



The Scottish Parliament  
Pàrlamaid na h-Alba

## Official Report

# ECONOMY, ENERGY AND TOURISM COMMITTEE

Wednesday 23 January 2013



---

**Wednesday 23 January 2013**

**CONTENTS**

	<b>Col.</b>
<b>DECISION ON TAKING BUSINESS IN PRIVATE .....</b>	<b>2365</b>
<b>UNDEREMPLOYMENT INQUIRY.....</b>	<b>2366</b>

---

**ECONOMY, ENERGY AND TOURISM COMMITTEE**

**3<sup>rd</sup> Meeting 2013, Session 4**

**CONVENER**

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

**DEPUTY CONVENER**

\*Dennis Robertson (Aberdeenshire West) (SNP)

**COMMITTEE MEMBERS**

\*Marco Biagi (Edinburgh Central) (SNP)

\*Chic Brodie (South Scotland) (SNP)

\*Rhoda Grant (Highlands and Islands) (Lab)

\*Alison Johnstone (Lothian) (Green)

\*Mike MacKenzie (Highlands and Islands) (SNP)

\*Margaret McDougall (West Scotland) (Lab)

\*David Torrance (Kirkcaldy) (SNP)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Des Loughney (Edinburgh Trade Union Council)

Dr Jim McCormick (Joseph Rowntree Foundation)

Robin Parker (National Union of Students Scotland)

Norma Philpott (Citizens Advice and Rights Fife)

Dave Surtees (Association of Graduate Careers Advisory Services)

Emily Thomson (Glasgow Caledonian University)

Lauren Wood (Citizens Advice Scotland)

**CLERK TO THE COMMITTEE**

Jane Williams

**LOCATION**

Committee Room 4



## Scottish Parliament

### Economy, Energy and Tourism Committee

*Wednesday 23 January 2013*

[The Convener *opened the meeting at 10:00*]

### Decision on Taking Business in Private

**The Convener (Murdo Fraser):** Welcome to the third meeting in 2013 of the Economy, Energy and Tourism Committee. I remind everyone to turn off their mobile phones and other electronic devices that might interfere with the equipment.

Under agenda item 1, I ask members whether they are content to take items 3, 4 and 5 in private.

**Members** *indicated agreement.*

## Underemployment Inquiry

10:01

**The Convener:** Item 2 is a continuation of our inquiry into underemployment in Scotland. We have with us seven witnesses to talk to us in a round-table format. I suggest that we start by introducing ourselves.

I am an MSP for Mid Scotland and Fife and the convener of the committee.

**Dennis Robertson (Aberdeenshire West) (SNP):** I am the MSP for Aberdeenshire West. I am the deputy convener of the committee.

**Des Loughney (Edinburgh Trade Union Council):** I am the secretary of Edinburgh Trade Union Council

**Mike MacKenzie (Highlands and Islands) (SNP):** I am an MSP for the Highlands and Islands region.

**Chic Brodie (South Scotland) (SNP):** I am an MSP for the South Scotland region.

**Dave Surtees (Association of Graduate Careers Advisory Services):** I represent the Association of Graduate Careers Advisory Services.

**Rhoda Grant (Highlands and Islands) (Lab):** I am an MSP for the Highlands and Islands region.

**Robin Parker (National Union of Students Scotland):** I am the president of the National Union of Students Scotland.

**Margaret McDougall (West Scotland) (Lab):** I am an MSP for the West Scotland region.

**Norma Philpott (Citizens Advice and Rights Fife):** I am the manager of Citizens Advice and Rights Fife.

**Lauren Wood (Citizens Advice Scotland):** I am a policy officer at Citizens Advice Scotland.

**David Torrance (Kirkcaldy) (SNP):** I am the MSP for the Kirkcaldy constituency.

**Dr Jim McCormick (Joseph Rowntree Foundation):** I am the Scotland adviser to the Joseph Rowntree Foundation.

**Marco Biagi (Edinburgh Central) (SNP):** I am the MSP for Edinburgh Central.

**Emily Thomson (Glasgow Caledonian University):** I am the co-director of the women in Scotland's economy research centre at Glasgow Caledonian University.

**Alison Johnstone (Lothian) (Green):** I am an MSP for the Lothian region.

**The Convener:** Also at the table are the official reporters, who are writing down what is being said, and our team of clerks.

I do not know whether our witnesses have been following the inquiry thus far, but we have been interested in a number of strands. This morning, we want to concentrate on three areas that we have not touched on in much detail so far. The first concerns the impact of underemployment on people's earnings, benefits, general wellbeing and household incomes; the second concerns the impact on women and young people, as there seems to be a suggestion that those sections of the community are more affected by underemployment than others; and the third concerns the issue of graduate underemployment.

We will allow quite a free-flowing discussion. If you want to contribute, catch my eye and I will bring you in as quickly as I can. That will allow the official reporters to properly note who is contributing and what is being said.

I will start off with a general question on the impact on families' earnings and benefits, and I will direct it initially to Norma Philpott and Lauren Wood. Can you give us any examples or case studies of families who are affected by underemployment and what that means for them?

**Lauren Wood:** Nationally, we have lots of examples of families who have been affected by cuts to in-work benefits, such as working tax credit and child tax credit. When those changes hit in April, it highlighted the way that people across the country struggle to make ends meet using the hours that they work, and also how they struggle to increase their hours to any extent.

Norma had some quite good figures for one family.

**Norma Philpott:** I will try to summarise the story and keep it as brief as possible.

Clients were referred to Money Advice Scotland because welfare reform changes ended their entitlement to working tax credits—we have had quite a lot of cases like that. The clients are married, with two pre-school children. They were known to Money Advice, as they had engaged with the service previously and we had helped them to address their issues at that time. They were in a rural location and had limited access to childcare. The lady in the household found it extremely difficult to secure employment that fitted around the family commitments. The man of the household works in the hospitality industry and, due to the current economic climate, his hours have been reduced from full time to 16 hours a week. The Welfare Reform Act 2012 included changes to tax credits that came in last April, so that couples must work 24 hours a week between them in order to qualify for such credits. Those

changes mean that the clients are losing £223 a week in wages and tax credits.

The money adviser conducted what we call a benefit check based on their new circumstances and assisted them to apply for local housing allowance to assist with their private rental charge—quite a number of people in Fife live in private rented accommodation—and helped them to gain council tax benefit. Working with the clients and discussing their expectations of gaining further employment, the money adviser was able to advise that if one of them was able to work at least another eight hours a week, they would be able to apply for working tax credits again. Over the following two weeks, the clients attempted to source new employment—additional employment as well as new employment for the woman in the household—with the assistance of the staff member.

The woman approached Money Advice for further assistance as she was considering becoming a self-employed salesperson and she wanted to see whether it would be feasible for her to move into work. Her income would be based solely on commissions, and she was therefore worried about how they would pay their rent and bills if she did not earn enough money. The money adviser explained how the self-employment would affect their benefit income and provided the client with what we call a better-off calculation to ascertain whether that type of work would be financially viable for the family—we do that sort of thing on a daily basis.

The woman has now started her self-employment and she works two hours a day on weekdays. That allows the man to continue to work his 16 hours a week in hospitality, and he is available to care for the children while his wife works. The family are again able to claim working tax credits to increase their income as, between them, they are working more than 24 hours a week. Due to the low earned income, they also continue to qualify for part assistance with their rent and council tax. The man of the household continues to seek alternative full-time employment or secondary employment in an effort to support his family financially. The woman says that she is enjoying her self-employment role and plans to enter into employment.

That is typical of the cases that come through our door.

**Lauren Wood:** That is a typical picture, nationally. You can see from that example the to and fro of people trying to increase their hours.

One of the reports in our "Voices from the frontline" series was on the changes to working tax credit and child tax credit. It contains some good examples of people who are desperately trying to

increase their hours from 16 to 24 and are struggling. The publication referred to a parliamentary question in May 2011, which suggested that only 5 per cent of the families affected were likely to be able to gain hours. That struggle is replicated in the cases coming to Citizens Advice Scotland.

Difficulties concerning in-work benefits for self-employment, particularly the working tax credit, can be increased by the need to declare variations in income. One week a person can have good earnings from their self-employment; the next week, they can have minimal earnings. However, because the working tax credit does not take into account the weeks when a person earns good money and the weeks when they earn bad money, it can be a case of hunger or bust for many self-employed clients.

People come in and say, "This week I have nothing; I don't have my working tax credits because I earned too much last week." Or they say that they did not work enough last month. It is a difficult situation whether people are underemployed because of their hours, or self-employed. They can both present quite difficult situations.

**The Convener:** A couple of people have indicated that they want to come in. Before I bring them in, I will ask another question, although it is perhaps one that you cannot answer. Would the family in the example that you gave be better off not working at all, in terms of benefits?

**Norma Philpott:** In theory, they might well be. The problem that many people face is making a decision about whether or not they go into employment. There are other examples relating to transport and whether people can afford to travel to work, especially in the rural areas of Fife. I have heard about a couple of examples in which people have had to give up their car. Consequently, they have got a bike—they are doing all the sensible things that people should be doing—but the reality is that people are limited to how many miles they can cycle. There are also issues around the public transport system, and Lauren Wood has other examples about that. Sometimes it is borderline whether or not people are better off in work.

**Lauren Wood:** If people are constantly having barriers put in place and—on paper—they would have about the same income on jobseekers allowance as they would in their 16-hour-a-week job without any kind of support by way of in-work benefits, that is a real disincentive to work.

We have heard of people who believed that they would be better off on jobseekers allowance. Now, however, the sanctions that are imposed on people for leaving employment pose a big problem when it comes to that chain of thought. There are

also sanctions that can be imposed on people seeking employment if they have come from a situation in which they have had to be supported with in-work benefits.

One particular worry that we have just now is the new universal jobmatch system. When people are seeking work, that is the route that they will be actively encouraged to use, and it will become compulsory at some point down the line, as far as we understand. We have looked into that over the past week or so. I went onto that website and I narrowed the search to jobs in Edinburgh, and then narrowed it down further to full-time jobs. On the first eight pages of results, when I looked last week, there were seven jobs that had "part-time" in the title—even on a full-time narrowed search. If people are matched with those jobs and do not apply for them, they will be sanctioned. We have a lot of concerns about people who will be forced, by the mechanisms that are supposed to find appropriate work for them, into situations in which they rely on working tax credit and child tax credit to support themselves. That is one of our rising concerns.

10:15

**Des Loughney:** I can give relevant evidence from two casework directions.

I am the Unite official responsible for the not-for-profit sector in Edinburgh. I cover about 1,500 members. Cuts in local authority funding over the past couple of years are leading to underemployment. People are having their hours reduced from full-time to part-time. In addition to that, contractual sick pay and pensions are being cut. Most of my members have also had their wages frozen for the past three years and the City of Edinburgh Council has basically told employees that their wages will be frozen until 2015. That combination means that low-paid workers who get about £13,000 or £14,000 will have had their hourly rate frozen for about eight years by the time it comes to 2015, and their hours are being cut.

The other aspect of underemployment for my members is the voluntary sector's increasing use of zero-hours contracts. Such contracts mean that the workers have no guaranteed working week and do not know what their earnings will be from week to week.

In addition, the employers are treating those workers not as employees but as workers—not self-employed as such, but workers. I read some statistics in the reports that have come before the committee and noticed that they all talked about employees. However, it is important to realise that underemployment applies to the self-employed and the other legal category—workers.

I am also involved in a project called support at work, which is funded by the City of Edinburgh Council and Lothian NHS Board. It gives advice to vulnerable people in Edinburgh. Last Saturday, I did some training for young Spanish workers. There are 15,000 young Spanish workers in Edinburgh. All of them have come here to get jobs because of the situation in Spain. Some of the people on the training were graduates, some were postgraduates and some did not have that level of skills. However, the common theme was that they were all agency workers and were all getting round about the national minimum wage.

Agency working is not mentioned in the terms of reference for the committee's inquiry, but it is important to study the way that it runs through underemployment. For us, underemployment always means people not getting the money that they need to be independent, or for a family in Scotland to have what is considered a reasonable standard of living in this day and age.

**Emily Thomson:** The useful example that Citizens Advice Scotland outlined underlines a few of the points that WISE would like to make about the gendered nature of underemployment, particularly the increase in underemployment since the start of the great recession. That relates to the increase in not only voluntary part-time work, but self-employment.

Evidence from the Chartered Institute of Personnel Development shows that 60 per cent of the increase in self-employment since the start of the recession has been among women, but the vast majority—about 89 per cent—is among people who are working less than 30 hours a week. It is less an indication of increased demand in the economy and more about survival strategies for people who cannot find work.

Colleagues from Citizens Advice Scotland referred to the idea that women voluntarily work part-time in order to balance childcare issues. Women's part-time employment is often seen as a supply-side issue, but it is important to realise that women's choices are made under constraint. Childcare is one of those constraints and, sometimes, so is travel, as colleagues from Citizens Advice Scotland mentioned. The example that Citizens Advice Scotland gave underlines some of the main points about the gendered impact of the increase in underemployment, particularly in part-time and self-employed work.

**Rhoda Grant:** I am looking for a wee bit of clarification about the sanctions if someone leaves employment. I imagine that, if people have to work 24 hours to qualify for working tax credit, anything under that is regarded as not working. Therefore, if someone was working 16 hours and left their job, would they still face sanctions?

**Norma Philpott:** Sorry, could you say that last bit again?

**Rhoda Grant:** I am considering the situation in which working tax credit is available to someone who works a total of 24 hours, which seems to indicate that the state views working less than 24 hours as not really working. If someone who had working tax credit then worked less than 24 hours and had their working tax credit cut, and that meant that they left employment because they could not afford to work and would be better off being unemployed, would they still face sanctions for leaving employment in those circumstances?

**Norma Philpott:** I think so. However, the view is often taken that if someone works more than 16 hours they are in some form of full-time work. There is a debate about the 16 to 24 number of hours and how people position themselves within that.

I have an example that perhaps explains the situation. A client who was unemployed and in receipt of jobseekers allowance applied for a vacancy with a major employer in his area and he was taken on for a 20-hour post, which is obviously between the 16 and 24 hours total. In a sense, he was left in a nightmare situation in that he could still be sanctioned if he left that job.

**Lauren Wood:** Our national office was sent a similar case—when bureaux across Scotland see cases that they feel exemplify particular issues, they can send an outline of the case details to our team. In one case, a client had been sanctioned for leaving a job in which she had a four-hour contract. We see more and more very, very small job contracts in which people are taken on with the promise that they will get more hours. The client concerned wanted to leave her contract job, in which she was getting only four hours, to seek a job in which she could get more hours and qualify for working tax credit. However, she was sanctioned for leaving that four-hour job. The bureau appealed the sanction for her, saying that the woman could not realistically sustain herself on the four-hour contract.

People can be sanctioned for leaving any job. In many cases, the sanctions seem automatic and arbitrary, because they do not seem to consider people's circumstances.

**Rhoda Grant:** We have heard some evidence that people remain underemployed because that is better than being unemployed. We have also had evidence that the poverty and other effects of being underemployed are equivalent to those of being unemployed. You seem to be saying that people are not making choices in that regard of their own free will but that they are being forced into something.



**Lauren Wood:** The worse sanctions get, the more people are trapped. If someone works for four hours a week and gets no more hours, they are not getting any in-work benefits or any real help. However, if they approach the jobcentre and explain the situation, they will be told that they will be sanctioned if they leave their job, which would mean that they would get no money at all. That leaves people in a terrible place. They know that leaving the job is potentially the best thing to do but, if they do that, they will have no money for four or six weeks. I am not sure what the minimum sanction is or what the sanction would be, but four or six weeks is a significant period of time to be without any money at all. That is a challenge that faces a lot of people.

**Rhoda Grant:** That is quite frightening. Have you done any research on the impact of that on people? We have a lot of research on the impact of unemployment and how it affects health, education and so on. Have you done any research on the impact of the situation that you described?

**Lauren Wood:** We have not. Underemployment in itself is not something that we have measured, but we are looking to measure and do some work on it in the next year. We are looking into changing our advice codes so that underemployment can be measured more. Just now, we have key indicators that we can use to judge underemployment. For example, we have indicators such as employment queries and working tax credit and child tax credit queries. However, none of those alone indicates underemployment as a single issue.

We also have case studies, which are invaluable as they enable us to assess the real-life situations behind the statistics—statistics can mean a variety of things depending on the cases behind them. The case studies highlight working tax credits and child tax credits as real issues. There are also cases that involve four-hour contracts and sanctions. Reading those, we cannot help but shake our heads in disbelief.

**The Convener:** I bring in Jim McCormick, who caught my eye. I have a list of members who want to ask questions, but he can come in first.

**Dr McCormick:** We know that, under the coming welfare reforms and universal credit, there will be not just an extension of sanctions but an extension of discretion at the front line as to how those are applied. That could be an opportunity. There are different Jobcentre Plus regimes across the United Kingdom and there is evidence on how those distinctive regimes have operated, at least during the period of growth up to the recession. We might want to look at how the sanctions regime is managed in different labour markets in Scotland, even though there are no formal powers in legislation.

What we know about sanctions internationally is that, when the jobs market is growing, sanctions can be effective in moving people into work, but we tend to see that people make only short-distance movements into work. They tend to move into, if you will, the murky end of the jobs market. There is a lot of churn and they bump up and down a bit, and then they quickly move back out of the jobs market. Sanctions are not effective in the long term in terms of sustainable work and moving up the jobs ladder.

One other point to make is about the dynamic churn at the bottom of the jobs market. Some people are underemployed in permanent positions; they are underemployed but in relatively secure work. Others are in temporary work; as Des Loughney said, it might be casual, seasonal or agency work. We know quite a lot about temporary work in Scotland. We know that it is associated with not just low pay but, critically for the committee, little access to on-the-job training. If we are about people breaking that cycle of being in and out of low-paid, casual underemployment, we need to talk about targeted investment through our training budgets and how we can ensure that, even if employers are not engaged in investment in training, our public investment in training is sticking to those individuals.

We probably need to look at how we can better target not just underemployed individuals, but households in which underemployment is a factor, because those people are most at risk of their prospects being damaged.

**The Convener:** I ask the other witnesses to hold on for a second. I will bring in some members as I have quite a long list of people who want to contribute. I will then come back to the witnesses for some further discussion.

**Dennis Robertson:** In his introduction, the convener mentioned the impact on wellbeing as one of the aspects that we want to discuss. Do you have any evidence on the impact on families' wellbeing of sanctions, welfare reform, underemployment, austerity and all the other factors that we seem to have at present?

**Lauren Wood:** At present, the general theme of the cases that come in to us is despair. People are saying, "I want to work, but I can't. The hours—"

**Dennis Robertson:** If we align it to mental health, although people are saying, "I'd love to work" or whatever, are they going to the doctor more often? Are we finding that more people are requiring assistance from general practitioners?

**Lauren Wood:** I do not think that we can make that link at present, but it would be interesting to do some work in that area to find out. A lot of work has been done on unemployment, but it would be

interesting to look at underemployment in that regard.

**The Convener:** I think that Emily Thomson wants to come in on that point.

**Emily Thomson:** I just want to mention that the Trades Union Congress report "Underemployment crisis" indicates that the health effects of underemployment equate to those of unemployment. It is just as bad to have a bad job as it is to have no job. I am referencing the TUC, so that evidence refers to the UK.

10:30

**Mike MacKenzie:** I am beginning to think that we need a 21st century Charles Dickens to bring these kinds of stories to a wider audience.

I am keen to explore a couple of areas, the first of which is the business of sanctions. My impression might well be incorrect, but there seems to be a measure of variability or a bit of a postcode lottery in all this. In other words, sanctions might or might not be applied, depending on what the regime is in Fife, Argyll or wherever. Is that correct?

**Lauren Wood:** In some cases, it can come down to the person you see in a jobcentre on the day. Coming back to a previous point, I think that there is an element of discretion, but the extent to which it is utilised could be much improved.

A recent example—it is not really about underemployment as such, but it is a very good demonstration of the situation with sanctions and discretion—concerns a client on jobseekers allowance who lived in a very small village in the Borders. He was forced to apply for a job 15 miles from his house and knew before he went for the interview that there was no bus to take him to the job or to take him home; indeed, there was only one bus a day into and out of his small village. He went for the interview and was offered the job but had to turn it down because he could not do the 30-mile round-trip. He did not have a car, so he would have had to walk or cycle the 30 miles every day in order to get to the job on time. However, because he turned it down, he was sanctioned. In that kind of situation, particularly in rural areas where, as Norma Philpott will agree, transport to work is a very difficult issue, there should be an element of discretion instead of an automatic sanction.

**Norma Philpott:** I want to cite an example that might also address Dennis Robertson's point. A development worker contacted Money Advice Scotland to say that she was currently with a client who was in urgent need of advice and assistance. The client, who was a part-time student, lived with her husband who worked 24 hours per week. They

had three children and she had a number of health issues. She was very distressed as she had not eaten for several days and had to attend a hospital appointment. She also advised that she had only a few tins of beans left so the children could eat but neither she nor her husband would.

Money Advice immediately sourced a food parcel for the family, Adam Smith College provided a meal, and we were able to secure a discretionary fund payment for petrol to get her to hospital. When the money adviser took the food parcel round to the house, it became clear that the real cause of the problems was financial difficulty. For a start, the clients were underoccupying their private rented property but still had to pay the rent on it. The husband also had to travel in excess of 60 miles a day to get to work and as the costs of the car and the petrol he needed to attend work were more than he earned, the only income available to the household came from child benefit and tax credits. Although they have no further benefits entitlement, the money adviser has applied for charitable assistance and the people concerned are trying to secure full-time employment. They, too, have fallen through the gap. There are health issues in the household and, if they give up work, the sanctions sting will come in.

**Lauren Wood:** I would love to say that I have not heard about such cases, but every day we see very similar cases of people just not having enough money. The sanctions are getting longer; the minimum sanction has been increased and people can now be sanctioned for six months, during which time they have no money coming in. Sanctions are a real problem that will only get worse with welfare reform.

I hope that people in jobcentres use their discretion. We have heard colloquial reports from advisers that jobcentres have to meet certain targets; indeed, because of the targets that appear to have been imposed on jobcentres, people who turn up in the morning might get a different decision on sanctions than those who turn up in the afternoon.

**The Convener:** I point out for members' benefit that we will be able to pursue some of these issues with Jobcentre Plus when it gives evidence.

**Mike MacKenzie:** I am very glad that you have highlighted those cases, which I have to say make me very uncomfortable. I do not think that any of us wants to live in a country that treats people in the way that you have described.

You talked about underemployed self-employed people and their difficulties in accessing working tax credits and so on because of the variability of their earnings. Am I correct in thinking that their earnings—or, if you like, the sale receipts,

because, after all, they are businesses, even if they are microbusinesses—are treated as profit? Any business, no matter how small, has operating expenses and a cash-flow requirement. Is there any mechanism that acknowledges those kinds of business expenses?

**Norma Philpott:** I have to confess that I am probably not best placed to answer that question.

**Lauren Wood:** We could follow that up later for you.

**Mike MacKenzie:** I would be interested to find out about that, particularly given that one aspect of this phenomenon is the increasing amount of—almost involuntary—self-employment.

**Lauren Wood:** The big problem as far as self-employment is concerned is that people do not necessarily get support from working tax credits when they really need the money. As I have said before, it is a case of hunger or bust.

There is a new sanction—it is not technically a sanction, but for want of a better word I will call it that—of a £50 charge for making mistakes in declarations to the DWP. If you make a genuine mistake in declaring your income on a form, you will be fined £50. That makes things particularly difficult for people who have to make regular declarations. If even the slightest thing is out of place, what will be a huge chunk of money to someone on a very low income to start with can be suddenly taken away.

**Mike MacKenzie:** I wonder how my colleagues would feel if they got penalised £50 for making minor errors or mistakes on their expenses claims.

**The Convener:** We get put on the front page of the newspapers, Mike, but that is probably not quite as bad as a £50 sanction.

A couple of members want to ask questions. However, I am also conscious of the fact that Dave Surtees and Robin Parker have been sitting very patiently and that we have not yet touched on youth and graduate unemployment, which we have to come on to.

**Alison Johnstone:** A couple of themes are developing from this morning's evidence and the evidence from previous witnesses. Last week, the Scottish Trades Union Congress highlighted the correlation between falling unemployment and women choosing—as has been said, it is very much a conditional choice—to become economically inactive because of childcare responsibilities, among other things. Interestingly, a report this morning has said that we are the second most expensive country in Europe for childcare. Why is that the case? After all, those who deliver childcare are among our most low-paid workers, which is not really, given the importance of their work, a fantastic situation. I

think that the issue is worth exploring, so I would appreciate your comments on it.

Last week, the Scottish Council for Development and Industry and the STUC expressed different views on whether underemployment is better than unemployment, which is one of the themes that we have been exploring. The Joseph Rowntree Foundation submission states:

“we can't afford to stick with the mantra that any job is better than none, or that work is always the best route out of poverty.”

I would like to hear from Jim McCormick on that, because we have received a lot of different evidence on the issue.

My final point is about sanctions. Yesterday, I met representatives of various children's organisations, who raised the issue that some more vulnerable and less articulate young people have real problems when they go to the jobcentre. There is a feeling that the outcome absolutely depends on the member of staff that they get, and that many young people prefer underemployment to going to a jobcentre appointment—they find it so daunting that they would do anything to avoid it. I would like more information on the length of sanctions. It seems that people can be cut out of the benefits system for months on end, which does not make a lot of sense if we are actually trying to save society money in the long run. Those people need access to various services, such as homelessness services.

I would like to hear a bit more on the childcare issue, perhaps from Emily Thomson, and on those other issues.

**Emily Thomson:** I am happy to speak about childcare. Childcare workers are desperately undervalued; that is true in most developed economies. I am not entirely sure how that translates into our having such expensive rates of childcare, although I am pretty sure that it is something to do with the market. Therefore, subsidies must be considered for childcare. For example, extending free childcare to two-year-olds would have an impact. Some people would argue that childcare workers are undervalued because it is “women's work” and the skills are not recognised by the market in any systematic way. I agree 100 per cent that extending childcare subsidies would have an impact and would be good for women's employment, which would in turn be good for the economy.

We have seen a rise in women's economic inactivity since the start of the recession but, for Scotland, we do not really know where women are going and whether they are, as Alison Johnstone suggests, going back to the home to look after their children or elderly parents. We need more

data and evidence in the Scottish context to flesh that out. The benefits system must be having an impact in encouraging women back into economic inactivity.

We also need data on unpaid work; we need to know who is doing what in the household. Organisation for Economic Co-operation and Development data for the UK suggest that there is a 17-hours-per-week gap between men and women on housework. You can guess in which direction that goes: women do the lion's share. We need more robust Scottish data so that we can see in a better light the interaction between paid and unpaid work.

**Dr McCormick:** There is a distinct choice in our approach to childcare. One reason why childcare is not only expensive, but patchy in its quality and therefore in its impact on children, is that our marketplace has so few price controls. Therefore, as we have ramped up our supply-side subsidies to parents over the past decade, we have been propping up an expensive, fragmented and averagely good childcare market. At present, England is choosing to go further down that route, along with countries including the Netherlands.

However, there is a choice. The Danish approach relies much more on subsidies to providers in all the sectors. Those subsidies are much more about holding down price and ensuring investment in workforce development, so that the sector does not end up with a largely low-paid and low-skilled workforce. On average, Danish childcare workers are paid twice as much and are twice as skilled as those in the UK. There is a real choice to be made between demand-side and supply-side subsidies.

10:45

On whether work is the best route out of poverty, everyone would agree that it ought to be. If you work, you should not be poor, but we know that that is not always the case, which is why we have said that it is a half-truth. Work is a route out of poverty roughly half the time, but half the time it is not, given what we know about people working fewer hours, getting low pay and having a lower level of skills.

If we are to create a vision of how to get ourselves out of the present situation, we need to realise that the best-performing labour markets across the world have active labour-market policies that are not cheap. It costs money to do such work well, but it is more likely to lead to better outcomes that are sustainable—in other words, it is a case of investing to save in the long term. High-quality job matching—understanding the skills that people have and what they need for the future labour market—is at the heart of that.

We must involve employers in our welfare to work programmes much more than we have done in the past 15 years. There is a lot of evidence internationally about what we could do, but it involves making different choices.

**The Convener:** Robin Parker has been very patient so far.

**Robin Parker:** I want to jump in on some of the gender issues that others have talked about. They have spoken more knowledgeably than I can about what might be solutions, but I highlight the fact that gender issues have an impact on underemployment, in the sense that they result in people not reaching the level of job that they might want to reach, which is a form of skills underemployment.

In our submission, NUS Scotland mentions the gender divisions that exist in how far people can get in managerial occupations, and the gender segregation that exists in specific areas of employment. We think that a contributing factor is the cost of childcare; other factors have been mentioned.

We also think that progress has been made in improving financial support for childcare for students in full-time and part-time education, but given the increasing cost of childcare, financial support for childcare for students is probably an issue that, collectively, we will have to return to and look at again.

**Dave Surtees:** We are in the middle of a survey of our former students six months after last year's graduation. An increasing number of them are saying to us that they are staying in the part-time jobs that they had when they were students, even though they are actively seeking more appropriate employment. That has a knock-on effect for the topics that we have been discussing so far: overqualified people are in the jobs that people who are underemployed or unemployed should be filling.

**Lauren Wood:** I go back to the point that was made about homelessness and so on in the context of sanctions. The lengthening of sanctions definitely creates an increased risk of homelessness. I will include information on the duration of sanctions and what they are put in place for in the evidence that I will submit to the committee after the meeting.

Sanctions on jobseekers allowance are certainly having a massive knock-on effect on other support. In general, such sanctions are closely linked to council tax benefit and housing benefit, which means that a sanction that is imposed on someone's jobseekers allowance will lead to their defaulting on housing payments such as their rent. It might have an impact on discretionary rent payments, depending on the local authority, and it

will have an impact on council tax benefit. The longer the sanctions last, the more people might be pushed into what can feel to them like a perpetual state of poverty. If someone does not have the money to eat, they certainly do not have the money to pay their rent or to pay council tax.

Over the next year, some of our biggest worries are about food poverty and fuel poverty. You would not expect to see food poverty in any nation that is not in the third world, but we are seeing more and more demand for charitable provision such as food parcels.

I am sure that we will pick up on graduate and youth unemployment and underemployment later, but Citizens Advice Scotland is keen to see graduates being treated as a group in the labour market so that when it comes to jobcentres streaming people into jobs, graduates are not being treated just according to their age. Typically, they are treated as part of the 16 to 24-year-olds age group or the 25-plus age group. Our feeling is that without any consideration of their status as graduates, there is no ability to consider their displacing effect in the labour market. We do not know whether somebody going for a job is displacing somebody else or whether the job fits their skill set.

Possibly some work has been done on the effect of students who do not approach the benefits system. There has been a huge increase in the number of young people who move home after university because they cannot afford to stay in a university city. I do not know whether any work has been done that looks at those students, who just try to do it themselves but who are then just supported by their parents. It might be quite interesting to find out about the students who just do not approach the jobcentre. Some work could definitely be done to uncover what I think was termed the invisible effects of underemployment—to look at graduates and how they are displaced in terms of their own skills and also how they displace others from the job market.

**Chic Brodie:** Good morning, ladies and gentlemen. On training of low-skilled workers, the whole thing makes me not sad, but angry. How easy is it to access the work programmes, training opportunities and so on that exist for low-skilled workers? Do you believe that the funding that the Government provides is getting to the front line?

**Lauren Wood:** There have been very good results with the community jobs Scotland scheme; about 40 per cent of people who have gone through it have gone on to full-time employment. It seems that it is particularly successful in that it creates jobs locally; it is not just money for the central belt, but can create jobs anywhere, which is really good.

Perhaps a problem with some schemes is that people feel as though they are forced into them, particularly—

**Chic Brodie:** Forced by whom?

**Lauren Wood:** They are forced by the jobcentre. “If you don’t go to this meeting, you’ll be sanctioned. If you don’t apply for these jobs, you’ll be sanctioned. If you don’t accept this job, you’ll be sanctioned.” It is difficult for any of us to appreciate how upsetting and traumatic it can be for people who have very little money to have the threat of sanction hanging over them constantly. It gets to the point where if the jobcentre says “Jump”, they ask “How high?” That was a phrase that I heard—

**Chic Brodie:** I am sorry to interrupt, but that is quite an important point and it leads me to ask how empathic is Jobcentre Plus to what we are trying to do here in Scotland? Has it integrated that aspect?

**Norma Philpott:** I think that Jobcentre Plus is in a difficult position because it probably has to put over two distinct messages. It has to put over the official message, which is about encouraging people into jobs, and it is particularly bound and driven by targets and so forth in that regard. On the other hand, Jobcentre Plus staff are trying desperately to find ways to encourage people back into work and are trying to work with partners in their areas.

**Chic Brodie:** Does Jobcentre Plus have overriding targets that are set elsewhere?

**Norma Philpott:** Yes—

**Chic Brodie:** They are not set in the Scottish market.

**Norma Philpott:** No. Jobcentre Plus has to work with what it is given and there are constraints on what it can do. Sometimes there is an element of choice about the constraints under which it operates. I have spoken to colleagues across Scotland, and I can say that in the context of welfare reform and various other new arrangements, there is certainly not a uniform and consistent approach.

**Chic Brodie:** I agree.

**Norma Philpott:** That is clear, because sometimes jobcentres, the DWP and so on willingly engage in efforts to help, whereas at other times they cannot do so, for whatever reason.

**Chic Brodie:** There is a solution to that, but that is—

**The Convener:** Hold on a minute. Robin Parker wants to come in.

**Robin Parker:** I was keen to respond to Chic Brodie's question about retraining, upskilling and so on. I think that the committee has heard about the issue from the perspective of employees and employers. We are keen, for two reasons, that employees be given more opportunities to come back into education and improve their skills: first, because it gives people the opportunity to get into more secure and better-paid work and, secondly, because there is a knock-on effect if people who are already in secure and better-paid work choose to work part-time or return to education, in that opportunities are freed up for people to come in at the bottom of the career ladder, whether they are graduates or people who are currently unemployed. Any work that can be done to encourage employers to give employees opportunities to enter education must be welcome.

Colleges have a hugely important role to play in that regard, because they are closely linked with businesses and their local communities. NUS Scotland broadly supports the reforms of college governance. We think that the direction of travel on reform of the system and structure is okay. However, we have many concerns about the financial situation and the significant cuts that are proposed for the college sector. We would like the financial situation for colleges to be secured in the current budget.

The Government is committed to protecting the number of places in colleges, but given the economic situation and the need for people to have opportunities to upskill, consideration should be given to increasing the number of college places.

The Government is focusing on young people. That priority is important if we are to tackle youth unemployment. However, the discussion that we have had today has highlighted the need not to lose sight of the importance of enabling mature students to go to college, particularly part time. We must ensure that that is supported through maintenance and financing of places and—this is important—provision of bursaries and living-costs support that enable people to take up places.

**The Convener:** I am conscious that we have gone a long way down a different road.

11:00

**Chic Brodie:** I want to challenge Robin Parker, although I agree that training must become a major job sector. However, I will come back to that later—the paper is excellent, but there are some questions to be asked.

We have spoken about Jobcentre Plus, and as I said there is a solution. However, it requires funding, given the cash flow of small businesses and start-ups. How are people managing to

become self-employed? Secondly, on a domestic front, given the rather sad stories that we have just heard—I am sure that, as has been said, they just skim the surface—have you seen a huge growth in payday loans and third-line credit?

**Lauren Wood:** Payday loans are a massive issue. It is one of the rare issues that cross boundaries and affect people to the same extent in inner-city Glasgow and Shetland. It is a huge issue because payday loans are so accessible and so easy to get. The figures are only preliminary, but, over the past year, the type of debt that we come across has shifted. It has changed from being store credit or credit card debt to payday loan debt. That affects the depth of debt that people have, as payday loans generate so much interest. Many people have turned to payday loans to make ends meet but they have become stuck in a cycle where they do not have enough money both to pay off the payday loan and make ends meet, so they perhaps take another payday loan. Some people come in with 12 payday loans. A few months ago, a college student came in with about £5,000 of debt. That did not seem like too much debt, but he did not have a job, and he had been allowed to take out around 10 payday loans to reach that level of debt. We are worried about people turning to payday loans because they are easy to get—the adverts say that the money will be in someone's account after 10 minutes or whatever. It is a really big issue for us, and we are worried about the links to poverty.

**The Convener:** I have a whole list of people who wish to contribute. Des Loughney caught my eye a few minutes ago.

**Des Loughney:** Trade unions in general do not see underemployment as static; we see it sharply increasing over the next couple of years, and the committee should have regard to that. The sharp increase in underemployment is not due to problems with training or childcare, although those are important issues; it is due to austerity policies. Trade union members who work for housing associations have worked out that the changes in housing benefit will take about £230 million out of housing associations in Scotland. That translates into fewer jobs and more underemployment. Every week we read about bankruptcies on the high street and firms going into administration. We believe that that is a result of cuts in the amount of money that working-class families have to spend. The situation is going to get worse. All the economic pundits talk about a third-dip recession. As far as we are concerned, if the current austerity policies continue there will be third-dip, fourth-dip and fifth-dip recessions.

We would like the Scottish Parliament to have some sort of power, as there is in Northern Ireland, over the way in which benefits are

administered and set. We think that you should campaign for that. If you had that, you could prevent some of the worst effects of the changes in welfare benefits—in particular, the eventual increase in underemployment.

**The Convener:** That is a whole different subject.

**Dennis Robertson:** There is a referendum coming round.

**The Convener:** Exactly—I hear that we are to have a referendum or something quite soon.

**Margaret McDougall:** Good morning, everyone. On zero-hours contracts, which have been raised already, I recently spoke to a young woman who is on a zero-hours contract and who does not know by the Friday how many hours of work she can expect the following week. Living with that uncertainty is affecting her health. Being on a zero-hours contract—I think that she works for a call centre—also has an effect on her benefits. She is seen as being in work because she has an employer, but in some weeks she works nil hours and in other weeks she works perhaps eight hours, so her working hours continually fluctuate. Can anyone confirm what benefits she can get as someone on a zero-hours contract?

As a result of her situation, she has experienced an increase in debt from payday loans, which Chic Brodie mentioned. Is there research or evidence that shows a direct link between underemployment and debt? I am sure that you have many cases like the one that I have described.

**Lauren Wood:** As I said earlier, zero-hours contracts can be a terrible thing when people declare their income for working tax credits, which should follow on but may not do so if they do not manage to get the full hours. Zero-hours contracts can also have an impact on other benefits such as statutory sick pay. A couple of weeks ago, we dealt with a case involving someone who worked as a cleaner for only six hours a week. She was quite ill and had come into a bureau to see what she was entitled to. However, the hours in her contract meant that she was not entitled to statutory sick pay. Obviously, she could not declare herself as a jobseeker to get benefits because she was ill. Given the changes to benefits, with people being judged to be in work, not in work or not in enough work, there is a worry that being on a zero-hours contract will also have an impact when people are ill.

**Norma Philpott:** On the money advice or debt side of your question, I think that circumstances are such that payday loans can create, or lead people into, a debt cycle that can in turn take people down the sequestration route. In Fife, there is an on-going debate about why the rates of personal insolvency are so high in Glenrothes,

Dunfermline and Kirkcaldy, where we seem to hit high levels each year.

This will be a particularly interesting year when it comes to seeing how the issues connected with zero-hours contracts play out. When I asked my organisation about the issue before coming here today, various reports from our money advice team were circulated to me about how people can find themselves in debt. I think that that pattern will continue.

An email that crossed my desk contained another interesting point relating to payday loans. It seems that the payday loans issue has got to such a level that organisations such as Money Advice Scotland and CAS have had to put together a training package to help people to deal with clients with payday loans. I know that in its social policy work, CAS is seeking to collect data on, and examples regarding, payday loans from local bureaux, so I think that we will see some interesting reports from CAS later in the year about that. I have made a mental note to myself to look for further examples of zero-hours contracts.

**The Convener:** I will let Chic Brodie respond before other witnesses come in.

**Chic Brodie:** On the back of software developed by an American company called Veritec Solutions, Australia has recently implemented legislation that limits the payday loans that people can obtain. I can give you details on that.

**Lauren Wood:** Yes, that would be good.

**Emily Thomson:** Zero-hours contracts are a big issue. I have heard anecdotally from colleagues who work in the STUC that there is a gender dimension to the prevalence of zero-hours contracts, in that they are more prevalent in female-dominated industries: the woman who rents a chair at the hairdresser or in a nail bar or something like that—I am thinking of the personal services that are dominated by women. However, we do not have the data on that. Again, we need to have more evidence to find out whether there is a gender dimension to the prevalence of zero-hours contracts, because it is a key issue.

**Robin Parker:** Zero-hours contracts are becoming increasingly prevalent in universities and colleges, as the University and College Union has pointed out.

We have seen the damage that payday loans have done to many students, and I am sure that the same applies elsewhere. The impact has been mitigated by the increase in non-commercial loans that allow people to get into part-time study at higher education level and which keep them in higher education. That is welcome.

Chic Brodie asked about enterprise. We agree with the STUC that the fundamental problem is the

lack of jobs and the effect of austerity policies. However, we think that the Scottish Parliament can do more on job creation, which will help with the issues of youth unemployment and underemployment.

The enterprise option is often not seen as equal to education and employment, whether for school leavers or for people coming out of college and university. Enterprise helps in two ways: ultimately, it leads to job creation but also, if people get that enterprising spirit, whether they go on to start a business or to work in a business or in the public sector, that helps. Education institutions can do more to embed that in the curriculum so that students get experience, and perhaps public finance should be available for that. We also need to ensure that, in careers advice at all levels, the enterprise option is presented as an equal one.

**Alison Johnstone:** I find it interesting that, in this time of austerity, although mortgage rates have remained low for a long time, that does not seem to have carried over to credit cards, and some credit card rates are still incredibly high. People gathered up a heck of a lot of debt when times were good and I wonder whether payday loans are a last-gasp measure used by people who cannot pay off their credit card debts. The arrival of payday loan shops on our high streets is a phenomenon that matches the recession—they were not here in the same numbers before the recession. I am appalled that football teams advertise payday loan companies on their strips and that those companies are allowed to advertise on national television. Personally, I think that that is simply wrong, because the people who take out those loans are the very people who cannot afford to pay them. I am interested in why credit card rates have not been looked at in the same way as mortgage rates have.

Also, am I right in thinking that individuals in Scotland are far more likely to declare themselves bankrupt than those in England and Wales are? Is that a cultural divide?

**Norma Philpott:** There are more technical mechanisms in Scotland that enable people to seek to mitigate their debts. That is being looked at. The systems in England are not the same as those in Scotland. Here, the considerable changes over the past few years mean that bankruptcy is a more recognisable mechanism for dealing with debts of that nature.

**Alison Johnstone:** Convener, can I ask Robin Parker a question?

**The Convener:** You can, but we are getting a little off topic. I am conscious of the time, and we still have a lot of ground to cover on graduate employment.

**Alison Johnstone:** It is very much on topic.

**The Convener:** That is good—carry on.

**Alison Johnstone:** Robin Parker's submission talks about having better links between postgraduate students and small and medium-sized enterprises. You would like a scheme to provide education and employment opportunities. What can the Parliament do to enhance those links?

11:15

**Robin Parker:** Our proposed scheme is based on the fact that there is an insufficient pool of graduate opportunities in particular. Indeed, as has been mentioned, many graduates are continuing with the part-time job that they took during their studies, which has a knock-on effect on many other people and which is very much a matter of concern. We wondered whether that was happening because graduate recruiters were taking on multiple part-time graduates or because SMEs had the money for only part-time rather than full-time opportunities.

Des Loughney described underemployment as a situation in which individuals are not getting the money that they need to survive, and we thought that, through the education system, it might be possible to provide not only that money but increased skills for Scotland's economy with a scheme that promoted part-time opportunities for postgraduates. In short, the education system would provide part-time postgraduate courses while businesses and indeed the public sector would provide part-time graduate opportunities. Both measures would have benefits down the line.

The Parliament would be required to give universities the financial input needed to put on such part-time courses, and we think that that could be found in the current—or increased—university budgets. All that would be needed would be something to bring together all the key people—the potential employers and the universities—interested in participating in such a scheme.

**Dave Surtees:** AGCAS Scotland works in conjunction with Scottish Enterprise, Skills Development Scotland and the Scottish funding council on the talentScotland graduate placement programme, which is a great example of how successful such programmes can be. It is also proposed that learning to work 2 and other new initiatives have mirrored placement schemes but, even though evidence suggests that 70 per cent of people who take a placement get a job at the end, there seems to be no joined-up thinking in that regard and no one place that a graduate can go to for a list of all placements in Scotland.



Moreover, although 70 per cent of people might be successful in getting a job, we are simply not looking after the other 30 per cent who come out of their placement only to go back to where they were before. Some thought should be given to what happens to the semi-skilled people who are only two years into their career and how the gaps in their skills can be filled. The employers that we know of have high expectations of the skills that graduates should come to the workplace with; in some cases, a placement might fill a skills gap but the individual cannot access the funding to support that further activity.

**The Convener:** I note that other people want to talk about graduate employment. Is Marco Biagi's question on that or another issue?

**Marco Biagi:** My question was about payday loans, but I think that the issue has been covered. However, I also have a question on this issue.

**The Convener:** Please go ahead.

**Marco Biagi:** We often talk about the underemployment of graduate skills in the context of displacing other people; indeed, that very point has already been made. What is the actual effect on graduates who are in a skills underemployment situation?

**Robin Parker:** I do not have any numerical evidence on that but there is certainly anecdotal evidence of people being stuck in a cycle of part-time jobs and the impact of that on mental health, confidence and so on.

**Dave Surtees:** In some respects, the idea of underemployment is somewhat false. We have heard about the extreme end where people cannot earn enough money to live on; in this case, we are talking about people who are unable to make use of their skills. There does not seem to be a match between graduates and their skills and the marketplace. Some graduates do not come out with the necessary skills for career vacancies in the top areas in Scotland—information technology and engineering are classic examples. Perhaps some of the programmes that universities offer need to take more heed of what industry is looking for.

A lot of research has been done over the years about what employers want, and there is now scope to look at whether we have met employers' needs. It has probably been 10 years since we looked at what employability skills employers want from graduates. People are researching again this year and the same skills are being highlighted. We should ask what steps universities have taken to meet those skills requirements and whether employers recognise that a lot of progress has been made in that regard.

**The Convener:** I will take a brief comment from Lauren Wood, and then we will go on to Dennis Robertson and other members.

**Lauren Wood:** CAS published a report in the summer on graduates and their destinations, called "Degrees of Insecurity". In their answers to our survey, people mentioned that they cannot get the job that they studied all those years for, have a huge amount of debt and are in part-time employment or employment that is lower paid than they expected. One of the big consequences of that is that people cannot save money to put towards a mortgage, so they cannot buy a house, which means that people put off having a family until much later.

Underemployment can hold graduates in a perpetual state of not being able to move on, because they just do not have enough money to take the next life step, which they would have been able to take had they entered a full-time job or were they not underemployed.

**Dennis Robertson:** Dave Surtees has partially answered some of my questions. It appears that there is definitely a mismatch between what educational establishments are providing in their graduate programmes and what the market requires. The energy skills academy is trying to address that, and universities and colleges are coming together to provide what the market says that it needs.

What impact does that have on equality, in relation to the gender inequality that we see in the market? We are told that there could be anything from 60,000 to 100,000 jobs in the energy market alone, yet we have massive unemployment.

**Robin Parker:** Some apprenticeships raise the most concern with regard to gender. There can be imbalances of 95 to 100 per cent in both directions. Some caring apprenticeships are almost 100 per cent female and some engineering apprenticeships are overwhelmingly male. That situation needs to be addressed. If investment is going into engineering, there should be a commitment by education and training providers to address that imbalance. Investment is also going into science, technology, engineering and maths provision in universities, which needs to come with the caveat that universities need to do more to address the very small number of women who take up opportunities in those subjects.

I have listened to employers and sometimes they can be a bit scatter-gun in what they ask for. One moment they say that they need people to come out of education with very particular skills in a particular engineering field, and the next minute they say that they are looking more for soft skills and that their requirements are more general.

None of us around this table, whether we are employers or not, can predict what people will be doing in 20 or 40 years. Forty years ago, we would have had no clue about the jobs that people are now doing, which is why I probably lean towards giving people general skills. That can be done by making courses very relevant to the wider world and to the things that people will do for the rest of their life. Education providers could do much more to give people placements and practical experience. That goes back to the graduate issue. One of the reasons why graduates get stuck in a circle of skills underemployment is that they cannot get the work experience in the field that they want to go further in.

**Dennis Robertson:** Do you believe that employers are looking for people with experience rather than new starts?

**Robin Parker:** Absolutely. That is very much the message that I hear. There is a responsibility on the part of education providers to offer some of that experience through placements, for example. University dissertations are a perfect example. They usually just sit on a shelf and rarely reflect practical experience. Colleges are much better at offering practical experience. That is one of the things that I hope does not get lost as a consequence of the decline in college funding.

How we solve that problem, particularly with graduates, goes back to what was said about Jobcentre Plus—it is probably not the best source of advice that graduates can get. Furthermore, graduates take Jobcentre Plus resource away from people who could use it more. Given that we are in a time of such great need, perhaps universities could step in much more. There is quite a variation: some universities provide almost lifelong graduate careers advice, and some provide very little. Perhaps all universities could jump in and do that work.

**Emily Thomson:** With respect to skills and the gender aspect of underemployment, there is evidence that women are more likely to be in jobs that do not make the best use of their skills. That tends to be the case when women want to combine their work with unpaid work in the household, such as caring. It also applies when they are trying to return to the labour market after periods of caring for children or elderly people. Although I do not know what the figures are with respect to graduates and gender, the issue affects women at all stages of their lives.

On intermediate skills and the modern apprenticeship scheme, which Robin Parker mentioned, it is true that women are very occupationally segregated. Of the top 12 modern apprenticeship frameworks in Scotland, eight are severely segregated, by which I mean that more than 90 per cent are dominated by one gender.

Most of them are male dominated. That has negative outcomes for women because men who are investing in their skills through a modern apprenticeship scheme have more of a wage premium—it is more likely that their wages will increase on completion of a modern apprenticeship programme. For women, there is virtually no wage premium.

**Dennis Robertson:** Are you suggesting that women do not have those opportunities or that they are not taking the opportunities that exist?

**Emily Thomson:** I think that women are not taking the opportunities. However, there are also workplace barriers. Research that we published in 2005 found all sorts of barriers for women trying to take jobs in segregated industries such as construction. For example, there were no toilet facilities for them on construction sites, or they faced attitudinal barriers from colleagues and often from parents. There are all sorts of social and economic issues around that.

We have a lot of evidence about the modern apprenticeship scheme, and I think that any strategic look at skills, particularly at an intermediate level, needs to take account of the gendered aspects. By underutilising skills, Scotland is really missing out. The problem is a drain on the economy, and we need to address it.

**Dave Surtees:** My day job is at Edinburgh Napier University where this summer we finished at a Big Lottery-funded project, towards a confident future, which looked at the labour market prospects of MD20—multiple deprivation 20—students and Scotland-domiciled students. We provided the students with extra coaching while they were on the programme and an employer mentoring facility. We were able to show that we could bridge the gap between the students who were disadvantaged and those who were more advantaged with that type of intervention. Such interventions can help people to move themselves into employment, and could apply to any minority group in relation to gender, disability and so on.

Another aspect that we need to consider is that the labour market now is much more about contracts, projects and a limited amount of employment—24 months here, one year there—which means that people are not going into jobs with an open-ended contract for life, as perhaps used to be the case. That affects on-the-job training and development, because employers who employ people only for a short time and who know that a worker will definitely be leaving within 12 months are not as willing to invest in training as they might once have been. That has a knock-on effect, because employers tell university and college graduates that they do not have the required skills but, traditionally, employers would have provided that skills training.

On Robin Parker's point about careers advice, every university in Scotland provides careers advice for its graduates for at least two years, and some for longer than that. Skills Development Scotland picks up careers advice for graduates beyond that period.

11:30

**The Convener:** I am conscious of the time and that we are getting towards the end of our slot. We have a question from Chic Brodie, then one from Mike MacKenzie.

**Chic Brodie:** I will be brief. My question is addressed primarily to Dave Surtees and Robin Parker. We have mentioned that Scotland has a fairly cohesive economic strategy in various sectors, such as engineering, tourism, and food and drink. However, there seems to be a disconnect between those sectors and the educational and training establishments. Why is there such a disconnect? Of course, associated with that are mobility, location and the flexibility of those who come out of the colleges or universities, or who do on-the-job training.

In view of the drop-out rates for first-year students, are we qualifying our students sufficiently at the beginning? I ask Robin Parker to comment on that.

The propensity to consume and invest diminishes as we get older—believe me. Should we make structural changes such that, as the older among us skill down, an opportunity is provided for younger people to skill up? How can we get some conjunction between those two aspects so that we transfer skills across the board?

**The Convener:** That was quite a wide range of topics—given the time, it would be helpful if we can cover them fairly succinctly.

**Robin Parker:** On connections to key sectors, I am humming and hawing about whether it is the case that there is such a disconnect. The structural reforms in the college sector are about providing a less historical funding model. However, if that is done against a background of significant funding reductions—if that is what lies ahead—it will cause problems.

On the universities, if it is about soft skills, that must be the way forward. I did not quite catch your point about drop-out rates.

**Chic Brodie:** It was about drop-out rates for first-year students. First, there is the question of the courses. Are there too many modern studies and business studies courses, for example, in relation to what the different sectors need? I have looked at a limited number of figures for students dropping out of such courses at the end of their

first year, but the figures are a lot higher than I thought they would be.

**Robin Parker:** At university level?

**Chic Brodie:** Yes.

**Robin Parker:** We are very concerned about retention. However, I do not think that it is about the background that students come from, although it is sometimes said that we set people up to fail in that regard.

On widening access, there is strong evidence from various institutions that institutions perform differently in supporting students who come from disadvantaged socioeconomic backgrounds. For example, Glasgow Caledonian University is good at supporting students from areas with the greatest multiple deprivation, which the Scottish index of multiple deprivation refers to as MD20 areas, to complete their courses. The University of the West of Scotland is less good in that regard and that is also the case for the ancient universities. For example, the University of St Andrews does not have a particularly good record in terms of supporting MD20 students to complete their courses; in contrast, it is very good with the generality of students. However, the University of Edinburgh is very good at supporting both kinds of students.

I highlight a report from an organisation called upReach, which covered similar things to those that Dave Surtees talked about. It found that people from socioeconomically disadvantaged backgrounds who had got into university were just as likely to get a good result at the end of their course but, even if they got a first or a 2:1, they were less likely to get into managerial roles or good graduate destinations. That highlights the importance of institutions ensuring that people from disadvantaged backgrounds are getting social and cultural capital and receiving the advice that is required for them to get to good graduate destinations.

**Dave Surtees:** Some of the disconnect is linked to retention. In certain areas there is a perception that, once they start to study a programme, students will start to consider the employment prospects at the end. The introduction of key information sets for each programme at the beginning of this year should help, because students who are considering which programmes to study can find out about the employment prospects at the end. Perhaps students are unaware of the problem.

Students and graduates themselves have a responsibility to be realistic about their situation and not to assume that, if they enter university, they will come out and get a certain job—that job might not exist. I constantly ask students how many people they know aged 40 who are in the

job that they thought they would be doing when they left university. The answer is very few.

Work experience placements have been mentioned. Industry has a responsibility to approach placements with an open view. Many college and university courses have had to reduce the number of placements that they offer to students because of the lack of availability from industry. We are hopefully on a slight upturn in that regard, but that is the situation.

**The Convener:** Mike, do you want to continue on this point?

**Mike MacKenzie:** Very much so—but on a slightly different facet. My point arises from a conversation that I had the other day with a constituent, who said that there is now a kind of qualifications arms race. Often, students finish their first degree and then go on to a second, or possibly third, postgraduate degree—a masters or a PhD—because of that arms race. Sometimes, that happens despite the fact that they do not have a particular academic interest, and despite the fact that that might not be the best way of enhancing their career prospects. The universities make a profit from those courses, so they have a vested interest in going along with that, irrespective of whether there is a disconnect in requirements between the employment market and people who are educated to a certain academic level. That is creating a real imbalance.

That situation has come about as a result of the universities acting increasingly like businesses and less like educational establishments, fulfilling a role in society. I see a few people nodding. Perhaps you would care to take that ball and run with it.

**The Convener:** Run with it for a very short time and a very short distance, please.

**Dave Surtees:** One of the difficulties with the labour market is that although only a very small percentage of it comprises graduate recruitment schemes or big graduate employers—Association of Graduate Recruiters members—the information that comes from those organisations tends to influence things. The SMEs that employ graduates do not really have a voice in that. The question arises, “Are we seeing the right information”?

A number of the graduate schemes do not consider that a postgraduate qualification trumps a bachelors degree, or any other qualification. They do not necessarily view the person with the highest level of educational qualification as the best candidate for the post.

The point that you make about further qualifications is not necessarily the case, but as someone who represents careers advisory services, I would say that people should talk to

careers advisers about their options at the end of their programmes.

**The Convener:** I bring in David Torrance, who has been very quiet up to now.

**David Torrance:** I will be quick, convener. An ever-increasing number of people are working past retirement age, and many of them are skilled. We did not see that phenomenon five or 10 years ago. How is it limiting graduates’ ability to get into the labour market?

**Dave Surtees:** I have not seen any statistics on that. I know that several public sector organisations are looking at their ageing workforce, but they are not taking steps to determine how they will fill those positions.

**The Convener:** David Bell spoke about the myths around that when he was here two weeks ago. He has a particular view on the subject.

Jim, do you have anything to say on that?

**Dr McCormick:** Not on that specific issue.

**The Convener:** Okay. I am conscious that we are at the end of our time, but there is one point that I want to make. It also came up at previous sessions. Everybody is aware that underemployment is an issue and that, in the long term, the solution is to increase demand in the economy. The difficulty with that is the levels of debt that we have at present. Short of that solution, what else can be done? Are there policy changes that Government at either the UK or Scottish level could be making to try to assist? Jim, I think that your paper includes some thoughts on that.

**Dr McCormick:** It is important to recognise that it looks as if underemployment has a structural element. During the good years, we had 6 or 7 per cent underemployment. It has caught our attention because it has spiked up with the recession and austerity, but it has been with us for quite a long time.

To increase demand is the most important thing, but within the boundaries of who is going to be underemployed, whether by time or by skills, what is important is to ensure that it is a short-term experience so that people have a brief encounter, if you will, with underemployment and they then move quickly up in terms of earnings, hours and skills. We have to target much better relevant work experience and skills investment to those who are most at risk of getting stuck in long-term underemployment. The more that we can find out about who and where those people are, the better.

I am struck that, at present, Scotland is caught between the UK work programme of the DWP, which is too big and inflexible to respond to the needs of people who are underemployed, and

devolved Scottish programmes in the area of employability, which are often effective but are much too small in scale to make a dent in the problem, given its size. We are caught between those two dilemmas.

I will mention some simple things that would help. As growth comes in the future—we hope—we can ask ourselves whether we are incentivising employers not just to increase hours as demand improves, but to recruit new people, so that we do not get stuck with people being locked out of even short-term employment. A simple thing that can be done concerns the welfare reforms, which is where we came in. We need to give people a more secure platform on which to build many jobs, even those with short-hours working. At present, people can keep only £20 of their earnings before benefits—or the universal credit, in future—start to reduce. If that was increased, the net cost would be quite small because we would do better at keeping people in work and we would be giving people much more of a platform or springboard, if you will, to allow them to cope with fluctuations in hours and earnings. Doing that as well as attending to skills investment in a more targeted way would give us a fighting chance of making the most of what we have.

**Emily Thomson:** From a gender perspective, it is good that the committee is considering the issue, but underemployment has been an issue for women for a long time. From an economic perspective, too, the issue needs to be addressed. We need to know more details about unpaid work in the household. We need more gender-disaggregated data with respect to all sorts of employment, such as temporary and second jobs and part-time employment. We need to support childcare to address the issue from a gender perspective. I echo Jim McCormick's point that we need to ensure that, when the economy eventually recovers, people have not been locked out but can come back into the labour market.

11:45

**Lauren Wood:** I agree with Jim McCormick about the need for a more flexible approach to people moving on from the welfare system into work. That could perhaps be enhanced by support for people who are in the early stages of a new job. For people who have been underemployed or unemployed for a period, it would be positive to provide some kind of support that encourages them and helps them to know that they are doing a good job and that their contribution to the labour market is valued.

At the beginning of the meeting, the convener listed women and young people as one group and graduates as another group. It is a mistake to think of graduates as separate from young people,

because that is not how they are considered in policy—as I said, the groups that are considered are 16 to 24-year-olds and those who are 25 plus. However, it would be really valuable to consider the issues for graduates, so we would encourage a policy change so that graduates are counted as a group and analysis is done of the effect that they and their destinations have on the labour market as a whole.

When the economy picks up and things change, fundamental changes will have to be made to the way in which we approach the world of work. That has to start early on, before the point at which colleges go into schools. The curriculum for excellence is a tool that can be successfully utilised to do that. For example, Dundee City Council has a scheme whereby fourth, fifth and sixth years can enter national vocational qualification training in addition to the standard maths and English qualifications. That is to help people who have been turned off education—and who will perhaps be turned off work—to have a valuable experience.

To assess the impact of invisible underemployment, we need to analyse graduates and the impact that they are having.

**The Convener:** We are over time, so we will call it a day. I am grateful to all the witnesses for a good session in which we covered a lot of ground. Thank you for your time and for your contribution to our inquiry.

11:48

*Meeting continued in private until 12:35.*



---

Available in e-format only. Printed Scottish Parliament documentation is published in Edinburgh by APS Group Scotland.

All documents are available on  
the Scottish Parliament website at:

[www.scottish.parliament.uk](http://www.scottish.parliament.uk)

For details of documents available to  
order in hard copy format, please contact:  
APS Scottish Parliament Publications on 0131 629 9941.

For information on the Scottish Parliament contact  
Public Information on:

Telephone: 0131 348 5000  
Textphone: 0800 092 7100  
Email: [sp.info@scottish.parliament.uk](mailto:sp.info@scottish.parliament.uk)

e-format first available  
ISBN 978-1-78307-200-2

Revised e-format available  
ISBN 978-1-78307-216-3

---

Printed in Scotland by APS Group Scotland

---