earning £7 an hour and

"works 35 hours per week, but is finding it difficult to manage to pay rent, Council Tax and other essentials. The client has Council Tax arrears".

You give examples of severe in-work poverty that are totally shocking.

In your submission, you listed what you believe you should be talking to the UK Government about—most of this is to do with the UK Government, not us. Denise Horsfall said that flexible universal credit would compensate when people were not getting a lot of work or whatever, which I disputed. She is yet to be proved right.

You recommended that the UK Government should

"Remove Employment Tribunal fees",

which has been covered already, and that it should

"Increase efforts to enforce payment of the National Minimum Wage"

and

"Review the support provided by the current tax credits".

Another important recommendation is that

"A strategic approach should be taken across Government to ensure that rises in the National Minimum Wage and changes to the tax and benefit systems are complementary, with the aim of ensuring that workers are better off and do not face in-work poverty."

On all the points that you have made, what discussions have you had with the UK Government and what pressure are you putting on it to see how we can resolve the problems that we face?

Rob Gowans: We have a lot of discussions with the Department for Work and Pensions at all levels to improve the system for the clients we see, who have a range of issues. The benefits system is our biggest area of advice.

On the operation of tax credits, I went through our submission yesterday and realised that it was written before the summer budget, when some changes were made. The rise in the national minimum wage is welcome, but the cuts to tax credits are concerning. We saw the effect of previous restrictions on eligibility in 2012, when support was reduced.

On the flexibilities around universal credit, we are doing quite a bit of work to assess what the early evidence is on universal credit, and there is work with the DWP to flag up early issues that are emerging in relation to things that happen when universal credit is tested. There will be some flexibility in universal credit, but it is not a huge amount of money and there are flip sides to that.

For instance, at the moment, a person is not supposed to be sanctioned for turning down a zero-hours contract because there are not enough hours in it. However, some of the indications from the DWP have been that, because universal credit

is an integrated in-and-out-of-work benefit, such work will be fine within the benefits system—the person will not have the same problems—so they might be expected to work on a zero-hours contract, even if it does not suit them, on pain of sanction. We are concerned about that not only because of the problems that we have seen with clients being sanctioned but because of the use of zero-hours contracts that has caused hardship for clients as well as difficulties in enforcing their rights at work.

So, yes, we do discuss things.

Richard Lyle: Do people not realise that, if someone's hours are changing from week to week, they could be down the office every week, filling out a form? It is not a single form—it is like "War and Peace". They are signing 20 pages or whatever, and they cannot do it online because people who are in poverty do not have a computer. Do you agree that the system is still fraught with form filling and time wasting and that we need to improve it for people who—unfortunately—are in that situation?

Rob Gowans: There are a lot of issues with the in-work benefits system, particularly on flexible work and people's hours changing. We have jobseekers allowance and working tax credits, for which someone is eligible if they work up to a certain number of hours and get a certain income. However, they might be eligible for one benefit one week and the other benefit the next week, and in practice they do not claim either. That might also be one of the inequalities of universal credit, which still has a range of issues to be ironed out. In practice, for the next while, we will continue to see clients who are in work but who are struggling to pay for essentials and are unable to access support from the in-work benefits system.

11:30

Richard Lyle: My last question might sound off the wall. Rather than a minimum wage, should we not have a national weekly income for people?

Rob Gowans: It is an interesting idea. As we say in our submission, quite a bit can be done to ensure that, when wages rise, there are changes to the benefits and tax systems and that they are integrated. The Joseph Rowntree Foundation has done a lot of work on a minimum income standard, and there is a lot in that.

Richard Lyle: I ask that question because your submission mentions a lady who

"is earning £7 per hour and works 35 hours per week",

so her income is £245 a week, but she is struggling. Her income is less than £13,000 a year. I know that the Scottish median wage comes into it, but I wanted to mention that. Thank you.

Dave Watson: Dick Lyle's question is not that off the wall. There are those who argue for a citizen's minimum income. It is important to understand that more than half of those who are on benefits are in work, so the "skivers and strivers" narrative that has been pushed is factually wrong and needs to be challenged.

The changes to tax credits are a big concern for us. We have done some work to calculate the differences for our members, and colleagues in the Union of Shop, Distributive and Allied Workers, which represents another low-pay area—the retail sector—have done similar work.

It is not well understood that, even if we got wages up to the living wage level, we would still need the benefits system to kick in. The reason for that is to do with families. If we get wages up, it will probably solve the problem for single people, particularly those without families, but it will not solve the problem for families. A few months ago, we produced a paper with the Child Poverty Action Group in which we talk about the working poor, and we explain that interaction there.

In principle, universal credit is a great idea. Civil servants in the DWP and equivalent UK departments have written papers for Government after Government saying, "This would be a good idea in principle". The problem is the practical delivery of it. The computer systems to do that are absolutely horrendous. We have some members who have transferred out of local government—for example, the fraud staff have gone from local government into the DWP—so I have seen some of that even though it is not in our organising area. It was the first time that I had seen it, and we really have to wonder whether it is ever going to be doable given the massive complexity particularly in relation to zero-hours contracts, where wages go up and down. Given the difficulty of getting it to work on the computer systems, I am not convinced that it is going to happen.

The next problem is that the UK Government wants to take housing benefit away from local government and stick it into universal credit. Your inboxes and those of councils are going to be buzzing given the complexity and the problems that that is going to create. We feel that, because housing benefit is closely tied to the housing issues that local authorities deal with, it should stay out of universal credit and remain a local government function.

Chic Brodie: Good morning. I will make a couple of comments to begin with. First, no one would disavow that the current better practices and situations for employees are down to what the trade unions have achieved historically. Secondly, as Unison says in its submission, the fair work convention is doing a good job.

However, I want to go beyond that. I wonder whether we are really moving with the times. We have talked about job quality. Relating that to wages and income, I suggest that there must be a significant change in the engagement with and guidance for not only the bad and the ugly—I am sorry to use that phrase, but it was used earlier—but the trade unions.

Would it not be better if we had the German system whereby, at the local level, employees are involved in decision making and there is equity participation? In the public sector, that could be done through a process of committed costs. Have the trade unions moved on sufficiently to secure the job quality, involvement and participation of employees at the work level?

Dave Watson: I could show you my favourite infographic, which would remind you that trade unions brought you the weekend and much else besides.

Chic Brodie: That is why I prefaced my question by talking about what unions have done historically.

Dave Watson: I will take as read my sales pitch for the wonders of the trade union movement. We are not perfect but we have achieved a lot in many areas. The evidence shows that, even in the flexible labour market that the CBI and others would like to see—the “pile them high, sell them cheap” approach—we still achieve higher wages and better terms and conditions in unionised workplaces than we do in others, and by a significant degree.

Your question is legitimate and is tied to Patrick Harvie’s point about incentives. There are very good models, and probably the greatest value of the excellent report “Working Together Review: Progressive Workplace Policies in Scotland” was that it pulled out examples of some of the best workplace practice in Scotland. For years, it was Jim Mather’s personal drive to pursue issues in that area, and he enabled us to pull out some good examples in both the public and the private sectors.

I was seconded to the Scottish Government to implement the partnership agreement in the national health service and spent two years at St Andrew’s house introducing that system. It has had real advantages and has now been rated by academics at the University of Nottingham as probably the most ambitious example of worker engagement in Europe. However, when the system was being introduced, some of the managers were very much against it because they liked the traditional model whereby they made decisions and chucked them at us and we shouted back at them. That is how it worked.

We introduced a model whereby workers have had an early engagement with the broader issues of work design rather than with just pay and conditions. I could give you many examples of managers saying, “Actually, Dave, you’re right. We’ve made changes that we could not have made in the old system. You’d have spent two years fighting them.” Because the staff have been engaged at the start and involved in work design, they are the ones who have driven the change. For example, control rooms were designed by the workers, not by somebody sitting at a desk at headquarters. The staff knew how to design the control room and just got a bit of help to do it.

John McGurk mentioned how that kind of engagement can be stopped. For example, in difficult-to-organise areas, statutory recognition covers only the basics—pay and wages bargaining—and does not include the ability to bargain about training, work organisation and related issues. However, the way forward in the public sector is certainly in bringing the partnership approach down to a local level, particularly in organising services and freeing up more self-management. Jim Mather would wax lyrical to you about an unpronounceable Dutch system—I can never pronounce it and will not try, as the poor official reporters would never cope with my pronunciation—that is about having an element of self-management. The Dutch model is different for a variety of reasons, but we could adapt some of it to have a degree of self-management here, which would free up the innovation that Chris Warhurst talked about.

In traditional management terms, we must sort what are called the hygiene factors; in other words, we have to get pay and conditions right. After that, we can start to deal with equality issues that ensure that we get that type of innovation. There are private sector examples of that and, of course, co-operative models that work on that basis. I think that Scotland, because of its scale, could develop such an industrial relations model, although it might be more difficult to do that elsewhere in the UK.

Chic Brodie: That is helpful, but the question was very simple: what will be the role of the trade unions if we have more employee participation at the work level? I am not disavowing sectoral bargaining or what have you. However, given that things move on and that some people like to resist change, although change is a constant, what do you see the role of trade unions being in organising, particularly at the work level?

Liz Cairns: When I was looking at good and bad work conditions, issues that came up regarding the latter were workers having less autonomy, less control over the working day and,

importantly, little opportunity to have a voice in the workplace.

I believe that trade unions and workers need to engage at a very local level. However, there is increasing reluctance to allow union representatives and shop stewards facility time to engage with the workforce, and I understand that facility time is diminishing in the private sector as well as in the public sector. In the past, there might have been agreement that a rep could have four hours and there was a wee bit of flexibility in that. Now, the flexibility has gone and it is a case of, "You've got four hours—don't go beyond that." We used to have the opportunity to have four reps in a workplace, but the figure has since been cut to two reps. The ugly employers that Dave Watson keeps mentioning are increasingly undermining the unions.

Chic Brodie: I have a simple question. If there is a works council, with members who are elected by people in the workplace, whether that is in the private sector or in the public sector, and it negotiates time off and has a say in that, what is the role of the trade union in the workplace?

Dave Watson: In those circumstances, we provide support such as training for people, because sticking someone at a table does not mean that they can participate. A key role, therefore, is in training stewards and representatives so that they can participate. Another role is in the dissemination of best practice. We do that through briefings at which we say, "Look, this works there. Let's do it here."

Those are the practical things that trade unions do. They also provide the basic building block of protection. An individual who is stuck in a non-unionised works council will be pretty reluctant to pitch in. Given their statutory role and muscle, trade unions do not have a problem with chasing money or taking cases because we pay for all that. We provide the basic level of support that is required, particularly in relation to the ugly employers who might not be too keen on that.

Chic Brodie: I hope that I fell into the category of "good employer". Our employees had equity participation and they did not need someone to teach them what to do when they were at the table. They were fully engaged. When we went in, revenue was £1.4 million, we were losing £280,000 a year and there was no pension fund. Now—I am no longer involved—revenue is more than £5 million and profit is £480,000 a year, and the employees are benefiting in the workplace and through their long-term pension arrangements.

Dave Watson: I can give you a string of examples that demonstrate where that added value has been provided. I can also give you examples, particularly where there has been a

change of employer, where works council arrangements have collapsed or have been ignored because the new employer is one of Chris Warhurst's indifferent employers—or one of your ugly ones.

Chic Brodie: I accept that we need to do something about the bad and the ugly ones.

Dave Watson: Fine. I agree.

Liz Cairns: Chic Brodie keeps reminding us that we are not answering his question, but I want to talk about something that Unite was involved with. I do not know whether there was something similar in the workplace that Mr Brodie is talking about.

Unite organised mental health training for its reps and shop stewards, which the reps then took into the workplace. That training enabled workers to identify people who might need additional support. Precarious working situations cause a lot of stress and anxiety, because people do not know how many hours they will get from one week to the next and how they will put food on the table for their families. That can cause psychological problems and can lead to sickness absence.

Unite's mental health training enabled reps to identify people who needed support and to encourage employers to be more supportive instead of saying, "Oh, they're off work again." I do not know whether a staff association would be able to offer the kind of things that unions are able to offer. Unions have the resources—for example, through the union learning fund—to offer training that other organisations might not be able to offer.

11:45

Dennis Robertson: In evidence to the committee, Professor Clare Bambra and NHS Scotland have talked about the positive impact that trade unions have on the health and wellbeing of our workforce and, with regard to the "Working Together Review", which was published by the review group that was chaired by Jim Mather, the Scottish Government has stated clearly that trade unions are key partners in the social and economic partnership.

With regard to those views, what are you going to take to the fair work convention, which has told us that it is in listening mode?

Dave Watson: We made submissions to Jim Mather's review group and we have identified a number of areas of interest. In the early stages, the fair work convention will inevitably be slightly process driven in getting the new processes in place and ensuring that the NHS model is spread more widely—for example, in the public sector. It is about identifying best practice and developing it more broadly, and we are looking for some encouragement in those areas. We hope that the

fair work convention will champion what is best in the Scottish industrial relations cultures that are described in the “Working Together Review”. That is particularly important at a time when the UK Government is trying to neuter trade unions through its Trade Union Bill. We hope that the fair work convention will be one of the mechanisms to deal with something that the CIPD and others have identified as an outmoded approach.

Dennis Robertson: Do you see yourselves as a partner in that regard?

Dave Watson: Absolutely.

Dennis Robertson: The Scottish Government has stated clearly that unions are key to that social and democratic partnership. As I said, the fair work convention is in listening mode at the moment. You are right to say that its work will be process driven, but I am trying to establish whether you see yourselves as a partner in that work. If so, will you reflect on the positive impact that trade unions have on the health and wellbeing of the workforce, which we have heard about from Professor Clare Bambra and NHS Scotland?

Dave Watson: We will absolutely do that. We welcome the report, and our convener is a member of the fair work convention. We see ourselves very much as a partner. We bought into those processes in a range of industries and we see merit in developing them as a Scotland-wide approach. We included some of the evidence that Clare Bambra raised as examples of what we have done, and we would like to see that best practice spread using the fair work convention.

Liz Cairns: We are delighted to be involved in the fair work convention, and my deputy regional secretary sits on it. We want to tighten up collective bargaining and strengthen some of the guidance.

You mentioned that the fair work convention is in listening mode, but it would be good if it were in action mode as well. Unite is concerned about the guidance on blacklisting. The guidance makes strong claims about what it will do, but our experience is that the guidance is ineffectual. We know that some companies operate blacklists. I took a snapshot of contracts that were awarded between the date when the blacklisting guidance came into force, in November 2013, and December 2014, and I found that around 16 contracts were issued to known blacklisting companies that have not taken remedial action. The budget for those procurement contracts was £800 million. The guidance is there, but we want to strengthen it. We cannot say that we are in listening mode and then not deal with things in our actions.

We will be a partner, but one that is a bit more forceful.

Dennis Robertson: The fair work convention is in listening mode at the moment because this is the period prior to its report. It needs to be in listening mode before it can take action in the areas that you have talked about.

Gordon MacDonald: The Scottish Government launched the Scottish business pledge earlier this year. There are a number of parts to the pledge, covering the payment of the living wage, the removal of exploitative zero-hours contracts, workforce engagement, investing in youth and so on. What are your views of the Scottish business pledge? Is it a useful tool?

We have spoken a lot this morning about good and bad employers. Is the business pledge a useful tool for identifying good employers? How do we encourage more employers to sign up to it?

Dave Watson: We welcome the business pledge. It is another example of spreading good practice. If there was a silver bullet for this, I am sure that someone would have dreamt it up but there is not.

We have to try to reach people in different ways. I am on the executive of the Scottish living wage campaign and we have been using that model for years. We see the business pledge as being complementary to the living wage. It is not a matter of seeking to use it in every area, but it should at least spread good practice.

The living wage is narrowly about wages. I have spoken about procurement being a wider issue than wages and the business pledge, along with the work of the fair work convention, will hopefully spread things in those wider areas.

John McGurk spoke about zero-hours contracts earlier. We have a disagreement with the CIPD’s analysis of zero-hours contracts. According to the statistics, only 10 per cent of people are on zero-hours contracts in the care sector while, we are told, 80 per cent of people there are on permanent contracts. The trouble is, if we ask the employer whether someone is on a permanent contract, they can point out that someone who has a contract for 15 hours a week, but who actually works for 30 hours a week, has a permanent contract. Actually, they are on a form of zero-hours contract—what we call a notional-hours contract. That does not have all the weaknesses that Chris Warhurst described earlier but it has a lot of them. The use of zero-hours contracts and notional-hours or nominal-hours contracts is more pervasive in Scotland than we think it is because the statistics are not showing such cases up.

We want to use the business pledge, the fair work convention and other initiatives to spread best practice and explain that there is a business case for quality jobs. That is how we sold the living wage. Lots of employers who came to the living

wage were not convinced at the outset but they were convinced by the business case for it. The next stage with the business pledge and other initiatives is to make the business case for quality work in Scotland.

Liz Cairns: I agree with Dave Watson on that. I certainly support the Scottish business pledge, although I have some doubts about its ability to change the Scottish economy in any meaningful way. Signing up to things never really works. For many things, the voluntary route seems to let the particularly ugly employers that we have been talking about off the hook.

We need a multi-pronged approach. We cannot rule the Scottish business pledge out because, as I said in my submission, we have 332,720 small and medium-sized enterprises in Scotland, but it would be difficult to get even a small proportion of them signed up to it. People sign up to things to get the kitemark, but we can all find ways around that.

The business pledge is not doing any harm, anyway.

Gordon MacDonald: On that point, you indeed said in your written submission that there are 332,720 SMEs. You also highlighted the fact that they provide 1.1 million jobs, which is 3.3 jobs per employer. Is it possible that small enterprises think that things such as the Scottish business pledge, or being registered with the Living Wage Foundation, do not apply to them? Do they think that those things are targeted at larger employers?

Liz Cairns: The figures are stark when you mention them like that. There are a number of very good small employers, which are probably paying more than the living wage and treating their staff very well, with good terms and conditions.

Gordon MacDonald: That is exactly my point.

Liz Cairns: Yes—I get your point.

Rob Gowans: One of the things about the business pledge that pleased me most was the mention of exploitative zero-hours contracts, which cause a massive problem for our clients.

The business pledge initiative might need to work on defining precisely what “exploitative” is, as exploitation is not necessarily so much of a problem with the contracts themselves. That is where some of the learning comes in. It is about the way in which the contracts have been used. If they have been used essentially to deny employees their rights or to change shift patterns or to deny someone who would prefer a more standard part-time or full-time contract, that would be classed as misuse.

Other things could probably be added to that, but I echo what the other panellists have said. It is

welcome to broaden initiatives out beyond the living wage, which is also welcome. I hope that more businesses will sign up to the business pledge and that it will improve standards.

Lewis Macdonald: A statement of good intentions is always welcome, but does there need to be some conditionality around signing up to the business pledge? Should people say, “We promise to do this and we will be held to account for it.”?

Dave Watson: I rather liked Chris Warhurst’s breakdown of what to do for the different groups. Frankly, there has to be regulation and enforcement for the ugly employers. Rob Gowans has made the point and we have made the point many times that having rights and plaques on the wall is great, but there might be nobody going around checking and enforcing. Now that the living wage has taken off in a bigger way, we on the living wage committee are finding far more cases of people challenging organisations that have signed up to it. My staff see companies advertising jobs at less than the living wage. People need to be challenged on that and it is a problem for us. A tiny unit in HMRC is supposed to enforce the national minimum wage, and that is absolutely hopeless. There must be regulation and enforcement for those groups.

Chris Warhurst referred to the “indifferent” group. That is where the business pledge, for example, comes in handy. We can pass lots of laws, but what is important is cultural change. It was noticeable that, when we introduced partnership working in the health service and elsewhere, I said, “The Government says that you must do X,” but it took years before we changed trade union cultures. Chic Brodie would like that. The biggest challenge for a lot of shop stewards was that they had called managers all the names under the sun for donkey’s years and they suddenly had to get into teamwork and make early decisions. They needed a lot of support and help to get through that, and managers also needed to change their cultural approaches.

Things such as the business pledge can help to change behaviours in the workplace, but legislation underpins that. Drink-driving and smoking legislation never cured the problems in themselves, but they helped to drive cultural change. Pledges and other things are helpful in doing that.

The Convener: I want to follow up what Rob Gowans said about zero-hours contracts. The business pledge says that businesses should not use exploitative zero-hours contracts. When Scottish Enterprise came to the committee two weeks ago, we asked it for its definition of zero-hours contracts and it was unable to give us one. That rather begs the question: if the Government’s

enterprise agency cannot tell us what that term means, how is somebody in business supposed to know? Can you offer any suggestions about how you would define an exploitative zero-hours contract?

Rob Gowans: We had a go when the term popped up in the public procurement regulations. We suggest that there is such a contract when a worker would prefer a more secure part-time or full-time contract, if it causes hardship to individuals due to regularly changing patterns of work, if it denies individuals their basic employee rights, if it acts to deter workers from asserting their basic employment rights, or if an exclusivity clause is used—although that is now banned. That would certainly cover many of the issues that we see. If people want to, they can use zero-hours contracts, but they should not use them in that way, as it would be misuse.

Dave Watson: A private member's bill at Westminster had a similar definition. It also included important processes that would allow people to challenge contracts. Those definitions would all be helpful.

12:00

The Convener: So you think that a definition is needed.

Dave Watson: Yes—absolutely.

Richard Lyle: We are in the final few seconds of the meeting, and no one has asked this question. Are employers nationally or locally better or worse at employing people than they were 20, 30 or 40 years ago?

Dave Watson: That is a very difficult question to answer. To follow Chris Warhurst's point, we have a tendency to look through rose-tinted spectacles at what happened in years gone by. As a trade union official of some 30-odd years' standing, I can tell members that it is certainly tough now, but it has also been tough in the past.

We have probably been seeing shifts since the early 1980s. Essentially, there has been a shift from wages to profits and obviously, there has been an ideology around the stack-it-high approach. I think that there was a broader consensus after the war that was more akin to what happened in Germany, for example, that was developed for their purpose. The post-war consensus, which was much more about tripartism, partnership working and co-operation rather than conflict, rather broke down in the 1980s and the early 1990s, but we are starting to rediscover some of it. That is good, but it will take some time for us to get back there, although I do not want to go back to that model; I want a modern version of it, essentially. There has been a cultural

shift in the wrong direction in the past 20 to 30 years. That is recoverable, but it needs Government, employers and trade unions to work in partnership to get there.

Richard Lyle: Thanks.

The Convener: Thank you very much.

We are only two minutes over time; we have done very well. On behalf of the committee, I thank you all for coming along and helping us with our evidence. We will now go into private session.

12:02

Meeting continued in private until 12:04.

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