



OFFICIAL REPORT
AITHISG OIFIGEIL

Economy, Jobs and Fair Work Committee

Tuesday 4 October 2016

Session 5



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ECONOMY, JOBS AND FAIR WORK COMMITTEE
7th Meeting 2016, Session 5

CONVENER

*Gordon Lindhurst (Lothian) (Con)

DEPUTY CONVENER

*John Mason (Glasgow Shettleston) (SNP)

COMMITTEE MEMBERS

- *Jackie Baillie (Dumbarton) (Lab)
- *Ash Denham (Edinburgh Eastern) (SNP)
- *Liam Kerr (North East Scotland) (Con)
- *Richard Leonard (Central Scotland) (Lab)
- *Dean Lockhart (Mid Scotland and Fife) (Con)
- *Gordon MacDonald (Edinburgh Pentlands) (SNP)
- *Gillian Martin (Aberdeenshire East) (SNP)
- *Gil Paterson (Clydebank and Milngavie) (SNP)
- *Andy Wightman (Lothian) (Green)

*attended

THE FOLLOWING ALSO PARTICIPATED:

- Stephen Boyd (Scottish Trades Union Congress)
- Jackson Cullinane (Unite)
- Patricia Findlay (Fair Work Convention)
- Lynn Henderson (PCS Scotland)
- Anna Ritchie Allan (Close the Gap)
- Dave Watson (Unison Scotland)
- Peter Welsh (GMB Scotland)

CLERK TO THE COMMITTEE

Alison Walker

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Economy, Jobs and Fair Work Committee

Tuesday 4 October 2016

[The Convener opened the meeting at 10:45]

Decision on Taking Business in Private

The Convener (Gordon Lindhurst): Good morning, everyone, and welcome to the seventh meeting of the Economy, Jobs and Fair Work Committee. I ask everyone to turn off electrical devices if their sound might interfere with the working of the broadcasting system. Today, we are looking at fair work, and we have a number of guests with us.

Item 1 on the agenda is a decision on whether to take in private items 3, 4 and 5. Do members agree to take those items in private?

Members *indicated agreement.*

Fair Work

10:45

The Convener: Item 2 on the agenda is a round-table session with our invited guests. If anyone wishes to join the discussion, they should indicate by raising their hand. There is no need to turn on your microphones, as that is dealt with by broadcasting. To my left are the parliamentary clerks and assistants. I ask everyone to introduce themselves by giving their name and the organisation that they are from. It might also be helpful for everyone if the committee members gave their names.

I am Gordon Lindhurst MSP, the convener of the committee.

Jackson Cullinane (Unite): I am from Unite the union.

John Mason (Glasgow Shettleston) (SNP): I am the MSP for Glasgow Shettleston and the deputy convener of the committee.

Dave Watson (Unison Scotland): I am from Unison Scotland.

Ash Denham (Edinburgh Eastern) (SNP): I am the MSP for Edinburgh Eastern.

Peter Welsh (GMB Scotland): I am from GMB Scotland.

Richard Leonard (Central Scotland) (Lab): I am a Labour MSP for Central Scotland.

Anna Ritchie Allan (Close the Gap): I am from Close the Gap.

Gordon MacDonald (Edinburgh Pentlands) (SNP): I am the SNP MSP for Edinburgh Pentlands.

Dean Lockhart (Mid Scotland and Fife) (Con): I am a Scottish Conservative MSP for Mid Scotland and Fife.

Patricia Findlay (Fair Work Convention): I am from the fair work convention.

Gillian Martin (Aberdeenshire East) (SNP): I am the MSP for Aberdeenshire East.

Andy Wightman (Lothian) (Green): I am an MSP for Lothian.

Lynn Henderson (PCS Scotland): I am from the Public and Commercial Services Union.

Liam Kerr (North East Scotland) (Con): I am an MSP for the North East Scotland region.

Jackie Baillie (Dumbarton) (Lab): I am the Labour MSP for Dumbarton.

Stephen Boyd (Scottish Trades Union Congress): I am from the Scottish Trades Union Congress.

Gil Paterson (Clydebank and Milngavie) (SNP): I am the MSP for Clydebank and Milngavie, and a chunk of Bearsden—I had better say that.

The Convener: Thank you.

I will start with a general question that our guests might wish to come in on. A study by the United Kingdom Government-funded Commission for Employment and Skills came to the conclusion that there will be a continued reduction in employment in skilled trades, manufacturing and the civil service over the next decade. Do our guests have any comments on whether that will have implications for fair work and on the various issues that arise out of that?

Dave Watson: That is largely right. If we look at the numbers in Scotland, we see that there really will be an impact on fair work. We know that, by 2020, we are going to need just under 20,000 information technology jobs, 20,000 construction jobs and 20,000 professional services jobs, whereas jobs in manufacturing will decline by about 15,000. Of course, the big hit is the 65,000 health and social care staff we are going to have to find by 2022. That shows a move away from manufacturing, agriculture and public administration into other areas. Some of those other areas are well understood, such as IT and construction, but the move to health and social care has massive implications for the fair work agenda.

Health and care includes childcare, and we know from a Scottish Government report last week that 80 per cent of staff in the private and voluntary childcare sectors earn less than the Scottish living wage. Last week, I gave evidence to the Health and Sport Committee on the challenges in social care. Low pay, poor conditions and insecure work are endemic in those areas of work. We need to recruit and retain large numbers of new workers in those areas, but that will not be achieved while they are regarded as poor jobs that people do not want to take up. Fair work is absolutely crucial to the Scottish Government's and public bodies' workforce planning to achieve the numbers that we need in those areas.

Patricia Findlay: In Scotland, we tend to focus on the bad jobs at the lower end of the labour market, but there is huge concern about good jobs as well. If there is a reduction in sectors in which the characteristics of fair work are more prominent or more frequent, the transition to those jobs becomes problematic. As Dave Watson said, the

issue is what kind of jobs will replace jobs in those sectors.

We know that there is polarisation in the Scottish economy and that the growth in employment is much higher in the lower and the higher pay deciles—the pay distribution graph is U-shaped. The problem is not only the growth in the low-pay sector, to which Dave Watson alluded, but progression, which is a real issue. If there are fewer and fewer jobs at the intermediate skilled level, that is problematic in considering how we move people on from low pay and poverty.

Lynn Henderson: To follow on from the points that Patricia Findlay and Dave Watson have made, there has been significant job reduction in the civil and public services sector over the past 10 years. More than 100,000 jobs have been lost from the sector in the UK as a whole, and in Scotland, the UK Government and Scottish Government departments have certainly taken their fair share of the hit, with 20 per cent of Scottish Government jobs being cut.

At present, we are seeing a job reduction programme at UK level that is impacting on Scottish civil service jobs. The most well-known example is the closure of HM Revenue and Customs offices, which is taking place across Scotland up to 2017.

We are seeing a number of transfers around the civil and public services at present as a result of the powers that being devolved to Scotland. Civil servants are finding that there is a degree of uncertainty about who they will be working for, where they will be working and what the terms and conditions of their transfer will be.

That is coupled with the implications of Brexit. On the surface, there may be an increase, as more civil servants will be required, but across the sector there is a very high degree of uncertainty about what the future will look like.

The Convener: I will bring in Anna Ritchie—or Anna Allan, is it?

Anna Ritchie Allan: It is Anna Ritchie Allan.

To follow up Lynn Henderson's point about the public service, I point out that two thirds of public sector workers are women, so women are disproportionately impacted by the spending cuts. Women who work in the public sector are more likely to get equal pay and to work flexibly, and to be able to access clear progression pathways. The cuts disproportionately impact those women, as does the wider welfare reform and austerity agenda.

Peter Welsh: The projected reduction on the skilled side will impact in manufacturing, and the decline in manufacturing that we have seen in recent years will continue at pace. That will

invariably have an impact on quality jobs, which will largely be unionised jobs, and the wages that workers enjoy through the union premium will be impacted, too. As we move forward, we need to consider the impact on income inequalities of the loss of those skilled jobs, which are invariably better paid.

The Convener: Do you have any ideas about the answer to the loss of those jobs?

Peter Welsh: I have a few. To go back to some of the points that were made at the fair work convention about job quality and security and a voice for workers, the fundamental issue for the GMB is collective bargaining. We would like more promotion of collective bargaining and the value that it can bring to the economy. We should see it as an economic tool—not just a tool to give workers a voice, which it obviously is, but a tool that can be used to tackle some of the income inequalities and the greater inequalities that are building in the labour market across Scotland.

Jackson Cullinane: I echo the need for collective bargaining and, indeed, for sectoral bargaining, which is a key element of the effective voice part of the fair work convention's framework. However, that kind of development needs to be underpinned by some real legislative moves.

The Scottish Parliament is obviously constrained by having limited powers over employment law and so on, but I wonder whether the post-Brexit scenario, which has already been mentioned, should point this committee and the Parliament towards revisiting the way in which procurement can be used to influence matters.

When the Procurement Reform (Scotland) Bill was going through Parliament, the Scottish Government was advised that it could not include provisions on basic rights—for example, by banning zero-hours contracts, delivering the living wage or stipulating standards of training—because of European Union restrictions. If those EU restrictions will no longer apply, or if we are going to discuss which EU restrictions remain, that would appear to be an opportune time to revisit such issues.

The Convener: Gil Paterson has a question.

Gil Paterson: It is on a different subject.

The Convener: Do any of our guests wish to come in on the point that Jackson Cullinane has made?

John Mason: I would like to follow up on that. The general feeling is that our membership of the EU has ensured a lot of protection for workers that might go if we leave the EU. I wonder whether an opportunity exists for local authorities to bring the living wage into contracting requirements and so on. Patricia Findlay spoke about using different

levers to promote fair work and said that doing that would not just be down to the work of the convention. Is including such requirements in procurement contracts an example of a lever that we could use?

Patricia Findlay: We are clear that procurement is an important lever. The Scottish Government's procurement guidelines include a clause on fair work—they state that potential suppliers will be tested on their commitment to fair work; not much more detail is provided, but that clause is there. Procurement is an important lever, but there are broader levers to do with other things that the public sector spends money on. For example, the money that is delivered through Scottish Enterprise and Skills Development Scotland as an aid to business is an important lever.

There is a debate to be had about procurement, regardless of the debate about Europe. There has always been a view, which has been expressed in different quarters, that the procurement regulations could have been used a bit more proactively. We would support an exploration of how procurement can support fair work.

John Mason: You said that fair work has to be considered as part of the current procurement process but, in practice, is it a major consideration or is it just being shown token respect?

Patricia Findlay: I would not know, because I am not one of the people who assess those contracts.

The Convener: On the back of John Mason's point, it is relevant to mention the Prime Minister's comment that existing workers' legal rights will continue to be guaranteed in law. If that is the case, the big question is how workers' rights can be developed once we leave the European Union.

Dave Watson: On John Mason's point about procurement, Patricia Findlay is right that there are procurement guidelines; we were involved in drawing them up. We put in freedom of information requests to every local authority in Scotland to find out how they were using those guidelines, and they all said that they were not using them, which is not a very encouraging starting point. The second problem is that within the guidelines there is a route to delivering on the fair work agenda, but it is a bit messy and complicated. However, we are more concerned that local authorities and others are not using the guidelines. All they really need to do is to set a clear policy and measure against it.

There are a couple of areas in which, historically, the legal advice to local authorities and other public bodies has identified difficulties, which we need to address. One of those has been state aid, which on a number of occasions has been pled by Scottish Government legal officials as a

reason for not doing certain things. Brexit presents an opportunity to look at that. The posted workers directive has also caused difficulties, particularly in the context of the living wage. My view is that the legal advice from law officials on state aid and the posted workers directive has been overly cautious. There are clear ways around the issues, but they have been pled as reasons for not doing fair work stuff, so there is an opportunity to look at that post Brexit.

11:00

Patricia Findlay: In response to the convener's point on employment law, we need to bear in mind that not all employment law emanates from Europe or has been transferred into UK law from Europe. There are important protections on unfair dismissal, for example, that are within the gift of the UK Government, so it is not simply an issue of what protections stay or go post Brexit. Some areas have been around for a long time in UK law, yet we have seen quite significant reductions in protection. For example, eligibility for unfair dismissal has been increased from one year to two years, which is a challenging issue for people who want to ensure security in their jobs.

Gil Paterson: I have a Brexit-related question. What are the wider implications of Brexit on fair work and how will the labour market—and people that you represent—be affected?

Stephen Boyd: It is impossible to answer that question with any degree of certainty until we know what Brexit will look like and what the UK Government's preferred approach will be. Trying to ascertain the impact on Scotland at a sectoral level is very difficult. In broad terms, withdrawal from the single market and the customs union—which looks increasingly likely—is unlikely to do anything to boost manufacturing in Scotland. Patricia Findlay has already covered the issues on employment regulation.

Returning to the issue of procurement, until we know what the approach to Brexit is, we have to introduce a wee note of caution regarding the assumption that Brexit will open the door to us doing interesting things with procurement and state aid—we do not really know that. If we are in the European Economic Area—which also looks increasingly unlikely—or if we negotiate a comprehensive free-trade agreement with Europe under World Trade Organization rules, there are some pretty heavy restrictions on how national industries can be subsidised. Again, until we know what the post-Brexit scenario will be, we have to be cautious about assuming that there will be a lot more scope to do interesting things with procurement and state aid.

Dave Watson: I agree with Patricia Findlay that a lot of the legal aspects are in there and that we need to be clear, and the Prime Minister's statement was not unhelpful in that regard.

On the labour market, the problem is the absence of data. The day after the referendum, I walked into my office, grabbed my team together and said, "We had better find out how many EU nationals there are in Scotland's public services." By the end of that day, we were not much the wiser.

The honest truth is that there is very little data even in areas where we would expect to have decent data. For example, NHS Scotland has an annual ethnicity survey, but it is voluntary and many workers do not fill it in. We might worry about why they do not want to fill it in and say what their background is, but often they do not. We have done some work within Unison and we reckon that we have about 6,000 or 7,000 EU nationals within Unison's membership, but that does not tell us about the bigger number of EU nationals within the public services as a whole.

We might not have hard numbers, but we and employers in the health and care sector, for example, know that we have an awful lot of EU nationals and other overseas workers in that sector. Most of our members are in the residential care sector—that is true of nurses as well as of other grades of care workers. Given the numbers that I gave you earlier about the huge numbers of additional health and care workers that we will need to recruit in Scotland, an enormous proportion of the total number of school leavers every year will be needed if the issues of migration and the free movement of labour are not resolved. Unless we get the jobs right, those school leavers will not want to do them, but even if they do, we will simply not have the numbers. Brexit has very serious consequences unless we get the migration elements of the post-Brexit arrangements out of the way.

The Convener: By school leavers, do you mean school leavers in Scotland?

Dave Watson: Yes. I think that there are around 56,000 school leavers each year.

An issue that is linked to that is that those jobs are gender segregated. Health and care jobs—particularly childcare jobs, but also jobs in the social care sector—are predominantly female-segregated jobs. Unless we tackle that, the available workforce can be halved straight away.

People have to be trained up and other things have to be done. The announcement about 1,500 extra doctor places is fine, but it takes seven years-plus to train a doctor. We are talking about long-term workforce planning to address that.

The Convener: Can you clarify what you mean by “gender segregated”?

Dave Watson: I mean that health and care jobs are predominantly regarded as women’s jobs. The workforce is predominantly female, whereas workforces in other sectors, such as the construction sector, have been predominantly male. If the new jobs are in segregated workforces, we will have a real challenge, so part of the strategy has to involve breaking down that segregation.

The Convener: So it is a matter of perception. It is not the case that those jobs are intended to be gender segregated.

Dave Watson: No, but they have been for donkey’s years, and we have not been successful in breaking them down so far.

The Convener: You referred to a gap between even the full number of school leavers and the number of jobs that will require to be filled in those sectors. Can you give a figure for the number of jobs that require to be filled?

Dave Watson: If the figure for the number of extra jobs in health and care by 2022 is 65,000, that gives members a flavour of the numbers.

I spent a couple of years on secondment to the Scottish Government’s health department and I remember that we did some workforce planning back then. My colleagues in workforce planning on the nursing side worked out that, because of the segregation, virtually every woman who left school would have to go into nursing or healthcare if we were going to fill the jobs. That has not happened because of migration. Essentially, the gap has been plugged by EU nationals and, in Scotland’s case, by other overseas nurses and others.

The same applies in other areas. I remember that when Scottish Water’s capital programme was going to expand—it still is very large—there was a question about not having the skills quickly enough. Migration has plugged the gap, even in more traditionally male-dominated areas. There is a big challenge in the health and care sector, but it is not limited to that sector.

The Convener: If migration means simply bringing in workers from elsewhere to plug the gap—as you put it—does that mean that there is less emphasis on, or thought given to, forward planning or to encouraging people who are here or are leaving school to go into those jobs?

Dave Watson: In fairness, I think that thought has been given to that. When we did initial planning post devolution back in the early noughties, there was an increase in the number of places that were made available in nursing schools, for example, because it was recognised that we would need them. However, there is the

scale of the change to consider, given the demographics in Scotland. The indigenous population has not increased rapidly, so migration has plugged gaps. That probably would have happened irrespective of how good our workforce planning was. If we are being honest, workforce planning has not been a glorious success in recent years, because it is often quite difficult to do.

Lynn Henderson: I want to go back to the point about gender segregation. We need to be absolutely clear, as Anna Ritchie Allan pointed out, that in the public services in Scotland and the UK the bottom grades in almost all the sectors are heavily dominated by women. In the civil and public services, more than 60 per cent of the staff are female. They are concentrated in the lowest grades and most have very little opportunity to progress into a significant career pattern. Many of my members have been in the lowest administrative grades for 20 or 30 years. Very few opportunities have opened up for them to move into team-leading positions or managerial roles, and they have had very little pay progression. Therefore, when we consider fair work and think about our public services and the white-collar sector, we should be aware that there is a significant problem in the distribution of skills and pay in that sector.

Anna Ritchie Allan: I completely agree with Lynn Henderson. If we look more widely at the lower-paid sectors in general, we see that they tend to be dominated by women. More women than men are in low-paid work, and women make up two thirds of the workers who earn below the living wage. They are more likely to be on insecure contracts or temporary contracts. More women than men are on zero-hours contracts.

There is a gender dimension to fair work and there is a need to drive up standards and job quality. I urge the committee, when it is developing its work programme, to consider including women’s experiences of work and how they predominate in lower-paid jobs and sectors and doing a gender analysis of developments in fair work.

Patricia Findlay: I would like to pick up on two points that have been raised in the discussion. Lynn Henderson’s point about the reduction in work in the public services and its relationship to fair work is significant. We know that that is a loss to particular groups and it is also a loss of the skills that have been invested in. People who work in the public sector are likely to have higher levels of qualifications and to have had training throughout their working lives. There is therefore a social loss in their transition from those jobs to jobs that might be of lower quality.

I also want to make a point not with my fair-work hat on but with my university hat on. There are

huge labour-market implications for the universities sector. Notwithstanding—although I agree with it—Stephen Boyd's point that we do not know what Brexit will look like, the reality is that the universities in Scotland are a great success; they are global players and they draw on a global labour market. My university is already starting to collate information—I am sure that others are, too—on people who were about to come and take jobs in Scottish universities but have decided not to in the context of the post-Brexit terrain. We recruit globally, so there are really big issues for the university sector.

The Convener: Can you give us the numbers, even in rough percentage terms, of people in universities from EU and non-EU countries?

Patricia Findlay: No, I cannot. Obviously there will be a breakdown into students and staff. Universities tend to have higher levels of international staff than other organisations, although I cannot give you the figures. That is the nature of the global research market.

People have seen the Brexit vote as creating the kind of uncertainty that was talked about earlier, as well as being—unfortunately—a signifier that, as a country, the UK is not open or will not be an accommodating home for them as academics. We are already starting to see some impacts of that in practice.

Peter Welsh: I have a question for Patricia Findlay. Is there any indication so far of what the impact is going to be on funding of universities, and whether it will cascade down to the quality of the skills that are coming out of universities? That could affect the labour market in Scotland in the longer term.

Patricia Findlay: Universities are trying to collate that information at the moment. The formal position is, of course, that people can continue to make applications to European Union funding sources, but the reality is that there are examples of people being asked to remove themselves from projects. The more worrying thing might be that people are not being invited to take part in projects because of the uncertainty. There might, in the future, be arrangements that will allow the academic community in Scotland and the UK to participate in global or EU funding arrangements, but we just do not know what the reality will be.

Richard Leonard: I will go back to something that Stephen Boyd said earlier. He said that withdrawal from the single market and the customs union will not do much for manufacturing. Was that a gross understatement or were you being judicious? We know that half our export earnings come from manufacturing, so failure to remain in the single market and some form of

customs union could have quite profound implications for our manufacturing base.

Secondly, Peter Welsh and Dave Watson, in his assessment of future projections of labour supply and demand, suggested that a decline in manufacturing is almost inevitable. Does anyone at the table hold the different view that there could, with the right policy support, be a renaissance in manufacturing and employment?

11:15

Stephen Boyd: As you know, Richard, I always try to be judicious.

The consequences for Scottish manufacturing of a hard Brexit will be profound. Some of what we have been hearing over the past few days about the opportunities that lie outwith the European Union is just fanciful, and the gravity effects of trade are massive and hugely underappreciated. The fact is that we trade with those who are closest to us. Over the past few years, we have been profoundly unsuccessful at trading our manufactured products beyond Europe. We have heard the UK Government trumpet some pretty significant percentage increases in the share of our manufacturing that is going to China, but I must point out that that was from a very low base, so the percentage increase massively overstates the actual scale of what is happening. I agree that the consequences will be really profound and damaging.

On Richard Leonard's other question, you will know that over the past few years we have published extensively on what can be done to support Scottish manufacturing. Again, I will be a wee bit cautious; I do not think that we should assume that if we are successful in boosting manufacturing's share of output, we will necessarily see similar growth in employment. The rate of productivity growth is such that even if we were to increase the share of output we would be unlikely to see significant growth in employment. We should all be quite realistic about that. Boosting manufacturing is a goal that is shared pretty much across the political spectrum, but we should not assume that we are going to see very significant employment effects.

While I have the floor, I will respond on a number of issues. A lot has been said about the Scottish labour market, and much has been said about sectoral employment and wages, but we need to be very clear about what we do not know in both respects. For example, our sectoral employment data are very poor. Every month, the Office for National Statistics publishes a Scottish estimate that it has derived from the UK workforce jobs survey, but it is not credible and does not reflect what is happening in the Scottish economy.

As for wages, Gary Gillespie's latest published "State of the Economy" from, I think, June, used the best wage statistics that we have, but they are an average for the year to April 2015. We have to be very clear about such things, so anything that the committee can do to publicise the lack of credible data on the Scottish labour market and to address the deficit will, I think, be very much appreciated.

Finally, I think that we can be a wee bit too pessimistic about forecasting sectoral changes in the economy and worrying about how employment in some sectors is going to be filled. We have, over time, seen very significant sectoral shifts in employment; it was not that far back when 40 per cent of Scottish workers were engaged in manufacturing. If, in 1965, it was suggested that the figure would be 10 per cent, people would probably have thought such a change to be quite dramatic. However, because of relative differences in productivity growth in various sectors, we have seen shifts in employment over time, so I do not think that we should cast ahead a few years and say that the problem is irreconcilable. We tend to see such things working out over time—which is not to say that the income effects that Peter Welsh mentioned from loss of manufacturing jobs and growth in lower-paid service jobs do not have a macroeconomic effect. They certainly do.

The Convener: Thank you, Stephen. Does anyone else wish to come in on that question?

Gil Paterson: Dave Watson referred to the impact of the shortage on the healthcare sector. One sector that has been missed out entirely is the agricultural sector. We are already having to fill the gap in the health service—in fact, we do not have enough people for it—but what will be the impact on rural Scotland? The Tories have suggested that children could pick fruit. How will that work in the scheme of things as far as Brexit is concerned?

The Convener: I am not sure which Tories you are referring to or, indeed, whether your quote is right, but I think that we understand the point of your question.

Dave Watson: Gil Paterson has made a very good point about rural areas. One of the current problems that we have identified, especially in relation to social care staff, is that the contractors who provide much of the service in Scotland struggle doubly in rural areas in recruiting and retaining staff. There is a wide range of reasons for that, including travel time and costs.

The situation is even worse for the workers in the sector, especially in rural areas. We have members who are paid for six or seven hours a day but are working 12 or 13 hours. Those people are not paid for travel time, or are working some

form of split or double-split shifts, in which they can be told that their next shift is in two hours' time. In a rural area the person will not be able to get home, do what they need to do and get back to work in that time. It is not just zero-hours contracts that are a problem in the sector—nominal-hours contracts are, too.

It is worth while to look carefully at rural areas. I gave the example to the Health and Sport Committee of a social worker whom I had talked to before I was giving evidence, who said that she was given a list of six contractors that might provide a care package for an elderly person in her area. Four of them said, "We don't do rural areas." That was their answer. There is a broader issue.

On agriculture, I accept Stephen Boyd's note of caution on labour-market statistics. I just quote the figures that are there as estimates; they probably will not be right, but they are the only ones we have. Agriculture subsidy is going to come down. We know that Scotland relies more heavily on farm payment assistance than do other parts of the UK, particularly England, so there are Brexit issues with that. We need to think about how the agriculture industry responds to that and how the UK Government responds to that, in terms of transferring money to Scotland. Remember that the Barnett formula will not help us there, because we will need more than we get through the Barnett formula to reflect our current take-up of European agriculture subsidies.

Ash Denham: I want to return to polarisation, which Patricia Findlay mentioned—the idea that the middle of the workforce is being hollowed out, with lots of high-paid, high-skilled jobs at the top and an increasing number of lower-paid, lower-skilled jobs at the bottom. Do our guests consider that to be inevitable, or could something be done about it?

Patricia Findlay: What I quoted was in relation to pay deciles—it was looking particularly at pay. There is a more contested argument about whether skills profiles show such a clear hollowing out, but there is certainly a hollowing out in terms of pay. That is quite important—we used to rely on there being the ability for at least some people to progress in the labour market. Organisations—particularly big organisations—in the public and private sectors used to operate internal labour markets in which progression was an opportunity. Such opportunities are important, because they allow people to develop their skills to the maximum. We are seeing far fewer such opportunities. That is a feature not only of the UK economy, but of other advanced industrial economies, including the USA. There is an issue in terms of what that means for pay progression and in terms of whether people get fulfilment from

work, which we in the fair work convention have argued is an important element of fair work.

Ash Denham: Is there anything that the Government should be looking at? Are there strategies that we could adopt to help the situation?

Patricia Findlay: I am not sure that there are strategies for Government, necessarily. Governments of advanced nations invest heavily in skills and qualifications, through all levels of education and through support for adult skills and skills in the workplace. There has been an assumption for a long time that if those skills are invested in, they somehow automatically transfer into something fabulous, but such investment has had no impact whatsoever on, for example, productivity. There has been a recognition in Scotland much earlier than in other parts of the UK that something is going on to stop that transfer, and it is happening in the workplace: something in the workplace is affecting whether people get to use, to their best effect, the skills in which we have invested a lot.

That has knock-on implications not just for individuals but for businesses. I am sometimes thought of as a very simple person; my argument is simple. The resources in a business are what you have—they are the fundamental assets of the business. You can either use them to their maximum, or not. The reality is that in some business models skills are not used particularly well, and the businesses do not get the benefits of progression. Of course, we know that lots of businesses do precisely the opposite: they invest in, nurture and train their talent, so they get the benefits of that talent being deployed. However, we have some business models in which that is not the case, and we have organisations in which people are stuck on the lower rungs. As Anna Ritchie Allan and Lynn Henderson have pointed out, often it is women who are stuck at the lower end.

Ash Denham: Are we talking particularly about management and leadership models? Do we need to move forward or upskill on those?

Patricia Findlay: We are talking about management, leadership and business models. The fair work convention has been clear—as am I, from my academic work—that being a fair work employer is not the only way to make money. We are certainly not trying to suggest that it is the only way, as we know of common and public examples of how it is possible to make lots of money by being a very unfair employer. The argument is about choosing business models, forms of management and approaches to management and leadership that are about building fair work in by design. The evidence is that a business that does

that is not necessarily worse off than any other business, and may well be better off than others.

Sometimes, there is a market driver; a business that produces a high-quality professional service will have a market driver to invest in its people if the market tells it that it needs to do that. If a business does not have such a market driver—if there is some sort of market failure—then it becomes a matter of design by the people who make decisions in the business. Those are choices, and one reason why I am reluctant always to talk about how the public sector or Government can do those things is that many of the outcomes reflect choice. The fair work convention's advocacy is partly about trying to influence that choice in terms of specifically thinking about the full costs and benefits of certain types of business model and employment practice.

The Convener: One point that has been mentioned is what appears to be the failure of the public sector to live up to some of the gender pay equality principles, for example. Cannot it lead by example, especially as longer-term planning may be more possible there than in the private sector? Think of manufacturing industry dropping from 40 per cent to 10 per cent of jobs and the rapid change in modern technology. Do you have any thoughts on that?

Patricia Findlay: We need to recognise that the public sector is an example. Often, when I teach groups of women students, I talk about the places where a woman is more likely to have a successful career; she is more likely to have such a career in the public sector. That does not mean that the public sector is perfect, but the reality is that a woman is more likely to progress in the public sector than she is in the private sector—I am sure that Anna Ritchie Allan will come in on that.

Yes, the public sector has an important exemplar role. It also has levers that are associated with greater reliance on internal labour markets, although they are diminished. If we can ensure that those are fair, open and accessible, we can improve equality in the public sector.

The Convener: Right. Anna Allan Ritchie—I am sorry, Anna Ritchie Allan. I beg your pardon.

Anna Ritchie Allan: That is okay—it is different, I know.

The public sector equality duty requires public authorities to do specific things in relation to the pay gap: report on the pay gap, report on occupational segregation, develop an equal pay statement and publish gender disaggregated employee data as well as other data relating to protected characteristics. Dave Watson's point about public sector employers not having data on how many EU nationals they have working for

them is an example of how the public sector equality duty is failing.

There have been two rounds of reporting to date and Close the Gap has done assessment work on a sample of public sector employers for both reporting cycles. Overall performance has been poor in relation to employment, and in relation to gender in particular. In the second round of reporting, there was regression in most of the organisations that we examined over the four years. Many do not publish their gender pay gap at all and the employers that publish information that relates to the gender pay gap provide little analysis and no narrative to accompany it and, more importantly, set out no actions to address pay gaps.

We keenly await the next round of reporting in April, which will be the end of the four years. However, we generally find, including when we talk to other women's organisations, that the public sector equality duty is just not working in Scotland as it relates to Scotland-specific duties.

11:30

Dave Watson: I will address the broad point about what the public sector can do. We talked about public procurement, which is important, and briefly touched on sectoral collective bargaining, on which the Scottish Government could clearly lead. For example, around 95 per cent of the funding for the social care sector comes from the Government, so it has real levers. It would be a lot more difficult for the Scottish Government to tackle the hospitality sector, for example, but it could tackle the social care sector.

On gender segregation and pay, there is a good example in the report that I mentioned on the financing of childcare in the early years, which showed that 50 per cent of managers in the childcare business were not getting the Scottish living wage. That would simply not be the case with managers in male-dominated occupations. Even in other areas that are traditionally dominated by women, such as facilities management, you do not see that.

There is a real opportunity for the Government to drive change using sectoral collective bargaining. When the Government has tried to make changes—good changes, such as introducing the living wage for care workers—the implementation has been muddled, largely because we do not have the sectoral collective bargaining frameworks that, frankly, would have enabled us to avoid getting into the problems that we have today.

I suggest that one reason why the public sector in Scotland does not always deliver on some of the early ambitions is because we have a

fragmented system for tackling workforce issues. You will remember that the Christie commission talked about the necessity of a joined-up vision for the public sector workforce—it used the example of public sector workers in Lanarkshire. If we had that, we would no longer have the silo working that we have had.

We think that there is a case for a national workforce framework. There would be some common features—it is not about one form of bargaining for the whole of the public sector; it is about having common features that make it easier for people to move between sectors. If we make that mobility easier, we can start to break down some of the gender segregation that we have talked about. As Anna Ritchie Allan said, you could ensure that the public sector equality duty was properly applied. The problem is that too many people are reinventing the wheel in a fragmented way. We need to have a national framework for workforce issues to take away some of the burdens of wheel reinvention that we get with our rather fragmented system, but we should leave the really important decisions about local service delivery at the local level, where they should be. That requires some big culture changes but it is one of the ways that we think we could take some real steps forward.

Lynn Henderson: On public sector pay and sectoral collective bargaining, there is a real issue in the central Government sector in Scotland. Although, through union pressure—member pressure—we have achieved guarantees of no compulsory redundancies and a Scottish living wage for all Government employees, as unions, we have had to negotiate those policies employer by employer across 46 bargaining units.

Some public sector employers covered by Scottish public sector pay policy and ministerial guidance have refused to budge and have taken some years to put those policies into practice. That is due to a lack of sectoral collective bargaining in that sector. It is an easy win for ministers if they work with unions under the fair work agenda—if ministers and unions come together in a sector where there is a political commitment to do something and rein in some of those employers.

The issue also partly relates to what Anna Ritchie Allan has described as the problem of a lack of understanding of the public sector equality duty by human resources officials within many of those employers. They do the minimum each year to identify the gender equality issues, such as all the pay gaps, so that they can tick a box and say, "We've addressed it—we've told you how many women work for the organisation and we've told you what they are paid." However, they will not have identified issues under disability, race or

other equality duties. It is really important that those individuals are given sufficient training so that they understand the requirements under the legislation to publish that information. As union officials, we need that information so that we can bargain around that agenda, but a number of senior officials in the Government sector lack awareness and training.

The Convener: We will move on to questions from Dean Lockhart.

Dean Lockhart: I want to pick up on the points that Dave Watson and Patricia Findlay made about skills gaps and the on-going transition of the economy. Given that that significant transition will continue, how can we plan for it? We know that it is going to happen; we might not know the exact size or shape of the economy and how it will look in 2020 or 2025, but at least we know the direction. How can we plan to have the necessary skills available for the economy in 10 years' time? Can Skills Development Scotland do that, or do we need to identify a more holistic approach?

The Convener: Which of our guests would like to tackle that first?

Dave Watson: I will have a first bash at it. A lot of witnesses probably come to committees such as this one and say that we do not have the necessary data, and we have not disappointed you in saying that today. We talked earlier about Brexit. Audit Scotland, which is probably our best number cruncher, based its Brexit numbers on a 2008 survey. That tells us all that we need to know about the problems that we have with data. We need to start with better data.

Secondly, we need to consider the workforce numbers that we need. It would help if we had sectoral collective bargaining, or at least if the sectors talked more effectively. The beauty of sectoral collective bargaining is that it is not just about wages; we would also be talking about workforce planning. For example, in the social care sector, we would sit around the table with Scottish Care and the voluntary sector and start to talk about these things. We would input in an open way the data that we have and the surveys that we do of our members, the employers would input their data, and we would start to produce some numbers, some data and some analysis that would mean something.

At present, to be frank, there are only a couple of civil servants doing a bit of very general workforce planning, and they would be the first to admit that they do not have the basis for doing that planning. They ring us up and ask what we have, but the data is very limited. Sectoral bargaining would be an important way forward.

There is a third thing that we need. We recognise that we are going to have shortages in

certain areas, and I have highlighted that, self-evidently, health and social care is one of those, largely because of demographic change. Big, good-quality voluntary sector providers currently have 25 per cent turnover rates in social care. If they have those rates now, just think where they are going to be in the future. We need to ask how we are going to make those jobs attractive, and that is not just about pay, important though that is.

We have talked about qualifications. On childcare, for example, we have done a lot of very good work in the local authority sector around improving qualifications. In that sector, early years professionals will be qualified, with managers at up to degree-level standard. We have done stuff there that makes the profession more attractive because people can see progression.

It is also about valuing jobs. I did a piece in *The Scotsman* a couple of weeks ago in which I pointed out that our members do not own up to being social care workers even when they talk to pals in the pub. That is how bad it is. We will not recruit thousands of people into the sector unless we can change that culture, so we have to start thinking about how we make certain jobs—and new jobs—more valued.

Fourthly and finally, we can do the traditional thing of asking how we can ensure that we have enough trained and qualified people, and that is where more traditional workforce planning comes in. We say that we are going to need X thousand more and ask what qualifications they will need and whether that is about further education colleges, upskilling or universities.

I am trying to persuade you that we are not doing the three stages before the traditional stage very well in Scotland at present. We need to do them better to get to a new place.

Patricia Findlay: I agree with pretty much all those points. There are agencies and bodies that are charged with identifying future demand for skills. We have Skills Development Scotland, and we have the Scottish Further and Higher Education Funding Council looking at the universities sector and professional or graduate-level demand. There are also skills investment plans for Scotland, which are supposed to do exactly what Dave Watson suggested—to convene and bring together the best forms of expertise.

We are a relatively small country, and in process terms it is really important that we bring people together to get the best evidence. I take on board Stephen Boyd's point about the availability of data, but we have lots of people who have lots of insight and lots of understanding of key sectors and what they are likely to need in the future. It would be much better if we expended our energy

on bringing people together rather than on engaging in the sometimes futile futurology of what the world will look like 20 years from now, because that is not terribly insightful or helpful in making the transition.

It is crucial that we make jobs in areas where there will be a shortage attractive. Some social care organisations have a turnover level of 30, 40 or 50 per cent. They cannot keep people in those jobs because the jobs are challenging—they are very demanding and offer very low returns, at least at an extrinsic level.

In academia and the policy community and across practitioner groups, we spend a lot of time talking about trends and a bit less time talking about patterns. For example, there is significant replacement demand for manufacturing in Scotland. Manufacturing is becoming a smaller part of the economy but it is not disappearing overnight. The issue for some sectors is that, if the discussion is about their being in decline, that makes it even more difficult to bring people into those sectors. The issues of trends and patterns and replacement demands need to be factored into the discussion around the sectoral shifts that we will see.

Stephen Boyd: I agree with everything that Patricia Findlay and Dave Watson have said, but I cannot overstate the difficulty and uncertainty of trying to quantify the future demand for skills. I will give an example of that. I am a member of the First Minister's energy advisory board, which did a really comprehensive piece of work a few years ago that was SDS led and involved working with Scottish Enterprise and the private sector to quantify the likely demand for skills 10 years ahead. What happened? The productivity of US shale increased at a rate that was completely unanticipated, there was massive structural change in the global sector and what, five years earlier, had seemed to be the most pressing issue regarding future demand for skills was completely turned on its head. We have to be quite level headed about what is possible.

Secondly, we cannot allow ourselves to think about this as a public sector issue; it is about what the public sector can do to support the wider economy. The role of employers is absolutely crucial, and we have to ask ourselves a number of difficult questions. Is the employer community in Scotland organised in such a way that it can coherently articulate its needs in the area? I am not convinced that it always is, although the situation varies sectorally.

Thirdly, we hear a lot of quite exciting stuff about the impact of technological change, but we are told that 47 per cent of US occupations are likely to disappear in the next 10 to 20 years. Since that research was published in 2013, we have learned

that we need to be mindful of which tasks can be automated or digitised rather than which occupations are going to disappear, because there is no clear crossover between the two. We also have to understand that, although some tasks can be automated, it does not always make economic sense for that change to happen. We assume that it will make economic sense, but the trajectory of UK productivity over the past few years shows pretty clearly that that change is not happening yet. We need to be mindful of that.

As I said when I spoke to the committee at its away day, a piece of work looking at what the impact of technological change in Scotland is likely to be, bearing in mind our current sectoral make-up, would be very worth while. Becoming too pessimistic about losing 47 per cent of our jobs over the next 20 years does not serve us well if we are trying soberly to assess where things are likely to go.

The Convener: Thank you. I will now take questions from Andy Wightman. Depending on how many questions he has, I may also take a question from Jackie Baillie before opening up the discussion to our guests.

Andy Wightman: My question for our guests is fairly straightforward. What examples of real innovation in fair work have you noted in Scotland, in the rest of the UK or in other countries that could inspire the efforts that are being made to promote fair work in Scotland?

Jackie Baillie: My question builds on what has already been asked. I hear a plea for sectoral collective bargaining. Probably nobody in this room would disagree with the conclusions of the fair work convention. Nevertheless, with the best will in the world, nine people positively advocating is not going to create the step change that we all want to see. I suppose that my question is this: what do you expect Government to do and, given that Government is not solely responsible, what do you expect businesses to do? Is the Scottish business pledge the correct vehicle, given that only 289 businesses out of a potential 360,000 have signed up? I am looking for practical things that you want to happen, whether they are done by Government, business or somebody else.

11:45

Jackson Cullinane: I have to say that I would struggle to mention innovative approaches in the UK and not just in Scotland. However, there are examples in the international dimension that we should look at. Although I was late for the breakfast session this morning, I believe that somebody from Scottish Enterprise asked about employee ownership, which is interesting. There are examples from across the world of people

having a stake, a say and a voice. In the Basque region, 82,000 people have that through Mondragon, as do 43,000 people in Emilia-Romagna in Italy as a consequence of the Marcora law. We now have examples in the United States, where one of our sister unions, United Steelworkers, is involved in establishing employee-owned businesses in Ohio and other places.

There are international examples but, in fact, Scotland is behind on that dimension. Across the globe, that form of ownership is taking off in virtually every country and, arguably, the rest of the UK is also ahead of us. I have seen statistics showing that the sector has bucked the trend, with 20 per cent growth in the past couple of years. Those are the kinds of thing that we should look at.

The issue leads on to some of the other stuff that has been discussed about manufacturing strategies. We are never going to have a strategy for the economy unless people are prepared to intervene and try to use the leverage and powers that they have to influence the position. That leads on to Jackie Baillie's question about what we expect people to do. To be honest, I do not think that we will make much progress—we will make some progress but not much—if we just leave it to a voluntary approach. There are good employers out there who are willing to listen on these issues. There are plenty of examples of employers who have done good and progressive things, and the fair work convention is looking at them, but there are also too many out there who are simply driven by the profit motive and will use all kinds of manoeuvres to maximise that.

Therefore, we need the approach to be underpinned by positions from Government. That means having basic employment rights and, to go back to the point that I made right at the start, it means organisations and levels of Government beyond the UK and Westminster level using the leverage and powers that they have to try to influence the position on things such as procurement.

Interestingly, even local government can begin to look at the matter. I would make a plea to local authorities—I have already done so to several of them—that they should go back to the days when they saw themselves as developers of the local economy and think about what they can do to influence and encourage things. Just last week, Renfrewshire Council adopted the construction charter, which is a clear attempt to influence, through procurement, contractors who do building work for the council so that they honour basic things that are reflected in the fair work convention. We need that mix of a voluntary

agreement from employers and an underpinning of legislative change.

Anna Ritchie Allan: I agree with Jackson Cullinane that, particularly from the perspective of gender equality, voluntary initiatives do not work. The UK Government's voluntary "Think, Act, Report" initiative, which aimed to encourage gender pay gap reporting, was a flop to say the least, as only five companies out of the 200 that registered published their pay gaps and only two did so by grade, which was the main aim of the initiative.

We have been somewhat underwhelmed by the business pledge. It has been a bit unclear. Although one component relates to gender equality, my understanding is that only a handful of companies have signed up to do anything on that, so we have concerns there. We also have concerns about the way in which the business pledge is administered, in that it is Scottish Enterprise that has developed the components. Historically, the account management function of Scottish Enterprise has lacked the competence to sell gender equality to businesses and demonstrate the economic case for gender equality.

Further, the measurement of the business pledge—the data that is gathered and what companies have to demonstrate that they are doing—is lacking somewhat, so it is difficult to see how progress will be measured.

To go back to a point that has been made elsewhere, we would like some sort of conditionality attached to businesses that are using the account management service of Scottish Enterprise and Highlands and Islands Enterprise. Companies that access that public money should demonstrate what they are doing to advance equality and the fair work agenda.

Peter Welsh: I want to reiterate a point that Jackson Cullinane and I have already addressed. Fair work is a generic issue. The hallmark of some of the fairer economies in Europe, particularly in the Scandinavian block, is that a larger proportion of workers are covered by a collective agreement. That is no coincidence and it should not be overlooked.

We have spoken about sector forums and sector agreements as a tool to help to achieve fairer work in Scotland. Collective bargaining will not be a panacea by itself, frankly—nothing will be. It will take a multifaceted approach. We would like the Government to actively promote that and to work with trade unions and other stakeholders across industry to make the case for it and the benefits that it can bring. As Jackson Cullinane said, we should, where we can, underpin that in legislation. That is the brass tacks of it. You would

not expect the trade unions to come up with anything else. We are a united front when it comes to collective bargaining, which does demonstrable good.

Lynn Henderson: I thank Andy Wightman for a question that had a positive aspect to it. Innovation in the fair work agenda is extremely important. An element that has been there from the beginning is to do with collective bargaining and the representation of workers on the equalities and environment agendas. I am proud of that because my union raised it at the STUC and it is now a significant feature of the fair work agenda that there should be trade union representatives for equalities and the environment in workplaces, who can raise those issues at the shop floor level and engage with managers and employers about them at every level and not just at the sectoral collective bargaining table.

I see that as a challenge to the unions around the table. We have all been doing good, positive work over the years on those issues and we now have an opportunity that is not present for my members in the UK Government sector, because our facility time as trade union representatives has been reduced. We have an opportunity to raise those issues in a new and innovative way and at the shop floor level. That is an important aspect of the fair work agenda. We need to say that that is innovative and that Scotland could lead the way in taking us forward.

Gillian Martin: The issue that I was going to ask about has largely been touched on by some of my colleagues. It is apparent to me that the private sector will be key. The economic case has to be made quite strongly to private companies about the gender pay gap and fair work. I wonder how we can make that economic case. Anna Ritchie Allan, you mentioned Scottish Enterprise—you obviously have your criticisms of that organisation. It is public sector jobs that seem to offer the fair work agenda quite strongly. If there is going to be a decrease in public sector employment, we will have to make the economic case to employers. If it continues to be voluntary, it will not happen. I would like your thoughts on that.

Gordon MacDonald: My question is of a similar nature. There is no doubt that the fair work framework can deliver benefits to employers such as reduced absence levels, retention of staff and higher productivity, but how do we get that message across to small to medium-sized enterprises? Given that the vast majority of private sector employers are small businesses that do not necessarily have any trade union representation or a human resource department, how do you engage with SMEs about adopting the fair work framework? Given that employment law is

reserved, how can we implement any change if we have no control over it?

Dave Watson: The STUC and most—though not all—trade unions are in favour of the devolution of employment law. We think that it would help the fair work agenda, and making progress on that is clearly on our post-Brexit shopping list.

There are practical things that we can do, and there are good examples of innovation in Scotland that we can use to persuade employers. We have pointed to the national health service in Scotland, whose partnership approach to industrial relations was found by an academic study to be one of the most advanced in the western world. For example, its partnership information network—or PIN—policies set good standards and are the sort of thing that I was talking about earlier in relation to the workforce framework. How do we get other innovation of that type? Jackson Cullinane has mentioned Unite's construction charter, and we have been trying to do the same with our ethical care charter, which a number of authorities will sign up to this month as a good model.

As for the question of how we get to smaller employers, which is a challenge, for all the reasons that Gordon MacDonald indicated, I think that a good model that has led the way in Scotland is the Scottish living wage accreditation framework. The Scottish Government has put its hand in its pocket and supported us in putting people out into the field to talk to businesses. When they do that, they do not just say, "This is a nice thing to do"; they make the business case for the living wage. When I make the presentation to employers or go with people who are making the presentation, I—bizarrely, for me—paint a nice picture of Boris Johnson, who as Mayor of London, did not abandon the living wage in the city but supported and promoted it. He is certainly not someone whom we might associate with a pro-wage approach; nevertheless, it demonstrates that there is broad, cross-party understanding that there is a business case to be made, and the accreditation staff make that case and explain the issues.

That on its own is not enough; we also have to do some hard stuff. As we see it, there are three stages to that. First, you have to name and shame bad practice. Government does not like doing that, but we are not averse to it; indeed, Sports Direct is the most recent example of that. Frankly, where really bad practice remains despite all attempts to change it, we need to name and shame, shout about these people and highlight that bad practice.

The second stage—the carrot, if you like—is all about using good examples to promote good practice and to show that businesses have not failed by paying good wages or doing other things.

The third stage is for the Government to do the things that I have mentioned to support that activity through procurement, the national framework and so on.

In response to Jackie Baillie's question, I think that the business pledge is part of that process; it shows ambition and willingness. However, the living wage is a better model, because it has accreditation and meat behind it. If you drift, you lose your accreditation; it is tough to get it, because you have to do the things that you need to do. That is the way ahead to getting into the wider economy.

The Convener: I am sure that Boris will be delighted by your commendation of his fair work approach.

12:00

Anna Ritchie Allan: In our experience of advocating more progressive employment practices in relation to gender, we have found that working with SMEs requires a different approach from working with larger employers. In particular, we have found that SME employers are less persuaded of the business case for gender equality. That is concerning because women are more likely to work in smaller workplaces that are less likely to have a separate HR function, which means that their employment practices are poorer.

The research on work to progress gender equality shows that, where employers do not take action, it is mostly because of an undue sense of complacency, in that they perceive that they are already providing equal pay and that they run fair workplaces. The other reason why they do not take action is a lack of priority. We often hear from SME employers that they do not have the time or resources and that they are just trying to get to the end of the day and plan for the next one.

One of the pieces of work that Close the Gap has done is the development of an online self-assessment tool called think business, think equality. It was designed specifically for SMEs and it enables employers to go through a series of short, multiple-choice tests that take about five minutes. It gives them a tailored report based on their answers that provides them with an action plan whereby they can take steps. The research and evaluations of other work that we had done showed us that SMEs do not want somebody from an equalities organisation or some other organisation to come in and tell them what to do.

In agreeing with what Dave Watson said, I add that something else that employers told us in the evaluation of that work is that they would value some sort of accreditation so that they can demonstrate what they have achieved to their staff but also to their competitors. They do not see the

point in going through the process and doing the work if they cannot then show it off to everyone.

Liam Kerr: Following on from that point, the way that we are defining fair work could, arguably, increase overheads and the cost to businesses of doing business. What do our guests think is the impact of that on the global competitiveness of the Scottish economy, for example in the 10-year horizon that Dean Lockhart talked about, and on SME competitiveness?

My second question follows on from Jackie Baillie's question about what our guests want Government to do. I am interested in zero-hours contracts. I note that the Scottish business pledge talks about not using "exploitative zero hours contracts", the Scottish Government talks about

"no unnecessary use of zero hours contracts",

and Jackson Cullinane talked earlier about banning zero-hours contracts. What is actually wanted here? What do people want to be done about zero-hours contracts?

The Convener: I ask Stephen Boyd to comment first as he has been wanting to come in on a couple of points.

Stephen Boyd: I will quickly go back to a couple of previous questions. First, I know that Patricia Findlay has been doing a lot of work on SMEs, so she might want to comment, but I think it is important to stress that although the vast majority of businesses are small businesses, the majority of people are employed in medium-sized or large organisations. It is important to bear that in mind for the purposes of this conversation.

On making the economic case—this brings me on to Liam Kerr's question, as well—we need to understand the limits of what is possible. Sports Direct has been mentioned a couple of times. At no point was Sports Direct going to be convinced by an economic case—it is not interested in that. The UK environment has the second most deregulated product market and the third most deregulated labour market in the developed world, which allows a lot of organisations to make reasonable amounts of money while existing on a low-skill, low-pay, poor-employment equilibrium. We can try to tell them that other organisations do things better, but that is unlikely to convince them.

In taking the next step on to competitiveness, it will not surprise you to hear that we have been doing a lot of work on the oil industry. There is widespread recognition that that industry has to change quickly, and there are different ways in which it can do that. I argue that the operator that has done that most successfully up to now is Nexen, which has engaged comprehensively with the workforce throughout the company. The chief executive regularly goes offshore to speak to

people face to face. The result has been a big productivity dividend and very few job losses—and whatever job losses there have been have been handled very sensitively indeed.

Again, though, is the structure of the oil and gas industry in Scotland such that the lessons that we learn from Nexen can be applied elsewhere? Can we even talk to the people who will be making the decisions? We meet as a group of offshore unions with Oil & Gas UK and the Oil and Gas Authority, and all the senior people whom we meet in the industry agree with us about the direction of change. However, if you are with one of the big American multinationals in which you cannot make a cup of tea without having to phone Houston for a decision, what is the chance that you can learn the lessons about what is happening elsewhere in Scotland and apply them to your industry? It is tremendously difficult.

We could sit all day, presenting a case study on Nexen and a couple of other companies—EnQuest would be one—that are trying to do things differently, but we are not going to reach the people who can drive the behavioural change in the rest of the sector in Scotland. After all, every stratum of the sector has been used to operating in hypercompetition, so it is really difficult for new approaches that seek to engage the workforce and talk about collaboration with other operators to get traction in the whole sector, even though the senior people whom we meet in Scotland absolutely agree about the direction of change.

The lesson is that what we are talking about—fair work, as it is commonly understood—should be a driver of competitiveness. The Scottish Government certainly believes so in its economic strategy. I have a shrewd scepticism of the global surveys of competitiveness that we have—there is an awful lot wrong with them—but they are all that we have to work with. Again, the companies that consistently perform well in western and northern Europe have very high levels of collective bargaining and trade union density. They treat workplace issues much more seriously and they invest in not only the stock of skills but mechanisms to ensure that that stock of skills is productively used in the workplace. They go about things very differently. It is very difficult to argue that fair work is in any way a barrier to international competitiveness.

Patricia Findlay: Picking up on the last couple of questions, I think that we do a great disservice to businesses in Scotland if we suggest that we cannot find examples of good practice. If you have an opportunity, you should listen to John Reid, the managing director of Michelin in Dundee, talking about how it—collectively, with the trade unions, the workforce and the management team—turned round part of that global business that was on its

knees and made it, I think, the second-best performing part of the Michelin group.

We also do a great disservice to SMEs if we suggest that somehow they are atypically represented in unfair employment. SMEs are incredibly heterogeneous, and lots that are owned by individuals or families have decided not to profit maximise. To come back to Jackson Cullinane's point, I do not have a problem with the profit motive itself. However, I have a problem when the profit motive externalises costs to wider society: in other words, when people make a profit that is unduly burdensome on the rest of society. That is a unit of analysis issue.

However, we have lots of good and innovative fair-work employers in Scotland, and we need to look at those examples in a positive way and think about how we can learn practice from them instead of saying, "These people are exemplars", and then holding them up and pillorying them the first time something goes wrong in their business. We should ask, "What did company X do in circumstance Y, when it adopted a practice that made something a bit better?", because that is an important way of trying to learn lessons.

With regard to the work of the fair work convention and my broader academic work in this sphere, I quite often think of businesses as forming a normal distribution. At the top end, there will be businesses that are doing very good things and that for market or other reasons engage in fair work practices and are gaining the benefits of that. At the bottom end—this brings me back to Stephen Boyd's point—there are businesses whose business model is such that we will never persuade them to be any different. In those circumstances, the only lever is a regulatory one. Because we do not have such a lever in Scotland, the fair work convention has not put into the framework whether there should or should not be one. The reality is that there is no such lever, so until such time as there is one—if ever—we cannot discuss the issue.

What do we do with the companies that are in the middle of that distribution? We have taken the view that we need to use a variety of different levers and to build—from a very small base; Jackie Baillie was absolutely right—a coalition of the willing. That involves trying to find people who will advocate, and who will act as role models and ambassadors and talk within their networks to push forward the businesses that are happy to think about how to do things differently and in a way that benefits not only the employers but—to return to Liam Kerr's point—benefits them as businesses.

I have worked with a lot of small businesses in an initiative that I lead called innovating works, which is focused on improving work and

workplaces. How do we make business performance better at the same time as we make job quality better? In the first phase of the initiative I worked with a bundle of SMEs from a wide range of sectors, lots of which wanted to run a business that is fair to their employees and their community. They think that that is what would make them successful, and they take the view that, even if it dented their profits, they would still do it because it is the right thing to do.

We will bring on board some businesses with an ethical or moral argument, and some with an economic argument. We will encourage or discourage businesses using different incentives or levers—for example, conditionality in services from public agencies, the role of procurement and the support or otherwise of Government in a variety of different ways. There are lots of levers. It is problematic to think of the issue as one that can be solved with a single lever.

I absolutely concur, as does the fair work convention, that employees having a voice in workplaces and organisations is crucial. There is no evidence that being a good employer damages competitiveness at the level of a particular business, of a particular sector or of the national economy.

The Convener: Thank you. That would be a good place to stop—or did you want to come back in with a final question, Liam?

Liam Kerr: I just wondered whether I was going to get an answer on zero-hours contracts.

The Convener: I think that Jackson Cullinane wants to comment on that.

Jackson Cullinane: I am glad that Liam Kerr came back in.

I agree with everything that Patricia Findlay said about benefits to business, the wider economy and everything else. To be quite frank, I see the matter in the context of humanity and democracy. If someone is on a zero-hours contract, what does it mean? It means that they do not know when they are going to be working and it means that they cannot plan their life. It means that their income will go up and down, or flow and it means that, if they have economic problems—which invariably come with being on a zero-hours contract—they will not get access to loans because they do not have a regular income. We have even had cases of people being unable to get a mobile phone because they are on a zero-hours contract. It means that people are absolutely, in terms of their own self-esteem, at the beck and call and under the control of other people.

To me, fair work is about people having a say and being treated as human beings who are

contributing. Too many people in this country are in the situation in which, when they go to work, somebody else tells them what to do, when to do it, how to do it and how much they are going to get in return for it. All that we are asking is for people to have a say and a voice. In this day and age, it should not be too much to ask for people to know how many hours they will be asked to work and what the hours will be.

The Convener: What about self-employed people?

Jackson Cullinane: I am glad that you have asked about that, as well. There are people who make a choice to be self-employed, but there are also far too many people in this country who are bogus self-employed. In the construction industry, tens of thousands of people are employed through employment agencies or umbrella companies that are ripping off their national insurance every day and, more important, taking them absolutely outwith the realms of any kind of employment law protection. One of the reasons why we have a blacklisting problem in this country is that people in the construction industry are being employed under bogus self-employed contracts. When they take the employer to court—when things have happened and they have been unfairly dismissed and blacklisted—they cannot win their case because, under employment law, they are not deemed to be an employee. There is a major gap there that needs to be blocked.

The Convener: We could continue to discuss a number of the issues in some detail, but I will close at that point. I thank all our guests.

12:14

Meeting continued in private until 13:00.

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