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Official Report

MEETING OF THE PARLIAMENT

Tuesday 4 June 2013

Session 4

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Tuesday 4 June 2013

CONTENTS

| | Col. |
|---|-------------|
| TIME FOR REFLECTION | 20609 |
| TOPICAL QUESTION TIME | 20611 |
| Winter Fuel Payments | 20611 |
| O2 Skypark (Jobs and Conditions) | 20612 |
| UNDEREMPLOYMENT | 20615 |
| <i>Motion moved—[Murdo Fraser].</i> | |
| Murdo Fraser (Mid Scotland and Fife) (Con) | 20615 |
| The Cabinet Secretary for Finance, Employment and Sustainable Growth (John Swinney) | 20621 |
| Ken Macintosh (Eastwood) (Lab) | 20625 |
| Gavin Brown (Lothian) (Con) | 20630 |
| Mike MacKenzie (Highlands and Islands) (SNP) | 20632 |
| Margaret McDougall (West Scotland) (Lab) | 20635 |
| Marco Biagi (Edinburgh Central) (SNP) | 20637 |
| Kezia Dugdale (Lothian) (Lab) | 20640 |
| Chic Brodie (South Scotland) (SNP) | 20643 |
| Duncan McNeil (Greenock and Inverclyde) (Lab) | 20645 |
| David Torrance (Kirkcaldy) (SNP) | 20648 |
| Alison Johnstone (Lothian) (Green) | 20650 |
| John Mason (Glasgow Shettleston) (SNP) | 20653 |
| Anne McTaggart (Glasgow) (Lab) | 20656 |
| Stewart Stevenson (Banffshire and Buchan Coast) (SNP) | 20657 |
| Margo MacDonald (Lothian) (Ind) | 20660 |
| Mary Scanlon (Highlands and Islands) (Con) | 20661 |
| Rhoda Grant (Highlands and Islands) (Lab) | 20664 |
| The Minister for Youth Employment (Angela Constance) | 20667 |
| Dennis Robertson (Aberdeenshire West) (SNP) | 20670 |
| DECISION TIME | 20674 |
| PRIVATE RENTALS (DEPOSITS) | 20675 |
| <i>Motion debated—[Patrick Harvie].</i> | |
| Patrick Harvie (Glasgow) (Green) | 20675 |
| Alex Johnstone (North East Scotland) (Con) | 20678 |
| Anne McTaggart (Glasgow) (Lab) | 20679 |
| Marco Biagi (Edinburgh Central) (SNP) | 20681 |
| Elaine Murray (Dumfriesshire) (Lab) | 20682 |
| Malcolm Chisholm (Edinburgh Northern and Leith) (Lab) | 20684 |
| Kezia Dugdale (Lothian) (Lab) | 20685 |
| The Minister for Housing and Welfare (Margaret Burgess) | 20687 |

Scottish Parliament

Tuesday 4 June 2013

[The Deputy Presiding Officer *opened the meeting at 14:00*]

Time for Reflection

The Deputy Presiding Officer (John Scott):

Good afternoon, everyone. The first item of business is time for reflection. Our time for reflection leader today is the Rev Robert Nicol, minister of Whitburn South parish church.

The Rev Robert Nicol (Minister, Whitburn South Parish Church): Presiding Officer, members of our Scottish Parliament, I bid you good afternoon.

Have you noticed how time flies these days? It is not a new thing, of course: time has been flying for years. I can remember my granny talking about time flying when I was a wee boy, several years ago. We live in a very busy world, and our whole life is governed by time. Some people waste time and others lose it, but most of us just try to keep it.

Even when you are young, time is important. I heard recently about a little girl who was always difficult at bedtime. One night, she said to her mum, "God will be very busy at the moment, listening to the prayers of children from all over the world. I'll just wait 'til he has more time to listen to me." It did not work, of course—she went to bed.

Down through the centuries, people have always been concerned with time: using it, saving it and keeping track of it. But no matter how carefully we measure time, we cannot create more of it.

Jesus told a story once about a man building bigger barns who did not live long enough to enjoy the fruits of his labours, and you will all have heard the story about the man who was so busy that he never had time to live. When he died, an angel took him on a conducted tour. The man was so overcome by the sheer beauty of everything that he saw that he turned to the angel and whispered, "How wonderful! So this is heaven?" "No", came the reply. "This is the world you lived in and never saw."

A famous Shakespearean actor once heard an old priest recite the words of the 23rd psalm—the shepherd's psalm—which is known and loved by Scots folks all over the world. He was deeply moved. "I know these words", he said, "but that old man has the advantage over me: he knows the shepherd!"

Time is important. You cannot live your life over again—think about that. Take time to get to know

the shepherd, and he will keep you safe now and for the rest of your life. That is the truth.

I bid you goodbye, which, as you know, actually means, "God be with you." May God bless you and your loved ones all through this day and always.

Amen.

Topical Question Time

14:03

Winter Fuel Payments

1. **Fiona McLeod (Strathkelvin and Bearsden)**

(SNP): To ask the Scottish Government what impact a reduction in winter fuel payments would have on older people in Scotland. (S4T-00382)

The Minister for Housing and Welfare (Margaret Burgess): Reducing winter fuel payments would put more Scottish households at risk of fuel poverty and undermine the Government's determined efforts to eradicate that scourge.

Our new home energy efficiency programmes for Scotland are focused on addressing the areas that are worst affected by fuel poverty. We are providing £79 million to support our area-based and national schemes and lever in energy company investment to create a £200 million fund. As part of that, we have invested £60 million this year in the energy efficiency scheme, which provides heating and insulation measures to the most vulnerable and poor households in Scotland. Along with direct help from energy companies through the affordable warmth scheme, it is estimated that more than 300,000 poorer households will be eligible for free insulation and heating.

We are also continuing to fund the home energy Scotland hotline, which provides tailored and trustworthy advice on the assistance that is available to them.

Fiona McLeod: In light of that response, does the minister agree that proposals to remove winter fuel payments are the latest in a series of cuts to the fuel poverty budget that started under Labour and which have continued under the present coalition?

Margaret Burgess: Yes. The Labour shadow chancellor's announcement suggests that his party wants to restrict financial support for fuel poverty even further than the United Kingdom Government by means testing older people.

An independent Scotland would be able to take decisions on welfare that ensure that people receive fair and decent support. We need only compare the approaches taken by the Scottish and UK Governments to helping people have warm homes. As I have said, in 2013-14, we have allocated £79 million to our fuel poverty and energy efficiency programmes whereas over the past few years the UK Government has been reducing funding for its warm front programme to

the point that, from this year, fuel poverty households will get assistance only from the obligations placed on the energy companies.

Fiona McLeod: I am put in mind of one of my predecessors in my constituency—my mentor Margaret Ewing—who first campaigned for a winter fuel allowance more than 30 years ago. Will the minister join me in seeking to preserve my predecessor's legacy?

Margaret Burgess: As I have said, the Scottish Government is committed to tackling fuel poverty and over the spending review period will spend a total of around £250 million on fuel poverty and domestic energy efficiency. Winter fuel payments help older people heat their homes, and since their introduction in the late 1990s—which was something that, as the member has made clear, Margaret Ewing campaigned hard for—they have provided a welcome source of financial support. I am sure that, like me, Margaret Ewing would be appalled at the way in which the UK Government is trying to remove them.

O2 Skypark (Jobs and Conditions)

2. **Drew Smith (Glasgow) (Lab):** To ask the Scottish Government what action it has taken to secure jobs and conditions at the O₂ Skypark facility in Glasgow following the announcement by Telefónica that 3,000 jobs are to be outsourced to Capita. (S4T-00383)

The Minister for Energy, Enterprise and Tourism (Fergus Ewing): Scottish Development International met Capita in London following the announcement, and another meeting will take place this week. In addition, a further meeting in Scotland between the company and officials is planned in the near future to understand the long-term implications for the Glasgow operation.

O₂ has confirmed that the employment of affected staff and their contractual terms and conditions of employment will be guaranteed for two years. My ministerial colleagues and I have asked to be kept fully informed of developments; we stand ready to intervene on this matter and will meet senior Capita officials as necessary.

Drew Smith: I thank the minister for his response and his letter on the same subject, which his office emailed to me in the last hour. I hope that he will seek a meeting with Capita and impress upon it the need to be open with the nearly 900 O₂ staff about the company's post-2015 plans for the Skypark facility.

Discussions between Telefónica and Capita, which apparently covered the possible future closure of the Glasgow Skypark facility, should not have been uncovered through a press report. The Communication Workers Union and others who have been seeking reassurances on the behalf of

staff have had their relationship with the management of both companies damaged as a result.

Does the minister agree that it is unacceptable for Telefónica O₂ to walk away from its loyal staff, protesting that conditions will be initially protected while in private being involved in discussions about a rundown? Will he call on Telefónica O₂ to delay the transfer of the staff to Capita until Capita can be clear about its own intentions with regard to my many constituents who work for this significant Glasgow employer? After all, it is simply not credible to take a 10-year contract but have a clear plan only for the first two years.

Fergus Ewing: On 21 May, Capita announced that Telefónica—that is, O₂—had selected it as its preferred bidder to form a 10-year strategic partnership for customer management services. As a result of that deal, Capita will run and manage O₂'s customer service centres and support O₂ as it enhances and expands its digital service offering to customers. The contract is expected to be worth £1,200 million and is due to commence on 1 July.

The majority of the 950 staff at the Glasgow site, who work in customer sales and service, will transfer to Capita under the Transfer of Undertakings (Protection of Employment) Regulations 2006, and O₂ will retain approximately 70 staff at the site who are employed in the technical areas of network infrastructure and so on. Capita has not made a formal statement about its plans for the Glasgow facility beyond 2015.

I do not want to comment on press speculation. However, as I have indicated, my ministerial colleagues and I will keep a very close watch on what is happening and we will certainly wish to be sure that the interests of the staff are fully taken into account by the company going forward.

Drew Smith: I am grateful to the minister for the assistance that he has indicated that he will provide to the staff and for his good offices in attempting to establish Capita's plans post 2015.

When the jobs came to Glasgow, they were considered to be good-quality jobs. Wages at the facility are significantly higher than those at other Capita call centres. However, over the past few years, O₂ benefited from significant public support for the establishment of the Skypark facility. Will the minister ask Scottish Enterprise to examine the clauses for some of the additional support that was provided? Will the minister consider what support will be provided to such organisations in the future in light of not just the decisions that have apparently been taken so far but the further decisions that we expect and, crucially, the manner in which decisions and discussions seem

to have been taken forward by Telefónica O₂ and Capita?

Fergus Ewing: I have looked into that matter already. Telefónica has received a total of £6.1 million in regional selective assistance from Scottish Enterprise since 2006. That grant led to the creation of 1,300 jobs and capital expenditure of £14 million. It was anticipated that the company would also spend around £48 million in salaries over the first two years of the project.

Telefónica has fulfilled all of its obligations with regard to the grant and is not now subject to recovery. I should say—I think that most members are aware of this—that regional selective assistance is a key economic tool, which has provided considerable value for money to the taxpayer and created thousands of jobs in Scotland.

John Mason (Glasgow Shettleston) (SNP): Mr Smith and the minister referred to regional selective assistance. I want to press the minister a little more on how he feels RSA is working and whether it has been successful in attracting jobs and protecting the money that has gone into it.

Fergus Ewing: I thank the member for that question on what is an extremely important issue, because RSA makes a substantial contribution to the Scottish economy. The work that Scottish Development International, Scottish Enterprise and Highlands and Islands Enterprise do in that respect is exemplary.

During 2011-12, 87 offers of RSA totalling more than £35 million were accepted, the majority of which were made to Scottish-based companies. The offers relate to projects with planned capital expenditure of more than £214 million and the expected creation or safeguarding of more than 3,500 jobs. In effect, every £1 of RSA grant levers in £6 of private investment. I think that that is a pretty good deal overall for the taxpayer. We will continue to ensure that RSA is fully utilised in future.

Underemployment

The Deputy Presiding Officer (John Scott):

The next item of business is a debate on motion S4M-06782, in the name of Murdo Fraser, on behalf of the Economy, Energy and Tourism Committee, on underemployment in Scotland. I invite members who wish to speak in the debate to press their request-to-speak buttons now. I call Murdo Fraser to speak to and move the motion on behalf of the Economy, Energy and Tourism Committee. Mr Fraser—you have a generous 14 minutes.

14:13

Murdo Fraser (Mid Scotland and Fife) (Con):

Despite what members may think, it is not often that a committee breaks new ground and tackles a topic that has not been considered at some point previously, but I do not think that I am going too far when I say that such was the case when the Economy, Energy and Tourism Committee embarked on its recent inquiry into underemployment in Scotland. The committee was also able to demonstrate that—contrary to popular belief—we could conduct a short and focused inquiry and not take four months to agree a report, for which I am very grateful to my fellow committee members.

I record my thanks to all those who assisted the committee: our excellent team of clerks, our researchers from the Scottish Parliament information centre and all those who gave evidence. I also thank the staff at Amazon in Dunfermline for their hospitality during the committee's visit there. Those of us who are customers of Amazon or who regularly drive past its building were fascinated to see what happens inside. It was a very successful visit although, sadly, we were unable to persuade Amazon to pay more of its taxes. We will leave that for another day.

The committee inquiry considered three main themes, on which I will expand. First, what is underemployment and why is it increasing in Scotland? Secondly, who does it affect? Thirdly, what are its costs?

We are all aware that the Scottish and United Kingdom economies have recently experienced one of the longest periods of economic downturn since the 1930s. What has been unusual about that period in comparison with other periods of negative growth is the behaviour of employment, unemployment and working practices. At the outset of the inquiry, the committee was faced with the following conundrum: why has the dramatic reduction in economic output that has been witnessed since 2008 not been matched by a

correspondingly dramatic increase in total unemployment? The answer to that conundrum is in part the increase in numbers of the hours-constrained underemployed—an increase of almost 80,000 since 2008, according to the labour force survey.

Just how big an issue is underemployment in Scotland? Let us look at a few statistics. From July to September 2012, 264,000 workers in Scotland were in hours-constrained underemployment. That is almost 11 per cent of Scotland's total workforce. Women workers are more likely to be underemployed than men, although there have been recent significant increases in underemployment among both men and women.

Although underemployment is an issue for all age groups, a third of all underemployed men and a quarter of all underemployed women are in the 16 to 24 age group. The committee is in no doubt that underemployment is a serious issue that adversely affects a significant section of Scotland's population.

We set out to try to find out the causes of underemployment, its impact on individuals and the economy as a whole, and why the phenomenon has increased to such a degree in recent years. Despite underemployment having been an element of the labour market for many years, we found surprisingly little research and statistical data on its causes and effects, and therefore on possible solutions.

Underemployment in its simplest form is defined as people being unable to work all the hours that they want to work, and can best be labelled "hours-constrained underemployment". We heard evidence of another type of underemployment that is probably best described as "skills underutilisation", in which individuals are overqualified for the job that they are in. That is particularly evident in the case of new graduates who are not able to get graduate-level jobs when they leave university and instead take lower-level employment, at least temporarily.

John Mason (Glasgow Shettleston) (SNP): I am not on the committee, but I read its report with interest. Can Murdo Fraser explain why, when we deal with employment and unemployment figures, we do so in hard facts, but when we talk about underemployment we say that people "may wish" to work and that others "feel" that their skills are not utilised? It seems to be a little bit subjective.

Murdo Fraser: John Mason has raised a very valuable point. The data that are collected in the labour force survey are quite clear about hours-constrained underemployment. We have very accurate figures on that, as far as we understand.

Skills underutilisation is much harder, and Mr Mason is absolutely right that what we say is

subjective, to a degree. It is difficult to be definitive about the figures, which led us to the committee's conclusions about the need for better data collection to better inform the debate.

There are a lot of data about hours-constrained employment, which is easier to quantify. Average hours per worker have since 2008 fallen more rapidly than employment levels. The Scottish Government has produced figures that show that since the onset of the economic downturn in 2008, the number of workers in Scotland who are in hours-constrained underemployment has risen by 76,000. Although there are some data, the committee found it difficult to assess fully the extent of hours-constrained underemployment and, therefore, its impact on wider society.

The Scottish Government is clearly concerned about underutilisation of skills; it established a skills utilisation leadership group in 2008 to champion the skills agenda. It is clear from the evidence that businesses are also very concerned. Scottish Enterprise has described the skills aspect of underemployment as "critical", and the Scottish Council for Development and Industry has described it as

"a long-term challenge for the economy of Scotland."

Given the distinct lack of research and data on the topic, we found that analysing the reasons why a high number of people in Scotland are working in jobs for which they are overqualified and overskilled is a lot simpler than finding solutions to that problem. We have therefore asked the Scottish Government to collect trend data on skills utilisation in Scotland. I hope that the Cabinet Secretary for Finance, Employment and Sustainable Growth will address that in his remarks.

Why is underemployment increasing? There are a number of reasons, some of which are more obvious than others. It is clear that the economic downturn has resulted in a reduction in demand for labour and therefore in increased levels of unemployment and of underemployment, but that is not the whole story. We heard that levels of unemployment during and immediately after the 2008-09 economic downturn were much lower than were initially predicted. In fact, the more flexible nature of the labour market has allowed firms to retain staff during these challenging economic times and has allowed employers to reduce hours rather than headcount and thereby to be better prepared to meet demand once the economy picks up. There is flexibility, but it comes at a price, with an increase in insecure, temporary and part-time work, which leads to squeezed household incomes and a great deal of anxiety for the many families who are affected.

Rather than hear that work is a route out of poverty, we heard that because people have been working fewer hours and receiving less pay and have a lower level of skills, a key characteristic of the recent economic downturn has been an increase in the number of people who are experiencing in-work poverty. That is why we think it essential that the Scottish Government's labour market targets be adapted to reflect an ambition to increase the number of hours that people are in work, to improve the quality of jobs and to improve the types of contracts that are used.

We heard about some of the trends that emerged during the recent economic downturn, such as labour hoarding, displacement, increases in part-time self-employment, and the use of zero-hours contracts by private and public sector employers.

Labour hoarding has had a dual impact. On the one hand, it has helped businesses to retain skilled staff during the downturn and has therefore restricted the number of redundancies, but it has also, on the other hand, increased the number of people who have been forced into underemployment through reduced working hours.

Underemployment and unemployment have both contributed to displacement of lower-skilled workers, as graduates and other highly qualified individuals have been forced to take jobs that are far below their skills level. The resulting displacement leads to the lowest skilled—that often includes young people—being denied access to many labour market opportunities.

On the surface, statistics that show an increase in the number of self-employed people are to be welcomed, but we heard that, in reality, many people are in part-time self-employment through necessity and could be experiencing real hardship as a result. That represents a significant new trend in the Scottish labour market, and as such merits further analysis by the Scottish Government.

Another trend that the committee highlighted is the reported increase in the use of zero-hours contracts, which are used across various sectors. Workers on zero-hours contracts are not contracted to work a fixed number of hours per week, but should still be available to work if they are required. Indeed, most workers on zero-hours contracts have no guarantee of any work at all in any given week. The Office for National Statistics labour force survey estimated that 117,000 people were on zero-hours contracts in the UK for the period from April to June 2012. Unfortunately, no separate figures are available for Scotland.

We heard that zero-hours contracts provide neither job security nor financial stability and are used by both the public and private sectors. However, we recognise that some people like the

flexibility of zero-hours contracts, so they are not always to be seen as a bad thing.

We understand that the Scottish Government's forthcoming procurement bill could provide an opportunity to attach conditions to contracts that are awarded to public bodies in order to limit the use of zero-hours contracts by public sector contractors. I would be grateful if the Scottish Government could address that particular point.

I turn to those who are most affected by underemployment. The committee heard that two groups in particular have been adversely affected by the rise in underemployment—young people and female workers. There is no question but that underemployment has had a disproportionate impact on young people. The figures are startling: young men aged 16 to 24 constitute 32 per cent of the total number of male underemployed workers, and young women aged between 16 and 24 constitute 25.6 per cent of the total number of female underemployed workers. Those percentages include graduates and non-graduates and are much higher than the percentage for any other group.

Worryingly, we heard that the impact on young people can be significant and that it can have a cumulative effect. For example, inability to gain work experience can mean that a young person is unable to acquire the necessary skills and experience to progress in their chosen career, which results in their remaining in low-paid work for longer. That, in turn, impacts on their ability to be financially independent and prevents them from reaching their full earning and professional potential.

We also heard that there is a gender dimension to underemployment. Recent statistics show that over 20,000 more female workers than male workers are underemployed in Scotland. That is due to more women being employed in the service sector and in part-time jobs, which is often due to childcare and family commitments. The percentage of part-time workers who are underemployed is more than four times greater than the percentage of full-time workers who are underemployed—the figures are 22.6 per cent and 5 per cent respectively. The potential long-term impact of underemployment on both those groups—young people and female workers—is of particular concern to the committee.

Witnesses suggested that a couple of other groups might be disproportionately affected by underemployment. Evidence that was presented to us suggests that disabled people and carers may be experiencing higher levels of hours-constrained underemployment than the workforce as a whole. Older people may also be more likely to find themselves underemployed, due to a combination of the increase in the pension age

and financial pressures. As few data are available on either group, that is another area in which the Scottish Government could provide valuable research and analysis.

Finally, the committee considered the costs of underemployment. I have touched on a number of ways in which underemployment affects people and its impact on the economy. During the inquiry, we were struck by the human costs of underemployment and its link to health issues and poverty. We heard about the young person who cannot take the first step on the career ladder and develop skills to further his or her career, the graduate who is employed in a job in which they cannot use their skills or expertise, the older person who is suffering financial hardship because they are unable to find work to supplement their income and the woman who would, due to the high costs of childcare, be worse off working more hours. There are also economic costs, such as lower income levels resulting in less spending power, and a workforce with reduced skills and less access to training opportunities, which impacts on productivity levels.

In many ways, the inquiry was thought provoking and enlightening, but sometimes it raised more questions than it answered. The committee was left in no doubt about the human and economic costs of an underemployed workforce, but we were less clear about the solutions to the issue. We need to look beyond the headline employment and unemployment statistics to find out what is really happening in Scotland's labour market. Given the clear lack of information, the first step needs to be collection and analysis of data on underemployment, the groups that it affects and the impact of recent labour market trends. I sincerely hope that the Scottish Government will lead the way by undertaking that work.

Although there is an expectation that underemployment will reduce as the Scottish economy returns to growth, the Scottish Government needs to act now to prevent hours-constrained underemployment and skills underutilisation from becoming permanent features of the labour market. Working across all levels of Government and with private companies, schools, colleges and universities, we should be aiming for the increased labour market participation—in the fullest sense of those words—that we want to see.

I have pleasure in moving,

That the Parliament notes the conclusions and recommendations in the Economy, Energy and Tourism Committee's 6th Report, 2013 (Session 4), *Underemployment in Scotland* (SP Paper 305).

The Deputy Presiding Officer: We have quite a bit of time in hand. John Swinney has a generous 10 minutes.

14:29

The Cabinet Secretary for Finance, Employment and Sustainable Growth (John Swinney): I begin by recording the Government's thanks to the Economy, Energy and Tourism Committee for undertaking its timely inquiry into underemployment. I have written to the convener this morning with the Government's initial response to the recommendations in the committee's report. I will cover some of that ground in the course of my speech, and I will reflect on issues that members raise in the debate in order that we can determine what further steps the Government can take.

As we emerge from the economic downturn and see positive indicators in the economy and employment, it is important that we consider the cause and effects of underemployment and agree how the Government can work with employers to tackle negative effects. The committee has produced a wide-ranging series of recommendations; I will give the Government's response to some of those in my remarks.

First, I will set out the Government's objectives for the labour market. The Government considers worthwhile and fulfilling employment to be an essential component in achieving our purpose of increasing sustainable economic growth. All individuals should be able to fulfil their potential and to utilise the skills that they have acquired through participating in the education and training infrastructure of Scotland. That approach is central to tackling underemployment and will run through the response that the Government makes to the committee's report.

A key point that is made throughout the report concerns our level of knowledge about the impact of underemployment on individuals and on overall productivity. Although it acknowledged that Scotland goes further than other UK countries in regularly publishing data on underemployment, the committee believes that more of the data that we hold should be published. Further, the committee believes that more work needs to be done to assess the impact of both time and skills-based underemployment.

We know that underemployment is not in itself a measure of the strength of an economy. Although their rates are slightly lower than the UK, strong economies including the German and Swiss economies have relatively high levels of underemployment. It is therefore difficult to establish a clear and strong correlation between underemployment and economic performance.

Another related issue is the wide acceptance that a flexible labour market is essential to delivering continued economic recovery; however, it is important to recognise that some groups— young people, women, older workers and disabled people—may be adversely affected by underemployment. The Government agrees with the committee that we need to look more at the specific problems that those groups face. I have asked officials to consider what additional data we hold that could be published to further illuminate the circumstances that arise from those questions.

Some data, such as those on carers in the labour market for example, which will be inextricably linked to the discussions on underemployment, are more challenging to derive from what is collected. Again, I have asked officials to consider what more can be done about that. Work will also be undertaken to update the skills utilisation measurement framework in the coming year so that we can better understand the impact of the concerns and issues that have been raised.

Mr Fraser mentioned comments that were made in the committee about our labour market performance. Specifically, the committee expressed the view that the labour market participation target, which records employment, does not reflect the health of the labour market. Those things are considered in the national performance framework, Scotland performs. It was established in 2007 as a mechanism to create wide acceptance and understanding of the major contributory factors to achieving the Government's purposes, and to openly assess our contribution and the contribution of other interventions to increased sustainable economic growth.

The framework has attracted international commendation. The Government is prepared to look at some of the elements in the framework, albeit within the context that we have a comprehensive and robust framework that can judge the performance of the economy and the wider health of our interventions in delivering economic recovery.

I have already commenced wide-ranging discussions across the political spectrum in Parliament and with stakeholders to consider how the framework might be strengthened, and I will advise Parliament of the outcome of that work. I will ensure that the issues that have been raised by the Economy, Energy and Tourism Committee are included in that process.

I agree with the committee's belief that one of the drivers of rising underemployment has been the economic downturn. That must be an inevitable conclusion of assessing the data. The Government will work to reduce levels of underemployment as we focus on delivering

economic recovery. Recent economic and employment figures demonstrate that we are making progress in the wider labour market. In 2012 as a whole, output rose by 0.3 per cent in Scotland, with quarter 4 showing growth of 0.5 per cent. The labour force survey employment figures that were published in May for the period from January to March this year showed the largest increase in employment in Scotland since records began in 1992. Youth unemployment continues to fall, and is at a rate that is 3.7 percentage points lower than the UK rate of 20.3 per cent.

As the Government's efforts bear fruit in delivering recovery, we will continue to focus on creating a fulfilling labour market as part of our wider work in supporting economic growth in Scotland.

It is welcome that the committee's report also recognises the Scottish Government's financial commitments to promoting economic development. Our capital investment programme is a central element of our approach to supporting recovery and, despite the significant reductions in capital expenditure that we have had to plan for, the Scottish Government investment programme is on course to spend £3.1 billion in 2012-13.

Scotland's enterprise agencies have a key role in supporting economic recovery. I agree fully with the point that was made by the committee about the need to maximise outcomes from investments in order to sustain and stimulate growth. The Government and its enterprise agencies work closely together on delivery of economic objectives, all of which is related to the impact on the labour market. In 2012-13, for example, Scottish Enterprise levered in £60 million of new investment in growth companies and exporters by investing £30.3 million through the Scottish Investment Bank. Through regional selective assistance, Scottish Enterprise supported projects that will generate £216 million of additional capital investment, all of which will flow through into the health of the Scottish economy.

A key part of the work of the enterprise agencies is to work with companies to expand productivity and capability within the labour market. That means working to create an investment climate in which quality jobs are created and sustained, and good working practices are developed that are beneficial to the individuals involved.

The committee's report highlights an increasing level of interest in zero-hours contracts. The Scottish Government does not employ people on zero-hours contracts and is not aware of any issues regarding use of zero-hours contracts in the context of contracts that are awarded by the Scottish Government. We do not, however, hold information on the extent of any such practice in the wider public sector in Scotland. The

Government will work to establish more detailed information on that.

Duncan McNeil (Greenock and Inverclyde (Lab): The cabinet secretary has said that he is not aware of the use of zero-hours contracts in public procurement, but he cannot say that about the awarding of grants to companies that use zero-hours contracts, can he?

John Swinney: I know the point that Mr McNeil is driving at. However, there is a slightly different relationship in the sense that companies are able to attract investment from the Government if they meet certain conditions for that investment. I do not have the information, so I cannot share with Parliament any circumstances in which there would be concerns about the way in which investment had been used to support a framework that could be described as zero-hours contracts. If there is evidence that zero-hours contracts are being used, and being used inappropriately, in services that are provided to the Scottish Government, that should be brought to our attention and we will take all appropriate steps to deal with the matter.

The Government is also considering what steps could be taken through the proposed procurement reform bill to ensure that procurement procedures take account of potential contractors' approaches to workforce matters, when that is appropriate. We have to recognise that any action would have to be taken within the context of employment law, which is currently a reserved matter, and would have to be consistent with the constraints that are applied by European procurement legislation.

The committee's report sets out a number of recommendations on learning and skills. Broadly, they cover the questions of how we support people who have the lowest levels of skills, how we engage with employers on workforce development, and how we support people who are skills-based underemployed. The overall aim of our reform of post-compulsory education is to ensure that the current and future needs of employers and the economy are central to delivery of all education.

Through activity agreements and opportunities for all, we are ensuring that every young person has access to training or education to enable them to access the labour market. Through the development of skills investment plans for each of the key sectors, and skills action plans for other important sectors, we are clearly articulating the industry skills development needs that face each economic growth sector. Through the our skillsforce service, we now offer employers access to the full range of national and local support to help employers to recruit, train their workforce and grow their businesses.

The Government agrees with the committee that underemployment is more likely to occur in difficult economic times and that it is crucial to growth that everyone can fulfil their potential in the workplace. I have set out a number of actions that are under way to understand this complex matter, to work with employers and the industry to drive growth, and to ensure that our post-mandatory learning is better aligned to the needs of the current and future markets. We have a duty to address challenges in the labour market that might adversely and disproportionately affect Scotland's workforce.

As the committee has requested, I will be happy to raise the matter of underemployment with the Scottish employability forum and to seek its members' views on what more can be done to help us to understand better, and address negative impacts of, underemployment in Scotland.

Our first priority for Scotland is sustained economic recovery and growth, so we must do whatever we can within the powers that we have to remove barriers to our achievement of that aim.

The Deputy Presiding Officer: Ken Macintosh has a generous eight minutes.

14:42

Ken Macintosh (Eastwood) (Lab): Yesterday, my youngest son asked me why people in Australia are happier than people in this country. I am not sure how many members have heard this piece of news but, at the end of last week, the Organisation for Economic Co-operation and Development produced a report that ranks Australia as the happiest country in the industrialised world in which to live and work. The UK, despite being the sixth richest country, comes in at 10th in that list. As in most lads and dads conversations, I of course pretended that I knew the answer and said so with authority. However, his question certainly got me thinking. Among the range of factors that might be taken into account in considering what makes for a happy country, I would be astounded if employment, and in particular work satisfaction, were not part of the bigger picture.

We know from a range of studies, most recently Oxfam's humankind index, that work is important to everybody and that even more important to our sense of wellbeing are the nature and quality of that work and the satisfaction that goes with it. That is why the Economy, Energy and Tourism Committee report on underemployment is a particularly welcome contribution to the debate. The effects of the current economic difficulties that this country faces have been deeply damaging to individuals and their families, but they have also

been quite different from the effects of previous recessions. As the report reveals, although unemployment has been slightly lower than expected and lower than was feared back in 2007-08, the emerging problem of underemployment has been far greater.

The Work Foundation and others have estimated that, over the course of the recession, the number of people across the UK who have been affected by underemployment has increased from 2 million to more than 3 million. That helps to illuminate the scale of the problem but, as Stephen Boyd from the Scottish Trades Union Congress highlighted, it also suggests that, until now, we have perhaps been too complacent about the issue. As he observed, the UK has more low-wage and insecure jobs than any other developed country apart from the United States.

It seems clear from the committee's report and from other surveys of underemployment that the burden is not evenly distributed across the population and that certain groups are more vulnerable. For example, as with unemployment generally in the current recession, women and young people are particularly badly affected. There are fewer part-time workers generally compared with full-time workers in our economy, but levels of underemployment among those who work part time are far greater. The committee heard evidence from disability groups and others that those who already face disadvantage, such as parents of disabled children, are more likely to suffer from skills underutilisation or, in other words, to be employed at a lower level. All in all, it adds up to a very worrying picture indeed.

The economist David Bell has spoken about the dangers of a new lost generation and the scarring effect of unemployment on young people. The committee rightly highlights the damage that underemployment inflicts on young people—particularly those with lower skills—their capacity to be independent and their employment prospects in the future.

Average household income in Scotland has declined—families are feeling the squeeze—often because of the reduction in the availability of overtime or in the number of hours worked. There is a huge increase in in-work poverty in this country, and we should be grateful for the spotlight that the Economy, Energy and Tourism Committee has shone on that.

We should also be grateful for the practical list of recommendations for action on which the committee has agreed. I hope that the Government will respond positively to all of those.

First, it is clear that the Scottish Government needs to start treating underemployment at a

strategic level in a similar manner to the way in which it currently approaches unemployment.

The committee highlights the need to identify labour market targets for underemployment—in other words, to try to grow the number of hours that people are in work and to improve the quality, as well as the number, of jobs in Scotland.

The Government could be more active—more aggressive—in its labour market interventions. The new employer recruitment incentive and the wage subsidy with which that provides us might be a place to start.

Labour hoarding has emerged from the report as an issue. It is good that firms have worked to keep their employees on in the face of the downturn but, as the recession continues and demand fails to pick up, that is proving unsustainable. On the continent—in Germany, for example—a different approach has been tried. Through good economic times, workers build up reserves of overtime and pay with their employers that are then used to tide them over in downturns. Furthermore, one particular Government intervention is directed at saving long-term employment in firms. Instead of picking up the cost of unemployment benefit, the Government has intervened to subsidise jobs for up to six months rather than see a firm go out of business for good. Those policies are worth further exploration.

Zero-hours contracts are receiving a welcome amount of attention and scrutiny. The recession has undoubtedly created what one might term an employer's market, which the less scrupulous are using to their advantage. I include in that bracket of the unscrupulous the Westminster Government, which is trying to unpick some of the employment rights that have been put in place over the past decade or more. Clearly there is no connection whatever between employment rights and the economic difficulties that we have been faced with over the past five years. Therefore, it is difficult to conclude that any moves against employees are anything other than politically motivated rather than stemming from evidence that they will somehow benefit our economy.

The number of UK workers on zero-hours contracts has increased by 46 per cent over the past five years, an increase that is especially marked among the young. Such contracts are particularly prevalent in retail and finance centres, where they are used by up to a quarter of UK employers. They are also prevalent in the private care sector. A recent survey of home care workers reported that 41 per cent were on zero-hours contracts.

I am sure that there is not a member present who is unaware of how stressful and disruptive such employment practices can be to family life.

Aside from the fact that they do not provide a guaranteed weekly or monthly income, the short notice that people on such contracts are given in the expectation that they will turn up to work is difficult for anyone to manage and well-nigh impossible for those with childcare commitments. They also cause complications for those who try to claim income-related benefits, so the Government's own anti-poverty measures are undermined.

Labour members are certainly looking for a commitment from the Government that it will use the forthcoming procurement bill to ensure not only that the public sector is an exemplar employer but that no companies bidding for public sector work will be allowed to use zero-hours contracts. A good place to start might be the First Minister's favourite company, Amazon.

I noted the cabinet secretary's comments a few minutes ago in answer to Duncan McNeil's questions and was slightly disappointed by them. I hope that he will be more proactive.

I draw the cabinet secretary's attention to a legal question-and-answer article about zero-hours contracts in the magazine "Personnel Today". It talks about the unintended consequences of the new laws on agency workers driving people on to such contracts and creating a perverse incentive. It concludes, without any trace of irony, with the question:

"What can I do to minimise the risk of zero-hours workers acquiring employment status?"

In other words, it offers advice to companies to ensure that those who are on zero-hours contracts do not become regarded as employees.

John Wilson (Central Scotland) (SNP): Would not Mr Macintosh agree that the sooner the Parliament has full powers over employment legislation, the better that will be from the point of view of protecting Scottish workers from zero-hours contracts?

Ken Macintosh: I am very disappointed by Mr Wilson's question. I have a huge regard for him and know how much he—like many of his SNP colleagues—cares about the matter, but how many times must we hear the constitution being used as a reason for inaction? The Scottish Parliament has many powers. [*Interruption.*] I am sure that Duncan McNeil and other members will talk about zero-hours contracts in the context of the proposed procurement bill. That is something that Mr Wilson's Government has direct influence over—

John Wilson: No, we do not.

Ken Macintosh: The procurement bill could be used to enforce our will. [*Interruption.*]

The Deputy Presiding Officer: Mr Wilson, if you would like to rise to your feet and take part in the debate, you would be welcome to do so.

Ken Macintosh: I recognise Mr Wilson's concern about the matter, but I ask him to shake off the constitutional framework for a moment and think about what we can do with the powers that we already have.

I believe that there is a lot that the Scottish Government can do in a host of ways. The trend towards part-time and temporary contracts is not simply an issue for the private sector. The moving of a great number of teachers from full-time permanent contracts to part-time temporary contracts has been identified as a problem throughout the most recent Administration. The public sector generally has a duty to pursue best value, but when best value is so often measured by cheapest price, that stands in direct contradiction to some of the issues that the report that is before us addresses.

One of the most important conclusions and recommendations of the Economy, Energy and Tourism Committee was its call for Skills Development Scotland and the Scottish Further and Higher Education Funding Council to consider further ways to increase access to further education, training and work. The cabinet secretary has defended the Government's emphasis on full-time education, but the whole nature of underemployment suggests that part-time further and higher education has a crucial role to play. The very fact that the head count is such that tens of thousands of Scots are now being denied access to skills, education and training that may help them—even if simply with their self-esteem—is a lamentable failure of the Scottish Government.

I appreciate that the Scottish Government might not accept Labour's entire prescription for improving our economy and tackling underemployment, but if it at least begins by accepting the work of the Parliament's Economy, Energy and Tourism Committee, that will have been a helpful contribution indeed.

The First Minister and others are fond of quoting Joseph Stiglitz, as if associating themselves with that renowned and—I must say—thoroughly admirable economist somehow bolsters the argument for independence, but the bulk of Professor Stiglitz's work addresses the idea of a sustainable economy and a sense of wellbeing. It is about securing good-quality, long-term and sustainable jobs. That is what Joe Stiglitz's vision for Scotland is and it is a vision that we in the Labour Party share. We would be happy to work with the Government on it and on developing manufacturing and industrial policy, rethinking our approach to our banks, supporting credit unions,

supporting community ownership and asking firms to pay a fair amount of corporation tax. We need to ask ourselves who runs our economy and for whose benefit. That way, we can perhaps restore some of the pride, fulfilment and prosperity that should be secured by employment.

14:52

Gavin Brown (Lothian) (Con): I apologise to the chamber for missing the first minute or so of the debate.

We have just heard from Ken Macintosh, who decided to kick the UK Government and the Scottish Government for all that they are doing. He kicked big business and small business; he even kicked magazine publishers. I cannot help but think that next year's OECD survey might produce a very different result were Mr Macintosh to spend the next 12 months in Australia. Perhaps it would no longer be the happiest place on earth and the UK might be a little bit happier.

In all seriousness, I join the other opening speakers in congratulating the Economy, Energy and Tourism Committee on undertaking its work on underemployment and on producing what I think is a highly thoughtful and interesting report. It is clear that underemployment is a complex topic. It is the first time—certainly during my time in the Parliament—that the issue has been put under the microscope, and it is the first time, to my knowledge, that it has been the subject of such a high-level debate.

The complexity of the topic was identified early in the report, when it broke down underemployment into hours-constrained underemployment and skills-underutilisation underemployment. There are huge difficulties with both.

Coming up with fairly accurate figures for hours-constrained underemployment might be fairly straightforward—I acknowledge the additional work that the Scottish Government does to boost the ONS figures for Scottish results—but working out what to do in response to those figures is far more difficult. However, even measuring skills underutilisation quickly and accurately is a difficult problem, never mind doing something about it, which is even more tricky. As John Mason suggested in his intervention on Murdo Fraser, the fact that there is a high degree of subjectivity in relation to skills underutilisation means that simply working out the scale of the problem is not easy,

John Mason: Does the member agree that part of the answer might be, at school level, to line up young people with where the jobs will be in the future?

Gavin Brown: I would not disagree with that at all. We need to start to do that at school level and take it all the way through. Of course, people accrue different skills and change their mind about what they want to do as they go through their educational journey, but trying to get a better alignment between employment opportunities and the skills that we train people in is a challenge that every Government, including the current one, must face. We have to continually improve what we do in that regard.

The committee concludes that the decline in output has resulted in a reduction in the demand for labour, and suggests that underemployment is likely to decrease as demand for labour increases. However, it is unclear what that rate of decrease will be and when it might start to occur. From the figures, it seems likely that, even a couple of years after the economy starts motoring along again, we will still face the challenge of underemployment and will have to wrestle with some of the issues that the report covers.

One chart in the report shows that, between 2005 and 2008—the years immediately preceding the crisis—the average rate of underemployment was just over 7 per cent. Another chart shows that, between 2009 and 2012, the rate was 10.2 per cent. It is quite likely, in the normal course of events, that there will be a reduction in underemployment. Whether that leads to a reduction to 7.1 per cent, which is where we were before the crisis, is questionable, and we will still have the best part of two-thirds of our current rate of underemployment if those figures turn out to be correct.

Murdo Fraser said that, ultimately, the report raises more questions than it supplies answers. That is true. A couple of those questions are worthy of greater exploration.

If we look at what are described as the regions across the UK, it seems that the picture in most areas is pretty similar. The exception is Northern Ireland, which currently has an underemployment rate of 6.3 per cent. The next lowest is the east of England, with 9.7 per cent, and the highest is the north-east of England, which has a rate of 11.5 per cent. There is a marked difference between the situation in Northern Ireland and that in the rest of the UK. Northern Ireland's rate of underemployment—today, at the height of an economic downturn—is lower than the rate that existed in any other part of the UK during the boom years, when the lowest rate, in the south-east of England, was 6.5 per cent. I wonder why that is. It might be worth looking into that to see whether something can be learned.

How does the spread of underemployment work across various sizes of business? We have seen some breakdown of the figures according to

business type, which allows us to see that the rate of underemployment is particularly high in retail, hospitality and tourism, but it would be useful to know how the figures break down between micro businesses, small businesses, medium-sized businesses and large businesses. Is there any pattern to that? Is there any link between the size of an enterprise and the level of underemployment that it experiences?

What are we going to do about the issue that Highlands and Islands Enterprise raised in its evidence to the committee? Its view is that the annual population survey underestimates underemployment in the Highlands and Islands area. The HIE submission states that underemployment in its area

“is probably significantly more prevalent than the national statistics indicate, especially in fragile areas where much employment is very part-time or casual.”

Also, why are there quite stark differences in underemployment for full-time and part-time workers in the public and private sectors? Underemployment for full-time workers is higher in the public sector, at 5.2 per cent, compared with 4.9 per cent in the private sector. Obviously the difference is small, but the rate of underemployment for full-time workers is still marginally higher in the public sector. However, when it comes to part-time workers, the position is flipped. Underemployment for part-time workers in the private sector is 24 per cent, compared with 18 per cent in the public sector. Why are there differences between the public and private sectors as regards underemployment of full-time and part-time workers?

The committee has produced an excellent and thought-provoking report. I agree with many of the conclusions, in particular the conclusion that the Scottish Government should monitor developments closely. I was encouraged by what the cabinet secretary said about the Scottish employability forum, and I agree that underemployment ought to be part of the forum's work programme. Specifically, we must look at the impact of underemployment on young people, as well as at the gender question and the question of protected characteristics.

15:01

Mike MacKenzie (Highlands and Islands) (SNP): I acknowledge the valuable input of colleagues into the inquiry and I thank all those who assisted us, especially the committee clerk and her team, as well as the witnesses who gave us valuable information.

Underemployment is a phenomenon that has been only recently recognised. In the course of its inquiry, the committee has discovered that

underemployment is complex and still not well understood. Nevertheless, it is still possible to make some broad observations. There is no doubt, for example, that a major cause of underemployment is the great recession that Gordon Brown and Alistair Darling led us into.

Kezia Dugdale (Lothian) (Lab): Will the member give way?

Mike MacKenzie: If the member will let me make some progress, I may take an intervention later.

There is no doubt that the recession has also been experienced by many other countries, but it has been particularly acute across the UK for reasons that are linked to underemployment. Underemployment statistics reinforce that view, with the UK experiencing underemployment at a level of about 10 per cent compared with an OECD average of just—

Kezia Dugdale: Will the member give way?

Mike MacKenzie: Yes.

Kezia Dugdale: Does the member recognise that his committee's report recognises that 2 million people were underemployed in 2008, before the recession? How can he blame Labour for that?

Mike MacKenzie: If the member had listened carefully to what I said, she would have heard me say that a major cause of underemployment is the great recession. I do not think that Kezia Dugdale would seriously attempt to argue that the recession is in no way related to underemployment. Statistics reinforce that view, with the UK experiencing underemployment at a level of about 10 per cent compared with an OECD average of 2.9 per cent. I urge Kezia Dugdale to reflect on that.

A large part of the reason for that difference is the deindustrialisation that has occurred to a unique extent across the UK, largely as the result of Thatcherism—I am sure that Kezia Dugdale would agree with that. While other countries were modernising their industries, we tossed ours on to the scrapheap. The committee heard evidence from Professor David Bell that the shift of our economy from manufacturing to a service economy has had a profound effect on the labour market, giving rise to so-called labour market flexibility—

Margo MacDonald (Lothian) (Ind): Will the member take an intervention?

Mike MacKenzie: No, I am sorry, I have already taken an intervention and I have a lot of ground to cover.

In this context, that labour market flexibility translates into employment uncertainty. The

acolytes of both Thatcher and Blair believe that to be an economic virtue, but such thinking merely underpins the short-termism of the casino economy. When employment is uncertain, people spend less and demand falls. Given that a large part of the reason for our current economic underperformance is the lack of demand, a flexible labour market can be regarded only as another of the UK Government's economic vices. Chief among those vices is, of course, the austerity agenda. Recent warnings from the International Monetary Fund and the OECD, as well as a very long list of economists, are going seemingly unheeded by the coalition.

The effect is compounded by UK employment law, which underpins so-called labour market flexibility, giving rise to the zero-hours contracts that we have heard about as well as sometimes bogus self-employment for people who, in reality, ought to be employees. As if that were not bad enough, on-going welfare reform is giving rise to yet more uncertainty and is lowering demand still further. Economic success cannot be built on the back of the working poor.

Against that background, the results that the Scottish Government has achieved are remarkable, with recent figures for growth and employment showing that Scotland is outperforming the UK. The strategy that is being pursued, of capitalising on our areas of competitive advantage and our natural assets, is proving the Scottish Government's economic wisdom. A disaggregation of growth data shows that oil and gas, renewable energy, life sciences and food and drink, among others, are the sectors that are driving our economic recovery and forging an economy that is balanced and, therefore, resilient. Such dynamic and growing sectors offer the opportunity of high-quality employment.

Aligning education, skills and training with genuine employment and career opportunities is an important part of the continuing work to curb both unemployment and underemployment. That is why initiatives such as the Nigg Skills Academy are so important, where Government is working directly with industry in a joint approach to education and training in areas that offer real opportunity.

In the face of the economic illiteracy of the UK coalition, the Scottish Government can do only so much to combat the twin scourges of unemployment and underemployment. The committee fairly acknowledges that in its report. What is missing is the third factor in the equation, which is tax-raising powers. The enhanced taxation revenue resulting from economic growth would allow the effect of good government and good economics to be reinforced and rewarded, allowing yet more investment in what would

become a virtuous circle of success. I look forward to the Scottish Parliament achieving full powers and to the day when our engine of success will run on all cylinders.

15:08

Margaret McDougall (West Scotland) (Lab): I apologise for my late arrival and for missing part of the opening speech.

An inquiry into underemployment in Scotland was urgently needed, and I am pleased that the Economy, Energy and Tourism Committee undertook that work. I will focus on two issues: the rise of zero-hours contracts and skills underemployment. I will talk briefly about the effect of both those factors on women in the labour market.

The committee took a lot of evidence from individuals who had been employed on zero-hours contracts and heard that such contracts can have a negative impact on those who are employed under them. Zero-hours contracts, whereby employees are not contracted to work for any fixed number of hours or for any hours at all, are a vehicle by which hard-won labour rights are being revoked for vulnerable groups of workers, particularly women and young people. Those who are employed on such contracts receive no holiday or sick pay and their job is extremely insecure. If they are benefit claimants, the way in which they claim can be negatively affected, often attracting unfair sanctions, as has happened to some of my constituents.

Such insecurity and unpredictability often mean that the individual is underemployed for a significant period of time, as people can find it difficult to attend job interviews or training courses if they do not know when they will be called to go to work and cannot afford to turn down that work when it comes.

The Cabinet Secretary for Finance, Employment and Sustainable Growth, John Swinney, stated that

“the Government does not apply zero hours employee contracts”

when taking on employees. However, the committee heard evidence that such contracts are applied by some companies and organisations that are in receipt of public funding. For example, 27 per cent of staff at the University of Edinburgh are on zero-hours contracts.

In a letter to the committee, John Swinney argued that, although the Government does not approve of such contracts,

“It is the responsibility of companies contracted by the Scottish Government to provide public services to put in

place appropriate contractual arrangements with their employees.”

That is not good enough.

Mike MacKenzie: Does the member agree that the simple answer would be for the UK Government to reform employment law?

Margaret McDougall: I think that there are things that we can do in this Parliament to bring about change. The Scottish Government must use its substantial influence to ensure that the incidence of zero-hours contracts is minimised if it is serious about ensuring a fair labour market that protects the rights of the low paid and vulnerable.

Zero-hours contracts not only turn back the clock on rights to sick, holiday and parental leave but reinforce gender imbalance in the labour market. In evidence to the committee, Women's Enterprise Scotland identified a gendered dimension to the problem of zero-hours contracts, as that abusive practice disproportionately affects jobs in which women are more commonly employed than men. In the private care sector, a reported 41 per cent of the workforce is employed under such contracts. That severely hampers women's capacity to become financially stable and productive employees, because even something as basic as planning and paying for childcare can become very problematic.

I call on the Scottish Government to explore how it can act quickly and decisively to help women who are struggling to maintain a place in the labour market as a result of exploitative zero-hours contracts. I urge all cabinet ministers to recognise that, although zero-hours contracts can be appropriate in some cases, the vast majority of the evidence that the committee heard during its inquiry made it plain that such contracts unfairly benefit employers.

I turn to skills-based underemployment in Scotland. I believe that a situation in which skilled graduates and others feel compelled to take jobs that do not align with the skills that they possess does a disservice to the Scottish economy as well as to the individuals affected. The UK Commission for Employment and Skills noted in its evidence to the committee that

“a jobs market that is engaging many experienced people to do entry level jobs is blocking access to jobs for young people.”

The commission observed that that leads to

“a range of social problems and lack of aspiration amongst some young people”.

Those social problems include an increase in welfare dependency, a greater demand for benefits advice and a higher incidence of mental health and wellbeing issues.

Margo MacDonald: Has any study found whether immigrants and temporary immigrants to this country block as much development as do the adults who are overqualified for the work that we want young people to do?

Margaret McDougall: We did not look at that as part of our inquiry, but perhaps the Cabinet Secretary for Finance, Employment and Sustainable Growth or the Minister for Youth Employment could respond to that in their winding-up speech.

The lack of opportunity for underemployed people to maintain and develop their skills in jobs that align with their ability has the potential to become disastrous for an entire generation of graduates and apprentices. It is important that the Scottish Government recognises the need better to match access to education and skills development to career prospects in order to boost employability and to tackle the imbalance in the labour market.

The committee recommends that the Scottish Government collect trend data on skills utilisation in Scotland, taking particular account of the gender split. We need to tackle the rise of zero-hours contracts—perhaps through the forthcoming procurement bill, as has been mentioned—especially in organisations that are publicly funded.

On skills underutilisation, the Scottish Government should—as John Mason noted in his intervention on Gavin Brown—undertake meaningful action to align the highly skilled and educated workforce that we produce with the employment opportunities in Scotland.

15:15

Marco Biagi (Edinburgh Central) (SNP): When the committee began its inquiry, there was a focus on underemployment in terms of hours, but the issue of the underutilisation of skills grew more salient as we went on. As the constituency representative for at least 13,000 people in full-time, further or higher education, I will address that issue in depth.

The committee heard in private from an underemployed graduate who had journeyed through unpaid work experience and casual labour in a state of limbo for some years, unable to get a first step on the ladder. The more time that the search was taking, the more graduates were emerging in cohorts behind him, which further reduced his chances of getting the job that he had trained and longed for.

I found that story quite familiar, as I saw it many times in my social circles among the classes of 2004 and 2005. I can only conclude that the labour

market changes that were going on at that time have now become embedded.

There are three important social justice issues to consider in relation to graduate unemployment. First, there is displacement, which has already been mentioned. Graduates take other jobs, and as a result there is a knock-on effect and others end up being unemployed.

Secondly, although graduates are more likely than the population as a whole to come from affluent backgrounds, I think that we in the chamber all agree that we want to change that. If the image takes hold—it already has done in some quarters—of someone who slaves away on a degree course with a student loan for four years, just to emerge into the same job that they would have had if they had gone straight into work, that will hit those who are most risk averse. They are the potential students whom we are trying to encourage to participate in greater numbers—namely, those who have little family history of participation in higher education and of seeing the benefits that it can bring.

Thirdly, if there is an ever-more cut-throat battle for graduate level jobs, the odds are clearly in favour of those who have the personal contacts or the family resources to give them an edge.

The committee highlighted a lack of data on on-going skills underutilisation, but there is one good piece of data, which is the higher education destinations survey. It applies only to the point six months after someone has left education, but it is regular and quite comprehensive. The survey found that, right now, 26.2 per cent of graduates in employment are underemployed. To satisfy John Mason and Gavin Brown, that means that those graduates are not in the job types that were classified by Elias and Purcell of the Warwick institute for employment research in 2003 as graduate occupations, which gives a level of independence to the definition.

The proportion of graduates in employment has changed in recent years, presumably in an attempt to upskill further in a more competitive job market. However, having done the further reading for the inquiry—which once led Murdo Fraser and the committee to call me a swot—I have reached some conclusions about what that shows.

In written evidence to the committee, NUS Scotland stated:

“since the onset of the recession, graduates have been less likely to find graduate level employment, but have remained less likely to be unemployed than those without degree level qualifications”.

However, the higher education destinations survey goes back further than the recession, and so does the problem. Although there was a relative peak around 2006-07, Scotland's current level of

graduate underemployment is now comparable to 2002-03 or 2003-04. That leads me to suspect that the problem is structural rather than temporary.

International evidence is quite scant, partly because of certain methodological issues, but we know from UK surveys that Scotland has much more of a problem with graduate underemployment straight after courses than the rest of the UK and that that has been the case for as long as the higher education destinations survey has been published, which is well over a decade. When, this morning, I browsed a major graduate recruitment website that compiles advertisements from a range of UK graduate recruiters, I found 37 adverts for Scotland, seven of which were from one company that had advertised multiply, and more than 100 for the London region alone.

Margo MacDonald: This comment might be a bit simplistic but, given our aim to put 50 per cent of those leaving school into universities, are we not simply storing up trouble for ourselves if we do not work out a plan for what happens at the other end?

Marco Biagi: The member has a point but there are other countries with much higher levels of participation in higher education that, as far as we can tell, do not have as much of a problem afterwards.

Perhaps Margo MacDonald will agree with my hypothesis that the structural lack is linked to our poor levels of commercial research and development. We might have first-class universities that provide first-class teaching and research but, in both areas, they are working in the face of a UK economy that is structurally very unbalanced. Margaret Cuthbert said recently, of the structural disparities:

“they are the result of the fast growing south, particularly London and the City, acting as a magnet for capital and labour from the other parts of the UK, and helping to stoke the growth further: at the same time, the peripheral areas,”—

which, unfortunately, include Scotland—

“which are losing their labour and capital to the south, are thus held back even more”.

In the more poetic words of Liz Lochhead, there is

“at the mouth of her greatest river, her greatest port, a glistening city that sucked all wealth to its centre which was a palace and a court of a queen.”

If wealth causes geographical concentration, so, too, does opportunity—and that observation is as valid for Edinburgh as it is for London. I admit that Germany and the United States of America have managed to create many centres of prosperity within one sovereign union. However, the smallest land or state has a far wider range of economic powers than our country. The UK’s underlying

economic imbalance is now in the spotlight. That is good news, because the more it is scrutinised the more we will uncover its links with Scotland’s chronic and long-running problem in providing opportunities for our young people that are appropriate to their qualifications, their hopes and their aspirations.

15:22

Kezia Dugdale (Lothian) (Lab): I welcome the opportunity to contribute to the debate and congratulate all the members and indeed everyone else involved in considering the issue and producing the report.

I am keen to reflect on issues around self-employment and particularly the role that is played by the Government in creating and sustaining jobs but, before I do so, I think it important to acknowledge what the report says about the startling figures for youth underemployment. Marco Biagi has spoken particularly well on the impact of such underemployment, particularly on women, which is an issue that my colleague Margaret McDougall touched on. With regard to women, the key aspect of the report that the Government must take on board is the fact that their underemployment is probably far greater than the statistics suggest because of childcare and that they would like to work longer hours but cannot do so because they cannot access affordable childcare. In that regard, the report certainly highlights many issues that the Government needs to go away and think about.

As for self-employment, Murdo Fraser recognised that the issue merited further analysis and the STUC has noted that the new self-employed are very different from those in the pre-recession period. In evidence to the committee, the cabinet secretary welcomed the increased trend towards self-employment, although he, too, acknowledged the need to explore whether all those business ventures provide individuals with economic security and sustainability.

I decided to do a bit of exploring and this morning took to the Department for Work and Pensions jobmatch website to see what I could find out. Anyone who is looking for a retail job in the Lothian region will find just 61 jobs that have been advertised on the website in the past two weeks; however, those who look at the detail of those 61 jobs will soon discover that 50 per cent of the posts are self-employed. For example, for a job with Edinburgh-based Vision Focus Group, the applicant will be

“Self-employed ... Delivering/collecting home shopping catalogues”.

According to the terms and conditions for the job,

"The company has given an assurance that this vacancy enables workers to achieve a wage equivalent to the National Minimum Wage".

Someone might just have a chance of earning just over £6 an hour, which is not great at all.

A job with Salian involves going door to door with the Kleeneze shopping catalogue. The job costs the worker £250 to take up—they have to give the company £250 before they can even go door to door, selling from a catalogue. That is another example of a very poor-quality job, as is a job with a company called Momentum Instore Merchandising, working in retail units doing window displays. The job description states:

"Successful candidates will be issued a temporary 'Terms of Engagement' contract if you are successful and for the avoidance of doubt, these Terms of Engagement shall not give rise to a contract of employment between the Company and the Temporary Worker, or the Client and the Temporary Worker. It is the intention of the parties that the Temporary Worker will not be an employee."

The worker is not actually employed—well, they are employed for the purposes of the job statistics, but they are not employed for the purposes of their employment rights.

Mike MacKenzie: Will the member take an intervention?

Margo MacDonald: Will the member give way?

Kezia Dugdale: I am sorry, but I need to get further along.

If someone does not have employee status, they do not have a number of important legal rights, such as the right to be unfairly dismissed, and they do not have maternity rights or redundancy rights. That is a far cry from the high-quality, sustainable jobs that I am sure the Scottish National Party front bench would like to see in our economy. The question is, what do we do about it?

Margo MacDonald: Are we better together?

The Deputy Presiding Officer (Elaine Smith): Order.

Kezia Dugdale: The Cabinet Secretary for Finance, Employment and Sustainable Growth stated in his speech that he was in the business of building an economy in which quality jobs are created and sustained. If that is the case, I think that he needs to take a more hands-on approach with regional selective assistance grants and how they are operated.

As colleagues have said, a company such as Amazon has received £10.6 million from the Scottish Government; £4.3 million to support its expansion in 2011, and £6.3 million for the construction of its Dunfermline building. We know about Amazon's failure to pay corporation tax, but

what about the terms and conditions that Amazon offers its employees in the workplace? I encourage members to look at an article called "Amazon Unpacked", which was published in the *Financial Times* magazine on 8 February. It is a lengthy article, which details working conditions in Amazon plants across the United Kingdom.

Mike MacKenzie: Will the member give way?

Kezia Dugdale: I am sorry, Mr MacKenzie; let me make a wee bit more progress.

The article states that workers are not allowed to talk to colleagues; they can walk between 7 and 15 miles a day; and they get scanned every time that they go for a break to ensure that they have not nicked anything. That is hardly the positive working environment that we would all want to work in. In addition, we know that Amazon relies heavily on agency staff, with even fewer rights, at peak times.

The Cabinet Secretary for Finance, Employment and Sustainable Growth either believes that Amazon is a good corporate citizen or he does not—I would love to know which one it is. Given that his colleague, the Minister for Youth Employment, has substantially greater left-wing credentials than he does, I could take a pretty good stab at what she thinks of Amazon as an employer. I cannot believe for a second that she is comfortable with giving so much public money to a company that fails to pay its taxes and fails to give its employees decent terms and conditions of employment. If I am right, what will the Government do about it?

We give such companies so much public money and ask very little in return. If the Government is not willing to take on this issue using its existing powers, let us hear about its vision for the economy in an independent Scotland. Let us find out what the Government would like the economy to look like in an independent Scotland.

I am not sure that you would agree on the front bench, and Tommy Sheridan and Jim McColl—two of your key yes Scotland supporters—would not agree either. Is that why we are not hearing the answers? [*Interruption.*] Let us hear it.

The Deputy Presiding Officer: Order. Can we speak through the chair, please?

Kezia Dugdale: I am sorry, Presiding Officer.

Let us hear the answer. Let us hear their vision for the Scottish economy, and let us find out what the Government will do about companies such as Amazon that do not pay their corporation tax and do not provide their employees with decent terms and conditions. That creates the type of environment and economy in which underemployment is such a significant problem that—[*Interruption.*]

The Deputy Presiding Officer: Order. May I stop you for a moment, Ms Dugdale? There is time for interventions if members wish to make them, but we cannot have members shouting out from the sidelines.

John Mason: Will the member give way?

Kezia Dugdale: I am happy to.

John Mason: Whose fault is it that those companies are not paying corporation tax?

Kezia Dugdale: What does the member mean? Clearly, it is the fault of the system that they can pay extortionate lawyers to find gaps and loopholes in the system, but the Government has yet to say whether that would improve in an independent Scotland. We have a Government that is committed to cutting corporation tax, but it thinks that companies will somehow pay more as a consequence. Which will it be? We are all responsible for letting big business away with things for too long, but let us come together and work out what we will do to ensure that big companies pay the taxes, rather than have an SNP Government that is committed to cutting the tax to a level that is 3p lower than the Tories could ever hope for.

15:29

Chic Brodie (South Scotland) (SNP): I am privileged to have been a member of the committee that addressed this issue. In my opinion, no issue—other than perhaps unemployment—better reflects the major challenges that we face today. I say that because, despite the best efforts of our committee adviser, Government statisticians and others, we cannot be sure how big or small the problem is.

The House of Commons discussion paper on zero-hours contracts said:

"Due to the nature of the Labour Force Survey these estimates are entirely dependent on the responses provided by individuals taking the survey. It is possible that people are on zero hours contracts but are not aware of this, or are not aware that they are called zero hours contracts. If this is the case, the numbers presented above are likely an underestimate."

Indeed, we could not properly assimilate the information that we had with that of labour force surveys internationally.

Despite Scotland's relatively better performance in employment, there is no challenging the harsh impact of economic deceleration, which has led to a decline in the demand for labour, and its impact on those who are underemployed and, indeed, unemployed. However, there is a statistical dilemma about the transposition of anticipated increases in unemployment to higher levels of underemployment. A large part of that dilemma

might have been mitigated had the London Government had a meaningful economic strategy and performance and harnessed that to a true skills and work programme, as our Government is trying to do.

Only last week, the IMF informed the economic debate by saying that the UK should drop its austerity programme, but that suggestion fell on Osborne's deaf ears. The employment level in Scotland is higher, happily, than it is in the rest of the UK at 71.8 per cent. Of course, we wish that number to be much higher, but it cannot be understood why that figure has remained relatively high in circumstances in which there has been a reduction in capacity, output and productivity—circumstances that would have been anticipated in the economic downturn that we have experienced.

Normally in circumstances in which real productivity has fallen 3 per cent below its 2008 peak, a realistic and regular reduction in employment would be expected, particularly given the growth of the labour force in this period, but there has not been a reduction. Why not? One single unblemished achievement of the London Government is that the National Institute of Economic Review said that there is spare capacity in the economy. Of course there is, because of the economics that we have been following.

When will the slavish Scottish Tories recognise that the London Government is not working? Even today the finance for lending programme, which is destined to offer cheap money to business through the banks, has seen a £300 million reduction in business loans for the first quarter of the year.

Gavin Brown: Given that Chic Brodie was on the committee that wrote the report and that he is more than halfway through his speech, will he address underemployment at some point?

Chic Brodie: Mr Brown should know that I always save the best for last.

The majority of the money is being diverted by the banks to either shore up their balance sheets or create a new bubble in the housing market through increased mortgages. It is much easier to get big bonuses that way.

Underemployment, unemployment—

Gavin Brown: Come on, Chic.

The Deputy Presiding Officer: Order.

Chic Brodie: I could feel Mr Brown's anticipation. *[Interruption.]*

The Deputy Presiding Officer: Order, Ms Scanlon.

Chic Brodie: Underemployment will be reduced only through a reversal in the austerity programme and a move to one of capital investment, through

which demand would be greater, supply would be higher and there would be less pressure on inflation.

The UK's programme is the economics of the madhouse. It is a dead end: a one-way street to nowhere. That is why we should all acknowledge without tribalism—I think that we were constructive in the committee—that our Government's commitments on capital spend, modern apprenticeships, further education and opportunities for all are the right policies to promote economic stimulus, create labour demand and therefore confront the underemployment chaos and remove the frustration of the underemployed and the regrettable misplaced stigma of laziness and lack of ambition in some cases.

Of course a dynamic economy requires a flexible labour market, but as the committee was told, the role and contribution of temporary recruitment agencies needs to be reviewed, as does their effect on the employment marketplace. Notwithstanding the independence debate—that was also discussed in the committee—one wonders whether Jobcentre Plus and the work programme would be much better and much more effective if they were a much more integral part of the Scottish employment jigsaw. That is shorthand for saying that they should be governed by the policies and processes of the Scottish Government.

Underemployment levels are not accurately defined and are exacerbated by an overarching UK economic dominance, but there is one conundrum in the evidence that the committee took. The growth in the number of self-employed people in Scotland could be called a bright spot. The 23,000 increase in the number of those who are self-employed is not a fig leaf. The growth in self-employment in the third sector and social enterprises underpins the character of Scots to dispose their positive work ethic. The rise of those sectors marries that work ethic to innovation and enterprise. That may be the reason why the statistics are indefinable and even, indeed, unreliable. There is an unintended revolution.

Like unemployment, underemployment is a scar on our society. We can heal those scars, but not in the present theatre of economics.

15:37

Duncan McNeil (Greenock and Inverclyde) (Lab): The committee has produced a very interesting report and should be commended for it. It challenges the Parliament to come together and look at the changing nature of employment and work, how people can be gainfully employed and how they can derive from that not just economic

benefit but the social interaction that we all—certainly people of my age—grew up with. It was good to have an apprenticeship and a job and to be the charge-hand and the yard manager. All that held our society together. I hope that the report is a start in getting us as politicians to focus on some of the challenges for the people whom we purport to represent.

There has been a cosy view of the workplace as a place in which people had some power, whether because of the status of their job, because they were in a trade union or because people had confidence in their skills. However, the workplace has changed dramatically. I suspect that not many of us know about the powerlessness that exists in our workforces. Many years ago, some of us were part of the industrial workforce. It is hard to appreciate the change that has happened over time as a result of the deindustrialisation—that has, rightly, been mentioned—that has taken place.

Unemployment is recognised as a bad thing, and underemployment is equally bad. People are taking jobs that they do not really want; there is low pay, subcontracting, shift working and zero-hours contracts; and people are laid off. When the line stops at 6 o'clock in the morning, there is no means of getting home, so a person will sit unpaid in the canteen for two or three hours until the transport arrives. That is the reality of what is right under our noses, irrespective of our different views on how that was brought about. Those views are probably not as different as we would expect them to be.

Margo MacDonald: I will be interested to hear Duncan McNeil's answer to my question, because he was an active trade unionist. To what extent has the trade union movement acquiesced in the growth of underemployment and part-time employment to cover the fact that we have lost so much real employment?

Duncan McNeil: There have been massive shifts, with deindustrialisation over the piece that the Government has supported, but I would never sneer at or criticise somebody who goes out and works for the minimum wage, because that is not my choice to make. People go out there and accept such situations and conditions, despite having a trade union or other people to represent them, because they need to support their families. They do not do that through choice. That is the reality.

I and my colleagues on the Health and Sport Committee have struggled with the issue of health inequalities. The World Health Organization and others have stated that, unless we shift power and wealth, we will not deal with health inequalities. The conditions that people have to put up with also have an impact on their wellbeing. The heart

disease rate is 50 per cent higher in lower-grade employees, and mortality rates for temporary workers are 20 per cent higher than those for permanent workers. Those are the hard realities of what people face.

Some people say that the situation has never been any different and that, if employers get a free hand, they will exploit workers. Professor Clare Bambra had a slide on that in her presentation to the Health and Sport Committee. William Morris said:

“at least I know this, that if a man is overworked in any degree”—

it was in 1884, which is why he used the word “man”. I say that in case my sisters get—*[Laughter.]* They are a dangerous bunch. William Morris said:

“at least I know this, that if a man is overworked in any degree he cannot enjoy the sort of health I am speaking of; nor can he if he is continually chained to one dull round of mechanical work, with no hope at the other end of it; nor if he lives in continual sordid anxiety for his livelihood”.

That is an apt description of the working poor in our country today. They worry about getting a job and holding on to it, and the jobs that they take do not satisfy or fulfil them economically or in terms of their wellbeing.

I hope that we can use the committee’s report to deal with some of those issues. Members have said today that looking at the constitutional perspective will solve things, but they are not easily solved. We will still need to attack employers and we will need to try hard to get new employers.

Mike MacKenzie: Does the member agree that it is a question of the UK Government almost wilfully letting all the horses out of the stable and that, without even a rope at the Scottish Government’s disposal, it will be difficult for the Scottish Government to recapture them?

Duncan McNeil: I say to Mike MacKenzie that we cannot absolve ourselves. This is happening right under our noses. It is not just in the private sector that people are being exploited. We in the Parliament are creating conditions that enable the subcontracting of caring responsibilities by our local authorities for cheaper rates of pay. We have people cleaning ministerial offices who do not get the living wage. We have a responsibility. Of course, other Governments should take responsibility for employment rights and other things.

Bob Doris (Glasgow) (SNP): I want to intervene on my committee convener because he said something a bit more nuanced in relation to companies fulfilling their contractual obligations and employment law. I agree with him that we still want to attract employers. There are clearly two

options on the table. One is to improve employment law at a UK level, which might be the member’s solution, but does he accept that having responsibility for employment law in this Parliament would give us an opportunity to protect workers? I merely ask him to take a balanced view and accept that bringing responsibility for employment law to this Parliament would also be an opportunity.

Duncan McNeil: I would need to be convinced that, under this or any future Government, such powers would be used on behalf of the workers. I do not know whether there is any evidence—I have not seen any—that that would be the case because, right under our noses, we see women workers being contracted out of local authorities and being asked to work with poorer conditions and fewer holidays. That is happening now, so we need to get our act together and deal with those issues. Only after doing that can we perhaps argue about the nuances of where the power lies. Is there the will in this place to put some of those matters right?

We had very good cross-party recommendations on the care of older people, in which we asked for a review of the competitive nature of local authorities’ processes, for the Care Inspectorate to be looked at and for the living wage to be applied to those who look after our elderly. That is the test for this Parliament. Are we prepared to make that happen? I leave that to members.

15:46

David Torrance (Kirkcaldy) (SNP): I apologise for being late for the opening speech.

I welcome the opportunity to discuss underemployment, which has become a prominent feature of Scotland’s labour market. Since the beginning of the economic downturn, much attention has been paid to the rates of employment and unemployment. Despite the overall rise in the numbers of people out of work, it is reassuring to know that Scotland appears to have fared better than the UK as a whole.

Recent figures show an increase in the headline employment rate in Scotland of 1.1 percentage points to 71.8 per cent for January to March this year, while the UK’s rate has dropped by 0.2 of a percentage point down to 71.4 per cent. The youth employment rate has particularly improved in Scotland—it has risen by 4.3 percentage points over the year, compared with a mere 0.6 of a percentage point increase for the UK. Furthermore, there has been a significant decrease—a drop of 4,900—in the number of young Scots aged between 18 and 24 who are claiming unemployment benefit.

Although unemployment figures are important indicators of economic activity, the growing problem of underemployment in Scotland is also of critical concern. At present, 22.6 per cent of part-time workers are underemployed. Women are affected proportionately more than men; the underemployment rates are 11.3 per cent for women and 8.7 per cent for men.

As the Economy, Energy and Tourism Committee acknowledged in its report, the importance of unemployment and underemployment should be regarded in similar terms, as both involve a lack of hours spent in work. Research has found that the impact on the wellbeing of those who are underemployed is comparable to the psychological effects on those who are unemployed. There is also evidence in both groups of a strong link with poverty.

Among those who are classed as underemployed are those whose skills are seen as being underutilised. In that category, young graduates are one of the groups that are most affected. To tackle the issue, we must examine ways to encourage and support those in higher education to focus their learning on skills that will equip them for the labour market on completion of their course. That can be done by, for example, encompassing work experience programmes in higher education curricula and offering short courses on adapting skills learned through education to the workplace.

It is becoming essential for entrants to the higher education system to ensure that they are embarking on a qualification that will provide them with sufficient employment opportunities. Sadly, choosing to train in a field of work with little probability of gaining eventual employment might be a luxury that our young people can no longer afford. That means that we need to provide support to guide people on the choices that they make now and to make them fully aware of how those choices will impact on their careers.

For those with skills and experience under their belts, it is important that support is made available to facilitate the alignment of their attributes to suit the contemporary labour market. That might involve the extension of training programmes to adapt skill sets from one job role to another, which can enable more suitable employment or an increase in the working hours that are made available, due to the consequential increase in the employee's value.

In analysing underemployment from the employer's point of view, I will focus on the use of zero-hours contracts. Under such contracts, workers are officially employed by an organisation, but it has no obligation to provide a guaranteed number of hours per week; rather, work is offered only as and when it becomes available.

The prospect of such a highly flexible workforce can be extremely attractive to employers. However, the consequences for workers can be severe insecurity and financial instability. Those employed under zero-hours contracts face added difficulty in making themselves available for additional employment because of the potential for irregular hours that such contracts might entail. That lifestyle is clearly undesirable and unsustainable for a prolonged period.

To safeguard members of the working public from the effects of zero-hours contracts, it is critical that we assess their use in the public sector, particularly among public sector contractors. We must ensure that conditions are attached to such contracts to prevent their misuse and that provisions are put in place to monitor that.

In Scotland, we understand the value of work and of maximising the potential of the country's greatest asset—its people. Those values are important to the self-worth and financial security of Scots as individuals, and they play an essential part in rebuilding our economy.

Although many of the main tools that are required to achieve full economic recovery remain under Westminster's jurisdiction, the Scottish Government has embraced the powers that it has to boost jobs and growth to the best of its ability. The Scottish Government has so far employed its limited capabilities in tackling the growing problems of underemployment. However, our ability to determine the economy's direction is hampered by the powers that are reserved to Westminster and the damaging effect of the restrictive austerity package to which we continue to be subjected.

We must continue to work as best we can within our means to provide Scots with a variety of employment opportunities and to support our workers to fulfil those roles as effectively as possible. The Scottish Government continues to demonstrate the necessary commitment and enthusiasm for those goals. Given time, we can get our country back to full working capacity and minimise underemployment for good.

15:51

Alison Johnstone (Lothian) (Green): Presiding Officer, I apologise for missing the opening words of the debate.

A new United Nations report entitled "Global Employment Trends for Youth 2013" tells us that 73 million young people will be out of work this year. Even in Scotland, the unemployment rate among 16 to 25-year-olds is twice as high as it is among other adults. Women and those who have disabilities are also hit particularly hard. Some commentators have expressed surprise that UK

unemployment numbers are not even higher, but what has become apparent, as the STUC and others highlighted in evidence to the committee's inquiry, is that a narrow focus on headline employment and unemployment levels does not tell the whole story. Unemployment figures hide the fact that many people across the country are struggling to make ends meet on a low income, as opposed to having no income at all.

Underemployment is not just about a shortage of hours; as we have heard, it can also mean that many skilled and well qualified people cannot fully utilise their knowledge and abilities. That is a colossal waste of investment at personal and national levels.

Underemployment is not a new phenomenon, but it is increasing and it affects young people and women particularly badly, especially those who work in the social care, retail and tourism sectors. Many people who previously held full-time posts have accepted reduced hours rather than lose their jobs entirely, and the need to supplement earnings with working tax credits is increasingly common. Evidence from Citizens Advice Scotland reported increased demands for its expertise for a growing number of individuals and families who are in crisis, as welfare reforms mean that eligibility criteria are harder to meet. When jobs are available, too often they are low skilled and low waged and have limited job security. There has been a worrying increase in the use of zero-hours contracts, under which employees do not have traditional rights and might have no idea how many, if any, hours an employer will be able to offer every week.

Scotland must strive to deliver high-quality and high-value jobs for its workforce, with the best of training and prospects for all. During the committee's inquiry, I questioned the Cabinet Secretary for Finance, Employment and Sustainable Growth on the use of zero-hours contracts. I welcomed his assurance that the Scottish Government does not use such contracts and I hope that the proposed public procurement reform bill will ensure that companies that receive public money do not improperly use zero-hours contracts.

Margaret McDougall touched on the use of such contracts in the University of Edinburgh. For the college of humanities and social science, the number of people on zero-hours contracts rises to 47 per cent. Mark Porter, the chairman of the British Medical Association council, recently said:

"An expansion of zero hours contracts in the NHS is of great concern. While they have a minor role in allowing recently retired doctors to continue to work, they are not conducive to planning coherent cohesive services which focus on the care of patients."

During the committee's inquiry, I asked about the public subsidising of companies that do not pay an appropriate share of tax. The response that I received is in the *Official Report*. I have heard the debate among members today. My view is that the UK Government needs to sort out the loophole-ridden tax system but, in the meantime, the Scottish Government needs to work with Scottish Enterprise to tighten the criteria for those who receive regional selective assistance and other such funding.

We must use the available business support to grow Scottish small businesses and microbusinesses, as they provide sustainable employment to many Scots and are more likely to add value to the local economy. Microbusinesses, which have fewer than 10 employees, make up nearly 94 per cent of Scottish businesses. We should support them as a priority. They provide 27 per cent of private sector jobs, and more than 40 per cent of unemployed people who find work in the private sector go to work in a microbusiness or become self-employed.

In my remaining time, I will focus on the impact of underemployment on women and young people. The STUC suggested in evidence that, because of the many obstacles that women face, including caring and childcare duties, they might simply have no choice but to become economically inactive. As Kezia Dugdale noted, those women might not even be recorded statistically.

The Government's commitment to increase the legislative provision of childcare will help women into work and back into work, but it is important that we understand why Scotland has the second most expensive childcare in Europe, with 25 hours of nursery care costing more than half the average part-time wage, as highlighted by the women in Scotland's economy research centre and Children in Scotland. Why are costs so high when those who work in childcare, who are predominantly women, are certainly not among the most highly salaried?

Last year, the Trades Union Congress noted that policies to address the underemployment crisis must recognise that patterns of participation in the labour market are different for men and women and that women's choices are often conditional on other factors that relate to their household roles and responsibilities.

The committee is concerned by the higher underemployment levels among young people. A lack of hours and finance inhibits young people's capacity to become truly independent and has an impact on their long-term prospects. We heard from a young underemployed graduate who held two casual jobs as he tried to find work in his field of study. He was underemployed in terms of hours

and in that he was not utilising his skills and expertise. He could not secure an internship in his subject because graduates from previous years were still in unpaid internships, blocking his pathway. Research into the incidence of unpaid internships and their impact on opportunities to secure entry-level employment is urgently required.

Ultimately, the least skilled and the young are most likely to experience barriers to accessing the labour market. Like unemployment, underemployment drives down income, wages and demand. There is cross-party support for job creation programmes, education and training, and there is increased awareness of the opportunities of properly supported entrepreneurship and the importance of labour rights in such a tight market. We should continue to focus on opportunities such as the third sector internship scheme and the community jobs Scotland scheme, which are well regarded and which provide high-quality work-based training. We must ensure that incentives are available for employers to hire disadvantaged young people. There are good examples of progress, such as the City of Edinburgh Council's scheme to offer apprenticeships to the looked-after young people who are in its care. That practice should be adopted nationally.

People who cannot find a decent job become demoralised and, denied of opportunity, they can become alienated. Joseph Stiglitz urges that we cannot waste human capital, which is "our most valuable asset". In all that we do, let us keep it in mind that unemployment and underemployment blight the lives of women and men of all ages.

15:59

John Mason (Glasgow Shettleston) (SNP): It is good that the report and the study behind it have been produced and that we are able to debate the report today. I congratulate the committee on its work.

There is always a danger that, as has been mentioned, we get fixated on one or two key statistics, such as employment or unemployment figures. Those are obviously important, but we can forget to look at the detail behind the figures, which in this instance means not only the employment numbers but the quality and type of employment that is available.

The fact that I have been on one or two other committees—not the Economy, Energy and Tourism Committee—over the past year or so gives an added relevance to the report's consideration. For instance, I am on the Equal Opportunities Committee, which is preparing a report on women and work, so I feel that I should make a few comments on the gender dimension of

underemployment, although others—including Alison Johnstone—have mentioned that already.

The figures of 8.7 per cent for male underemployment and 11.3 per cent for female underemployment must concern us. One example that has come up a lot at different committees and in different reports is of women returning to work after having children. They are often forced to downgrade their aspirations to get part-time or flexible employment. We will have more on that when we come to the Equal Opportunities Committee report in due course.

During the Finance Committee's study of employability and the Equal Opportunities Committee's study of women and work, skills alignment has come up. I am glad that that has been touched on in the debate and in the Economy, Energy and Tourism Committee's report.

In the Finance Committee and the Equal Opportunities Committee, we have heard reports of good work being done to encourage young people, especially young women, to think a bit out of the box and not just drift into the kind of job or training that their families have traditionally done. Although higher and further education establishments are important in that, we need to start earlier. Schools definitely have a role to play. That can include bringing people from different sectors into a school to broaden young people's thinking, because we must accept that teachers often do not have broad experience of the outside workplace.

Students with excellent qualifications—for example, in politics or history—are still queueing up at our doors looking for work experience, while companies such as Scottish Power and SSE and the North Sea sector in general are crying out for engineers and people with similar skills. I was therefore particularly glad to see paragraph 74 of the report, which says:

"In evidence to the Committee, the Cabinet Secretary confirmed the importance of the higher and further education sectors being aligned with the Scottish Government's Economic Strategy. He acknowledged that, 'For far too long now, there has been a disconnect between the aspirations of the business community with regard to where growth will come in the economy and our education community's planning assumptions about where the emphasis should lie.' In particular, he highlighted the growth in the oil and gas and renewables sectors and the 'significant skills shortages in engineering'."

That is one of the conclusions at paragraph 82.

We should accept that underemployment or even skills underutilisation is not always a bad thing. For example, some of my fellow accountants might feel that I am not currently using all my accounting training in the job that I am doing. That might be true to some extent, but it is

out of choice, and I consider what I am doing to be a high-quality job. However, accountancy is a great background for a range of career options. Similarly, we must not undervalue the graduate mother or father who deliberately stays at home with their young children to give those children what they feel is the best start in life.

As I mentioned in an intervention, I note the committee's definition of skills underutilisation in paragraph 3, which says:

"the term 'skills underutilisation' is used to describe those people who would welcome the opportunity to work at a skills level which better matched their training, qualifications or experience."

I am grateful to Marco Biagi for explaining a bit more that some of the research is more objective than I had picked up from the report. However, it still seems strange that we measure employment and unemployment in definite terms but are a bit more vague and subjective when we talk about underemployment.

There is a cost to the individual and the household, but we must not forget the cost to the wider economy. Margaret McDougall mentioned that. Given that underemployment involves not using our national resources to best effect, it is not an extra that we would like to deal with—it is a key economic challenge for the whole country.

Having mentioned voluntary underemployment, I think that it is important to point out that underemployment is for most people neither desirable nor voluntary. Duncan McNeil put that extremely well when he described the effect of people being in no-hope jobs.

One aspect of the issue that several members have mentioned is zero-hours contracts. That highlights the need to control employment law. The European Union has often tried to improve employees' rights while reluctant Westminster Governments have been dragged along kicking and screaming. As part of that process, the minimum-wage legislation needs to be strictly enforced, because we hear stories of people who are paid for one hour here and there but who are not paid for their travelling time in between.

I was intrigued by Ken Macintosh's comment that Australians are happier than we are. There is a serious point to that. I lived in Nepal for three years, where I would say that the people were also happier than people here, even though it is a very poor country. To go back to Duncan McNeil's point, the issue is not just about money, although money is key; factors such as job satisfaction and hope for the future are important, too.

The other thought that strikes me about Australia is that it left the British empire and has never asked to come back.

16:06

Anne McTaggart (Glasgow) (Lab): I congratulate the Economy, Energy and Tourism Committee on its comprehensive report on the scale and effects of underemployment in Scotland. I am keen to contribute to discussions on what is a growing economic problem and to highlight the effects of underemployment on women and young people in particular.

Underemployment is a deeply concerning social problem that has the ability to mask the poverty that families across Scotland face. It lurks behind unemployment figures that fail to reflect the reality of individuals who face financial hardship.

I was grateful to read the submission that Professor David Bell of the University of Stirling made to the committee. I thank him and his colleagues for their continued research into the social and economic consequences of chronic underemployment in Scotland.

I accept that, for most people, part-time work is better than no work at all, but thousands of people in Scotland are looking for no more than a full-time position in the company that they currently work for, or simply a job that adequately reflects their training, experience and ability.

It has been suggested that the answer to the problem of underemployment is more training. Training may indeed be the answer for some young people who aspire to work in specific professions and sectors. It is often a natural solution to a problem that seems to have a disproportionate impact on those who have recently completed a course of full-time education. However, I do not believe that the negative effects of underemployment can be dealt with simply by upskilling workers to enable them to compete for higher-level positions.

As we have heard, underemployment is not only about seeking more hours; it is also about people working in roles for which they are overqualified. That might be the graduate who returns to the job that they did before going to university just to make ends meet, or the college leaver who does three part-time jobs while they look for a fourth. It might involve accepting a zero-hours contract, despite the fact that such a contract does not offer any security, a guaranteed income or longer-term benefits.

That is not to say that greater flexibility in working is not welcome. Part-time contracts can, in particular circumstances, offer some individuals a way of accommodating family and other commitments alongside their working life, but choosing to seek a part-time job is not the same as being compelled to take one in order to secure some work, however infrequent. That is why I join my Scottish Labour colleagues in calling on the

Scottish Government to ensure that the upcoming procurement reform bill guards against the damaging use of zero-hours contracts by companies that bid for public sector contracts.

I am concerned by recent statistics regarding the profile of those who are experiencing underemployment. Alongside young people, women are disproportionately affected. If we are to continue to break down the barriers of gender inequality that we still face across the country, underemployment must be addressed. I am pleased that the committee believes that improved childcare provision is important in tackling the issue, and I would urge it to consider deeper analysis of the causes of gender imbalance in those suffering from underemployment.

The on-going economic challenges that we face in Scotland have had deep and damaging consequences for families across the country. We must work to ensure that surface improvements do not mask those who are struggling to make ends meet. Underemployment is a symptom of an economy that is failing to meet the needs of ordinary people. I urge the Scottish Government to do all that it can to address the damaging effects of these employment practices and to end the exploitation of workers on low incomes by large corporations for financial gain.

16:11

Stewart Stevenson (Banffshire and Buchan Coast) (SNP): I am not a member of the Economy, Energy and Tourism Committee, so it is my delight to say words that are so seldom heard in this Parliament: “Congratulations to Murdo Fraser.” I congratulate him and the other members of his committee on an interesting and engaging report. It raises more questions than it gives answers. At this stage of the consideration of the subject, that is not too surprising.

Today is my last day as the deputy convener of the Subordinate Legislation Committee—indeed, it is the last day of the Subordinate Legislation Committee, but we rise, phoenix-like tomorrow as the delegated powers and law reform committee, and I will be suitably translated into my new position as its deputy convener. Now John Mason knows at least what ex-ministers are equipped to do, since I make no claim to be underemployed or underskilled for the job that I have.

The Economy, Energy and Tourism Committee gave the game away with regard to the complexity of the subject that is before us when it found it necessary to spend an entire A4 page discussing what it means by underemployment. It took a good shot at the issue, but I think that the committee would agree that we probably have not nailed that

down firmly, because we are not absolutely clear about what underemployment is.

We basically rely on statistics that are gathered by asking individuals for their view of their own situation, and different people will view their own situation differently. In the first job that I had when I left school in 1964, when I was employed as a nurse before I went to university, I worked 108-hour fortnights—12 days on, two days off. If I were to use that as a test, almost anything would look like underemployment. The statistics will, therefore, likely include imprecision.

Notwithstanding that point, it is relatively clear that there is significant underemployment. Kezia Dugdale gave the game away by suggesting that underemployment was significant in 2008, and it is true that, in the UK, probably 2 million people were underemployed at that point. Of course, she said that that had nothing to do with the fact that Labour had been in power for 11 years. She might be right in saying that, because, of course, the statistics do not go far enough back to justify a robust conclusion. However, the numbers are going up, so it is right that we consider the matter.

The committee has asked the Scottish Government to improve the quality of statistics and to consider how labour market statistics can be adapted to take account of developing trends and, in particular, underemployment. That request is equally applicable to the UK Government. The Office for National Statistics serves both Governments. Perhaps it should therefore be asked to do some work on how we can better understand the nature and the quantum of underemployment.

We know that employment is rising. For 16 to 64-year-olds—which excludes me and, indeed, Mr Brodie, who is chuckling in the margins—we are now up to 71.8 per cent employment. Nonetheless, whenever people want to work and cannot work, that is an issue that we properly engage with. Many have referred to the fact that women are disproportionately affected. That, too, is important for us to consider.

The trends are probably reasonably informative, but even they are not robust. Laurence Pomeroy, who was the chief engineer of Vauxhall Motors in the 1930s, said, “If you have to measure an improvement, you probably haven’t made one.” We should not get too fixated about our inability to measure underemployment, because it is probably sufficiently significant for us to be able to see it without needing to have the confidence to say that underemployment is this number rather than that number—it is a big enough issue, although I think that it was Deming who said, “If you can’t measure it, you can’t improve it.”

Certainly, as we respond to the challenge of underemployment, we have to have better numbers in front of us. Professor Fred P Brooks, who wrote a book called "The Mythical Man-Month", posed the question, "How does a project get late?" and the answer is, "One day at a time." Unemployment and underemployment are very similar. They happen in little slices and eventually we realise that the whole sausage has disappeared. Therefore, the difficulties involved in measuring it should not prevent us from considering underemployment to be a real problem.

Skills use is a real corker of a question because, of course, I do not necessarily want to use all of the manifest skills that I have built up over my long life—[*Laughter*—and indeed that anyone of my age may have built up—I make no exclusive claims in that regard, although I acknowledge the plaudits from other members in the chamber. The bottom line is that we all gain huge amounts of experience as we go through life and we are very unlikely ever to have a job in which we can use every skill that we have. Equally, if there are skills that are of economic value that we ought to be able to deploy in the workplace and we are unable to find employment that helps us to do that, that is certainly an issue to which public policy should respond.

Ken Macintosh said a lot that I agreed with but, in relation to the balance between the benefits system and employment, I say to him in particular—and I suspect that he would agree with me on this—that rather than follow the UK Government's current strategy, which is to try to make unemployment less attractive, we need to have a strategy that makes employment more rewarding. There will probably be a consensus on that—

Bob Doris: Will the member take an intervention on that point?

Stewart Stevenson: I will.

Bob Doris: Like Mr Stevenson, I do not sit on the committee that produced the report but, as a former deputy convener of the Subordinate Legislation Committee, I feel Mr Stevenson's pain in relation to the meetings of that committee.

As regards incentivising people into employment, I have not yet heard anyone mention reforms to the tax credit system. A lot has been said about gender inequalities in relation to underemployment. Does Mr Stevenson think that reforms to the tax credit system in particular have disadvantaged a lot of women who work part-time but would like to do more hours, and that that is something that—while the power sits at Westminster and not with this Parliament—the UK Government should consider?

Stewart Stevenson: The member makes a very good point. One of the arguments for child benefits was always that they went straight to the mother and therefore gave at least a modest bit of security to the mother. There are some difficulties with the tax credit system.

I will close by talking a little about zero-hours contracts. One of the difficulties is that I am not sure that they are contracts. A contract has an offer, an acceptance and something of value delivered, and I am not sure that the latter qualification is met. I suspect that, at some point, the zero-hours contract will be legally challenged.

We must be careful about imagining that skills will always find a home. That will not always be the case, and we must not get locked into the idea that we need to preserve all the skills that we once had—we simply will not succeed in that.

On taxation, here is a suggestion for Westminster: directors of companies should receive no bonuses if they would be more than 5 per cent of the profits of the company that they work for. The trick is that, if there are no profits, there are no bonuses. Maybe that would mean that there are profits in the UK, and we will then be able to collect some of the tax from them. That is just a little incomplete thought, which I have not fully thought out.

16:20

Margo MacDonald (Lothian) (Ind): I come to the debate as someone who does not know what she is going to be when she grows up. I hope that I will find out quite soon.

We must not imagine that underemployment is a new thing that is attributable to either Mrs Thatcher or Tony Blair. I was first elected 40 years ago in Govan, and Govan was de-industrialising then. That was the big problem. Much of the problem was that people were underemployed or unemployed, although they were mainly underemployed at that stage. Then, 20 years ago, Ravenscraig shut, signalling the end of the Scottish steel industry. There was underemployment, unemployment and mismatched employment in Motherwell and Lanarkshire at that time.

We have had this problem in Scotland for a very long time, since we lost the integration of much of our heavy industry. We used to have an integrated steel industry in which all the skills were needed and used, but when the steel industry was nationalised—what followed was called rationalisation—all the good jobs went south of the border. Research and development went south of the border, too. There was underemployment: people in Scotland were doing some work but

could, and would, have been doing much more if we had still had an integrated industry in Scotland.

Let us not kid ourselves that the current situation is anything new; it is just that we have managed to get by and so have not paid it the attention that we should have done. Now that it is having an effect on our society, our behaviour to each other and the quality of the services that we can afford to provide, we are looking at it much more seriously.

Having said all that, I am with Duncan McNeil and completely understand where he is coming from. If a person has no job at all, they will take any job, including selling from catalogues on doorsteps. My mother did that when she was a nurse. She sold stuff round the doorsteps and it was a dreadful job. In those days, there were a lot more tenements than there are now, and she had to go up and down stairs with a big, heavy case. It was dreadful work and dreadful money at the end of the week. She was not sure how much money was going to come in, so how could she plan for anything? Lots of people lived like that. Having said that, I am still with Duncan McNeil. Any job is better than no job, because having no job eats into the soul.

Duncan McNeil wants an end to the contracts that pay the workers who work in this building rubbish money. So do I, but if we manage to put two or three firms out of work we will put other people out of work and into unemployment. We have talked about complexity, but it is that simple. Unless we get it right, we will create more unemployment.

What do Duncan McNeil and the others who have pinpointed the problems want John Swinney to do? What should he cut from his budget to ensure that those workers are not being paid rubbish wages and that we do not underpay people who provide services? That question must be answered, and everyone here knows it. Unfortunately, we have an event happening next year that is dividing us when we do not need to be divided on this issue. We all know that there are two solutions: either a socialist Britain or an independent Scotland.

The Deputy Presiding Officer (John Scott): We move to the closing speeches.

16:24

Mary Scanlon (Highlands and Islands) (Con): First, I commend Duncan McNeil and Margo MacDonald for bringing not only some reality but some understanding and empathy to the whole debate.

I commend the Economy, Energy and Tourism Committee for its sixth report in 2013

“Underemployment in Scotland”, but I wonder whether Chic Brodie and Mike MacKenzie ever turned up for the committee meetings. Perhaps they went to another committee because, although the inquiry went on for more than three months and they signed up to the committee’s report—I went through every single page and found not one note of dissent from them—they spent their whole speech speaking about anything except the report and disagreeing with everything that Murdo Fraser, John Swinney and many others had said. However, there we are.

I had a little bit of difficulty with some of the report’s recommendations. Paragraph 62 notes:

“The Committee is concerned that there is a risk that some of the trends that have emerged during the economic downturn ... may become embedded in a way that makes work significantly more insecure, particularly for the young and unskilled.”

The trends that the committee rightly highlights include involuntary part-time work, the zero-hours contracts that many speakers have mentioned and temporary contracts, but the committee also includes self-employment. I am not quite sure why self-employment is regarded as a risky trend. Surely, in a country of budding entrepreneurs, self-employment should be encouraged.

John Mason: Will the member give way?

Chic Brodie: Will the member give way?

Mary Scanlon: I will certainly not give way to Chic Brodie. He was not even in the same debate, so I am not sure that he should be here. What I am discussing has absolutely no relation to his speech today. He has had his chance.

My second point relates to the definition of underemployment. I caution against generalising about everyone as if they were in one category. Over the years, I have known many people—including myself—who might have been regarded as underemployed because they were in a job that was well below their level of competence, experience and qualification, but the job suited them at the time. When we experienced a huge influx of Polish and other eastern European migrants to the Highlands, many of those people who were professionally qualified chose to work in hospitality or the retail sector so that they could practise their language skills because they did not feel confident about working in their own profession.

Many people who undertake further study work in jobs that suit them at the time. Where people come back to work after a long absence due to physical or mental illness, they often take jobs with a level of responsibility that suits them at the time. We should not assume that all those who might be designated as underemployed need our intervention to come in and sort them out. Also,

many people are content in the job that they do. Many people do not want to be managers or team leaders, and we should respect that view.

Thirdly, today's debate on underemployment reminded me of the Peter principle, which in this context could be classified as overemployment. In my personal view, although no monetary loss to the individual is involved—indeed, the opposite is true—overemployment is equally bad for business and for the public services. The Peter principle is that people are promoted well above their level of competence to jobs with duties that they cannot fulfil. Therefore, in the organisational hierarchy, work is accomplished by those who have not reached their level of incompetence. I am sure that we have all met such people—no names, no pack drill, as they say.

Underemployment in terms of working hours is also unique to the individual. As a single mum, I worked part-time for many years in order to spend time with my children. Was I underemployed? Technically, yes I was, but it was my choice. I wanted to drop off my children at school—

Rhoda Grant (Highlands and Islands) (Lab): Will the member give way?

Mary Scanlon: Not at the moment.

Like other mums, I wanted to be there to pick up my children at the school gate. I did not want anyone coming along saying, “You should be working full-time, not part-time”, because I valued the time with my children.

Marco Biagi: Will the member give way?

Mary Scanlon: No.

For many years, I lectured on a zero-hours contract, but I never complained because the arrangement suited me. I am delighted that I did the work and, if I had the choice again, I would go back and do the same. We should not judge.

Mike MacKenzie: Will the member give way?

Mary Scanlon: Nae chance for you. *[Laughter.]*

On reading the committee's report—

Rhoda Grant: Will the member give way?

Mary Scanlon: I will take Rhoda Grant's intervention.

Members: Oh!

Rhoda Grant: My intervention might help to clarify the report for Mary Scanlon. Some people want to work more hours or to work at the higher skills level that they have been trained to, but the report does not say that people who want to work part time or in less skilled jobs have to do that, too.

Mary Scanlon: I appreciate that, but I have come to realise, from reading round the subject

and from listening to members' contributions today, that overgeneralisations surround the topic. There must be an element of individual choice, and I appreciate Rhoda Grant's intervention.

On reading the committee's report, I could not help drawing a comparison with the recent Audit Scotland report on “Managing early departures from the Scottish public sector”, which noted that the net loss of employees to the public sector in Scotland since 2009 is 40,000.

We are assuming that the loss of 40,000 people has not impacted on the quality and delivery of public services. That will be the subject of a future Audit Scotland report in the autumn, but if we can lose 40,000 staff and still deliver the same quality of service what does that say about employment in the public sector? Were those staff really all overemployed?

There is no doubting the complexity of underemployment, nor the challenges in developing measures to gather the data that are stated in paragraph 1 of the committee's report. However, I found one figure in the report particularly shocking. On page 11, there is a diagram that illustrates underemployment across Scotland. It shows the city of Dundee—which is my home town—and Shetland as having the highest levels of underemployment.

I can understand the figure for Dundee, but why should oil-rich Shetland, which has hotel boats full of workers, suffer from underemployment? Could it be that recruitment agencies are bringing in workers from across the UK and further afield but not working with local agencies to ensure that people in the Shetland Islands are given every opportunity for training?

The Deputy Presiding Officer: The member might wish to draw to a close now, please.

Mary Scanlon: There may be a better explanation, and I look forward to hearing it.

I have found the topic of underemployment fascinating and the speeches interesting. I repeat my thanks to the committee, which was right to say that we have some distance to go on the topic.

16:32

Rhoda Grant (Highlands and Islands) (Lab): The debate has been good; many members have made pertinent points. The committee's inquiry was certainly an eye-opener for me because I had always thought that any job was better than no job at all. That was before I saw the real impact of underemployment.

We heard about the personal and social impacts, which—as Margaret McDougall and Duncan McNeil said—are very similar to the

effects of unemployment. Duncan McNeil mentioned in particular the impact of underemployment on health and life expectancy, which is very similar to the impact of unemployment. There is, therefore, no gain in that regard for people who are underemployed.

We also heard about the de-skilling of people who are underemployed, and that some of them never reach their full potential—even in adulthood—because they are unable to use their skills and to continue on a career path that would lead them to use that potential.

We heard about poverty, and about the people who are trapped in underemployment with very low wages, but who cannot give up their jobs because they cannot get benefits. Alison Johnstone made that point in her speech. It was heartbreaking to hear some of the stories from Citizens Advice Scotland when its representatives appeared at committee.

As many members have said, young people and women are disproportionately affected by underemployment. It is true that the definition of underemployment depends on what people want to do. Those who want to work in lesser-skilled jobs or part-time jobs in order to bring up a family, for example, are not considered to be underemployed.

The same can be said about unemployment. John Mason made the point that, if someone is unemployed, they are just categorised as unemployed, but that is not necessarily the case. We have a category of people who are economically inactive—although they might dispute that description—and do not choose to be employed, and who are certainly not looking for work. The way in which such things are measured is different, although unemployment is obviously more subjective.

There is a huge impact on the economy, because low incomes mean that people have less capacity to spend, and we heard evidence of the negative effect of that on the economy, and of recovery actually being slowed by it. Gavin Brown said that underemployment will improve as the economy improves, but it might be a chicken-and-egg situation, because underemployment could be stalling any improvement in the economy.

Marco Biagi pointed out the impact on people who have no skills; the unskilled jobs that used to be available to them are no longer available because graduates are filling those posts. Anne McTaggart made a similar point about jobs that students would usually do while they were going through university now being kept by graduates who cannot find alternative employment, which causes poverty and a knock-on effect in that sector.

Solutions are within the Scottish Government's gift. We need more affordable childcare and increased access to training and education to maintain skills and to reskill those who are underemployed, and we need to explore ways of outlawing zero-hours contracts in the public sector, both for contractors and for grant funding. As Kezia Dugdale pointed out, when we are giving out publicly funded grants we must examine whether the recipient companies pay their taxes and have good employment practices before we give them that money, and we should tighten up the criteria to ensure that public funding is spent properly for the public good.

Margo MacDonald: Rhoda Grant referred to affordable childcare and affordable housing, but what we really mean by “affordable” is the cheapest we can get. How do we get round the fact that having affordable childcare for some people who want to work or train means that other folk have to work for poverty wages?

Rhoda Grant: Many people work in childcare for poverty wages in this country, but it is the most expensive childcare in Europe, so I suggest that we look at what happens in other European countries and ensure that we learn from their good example.

Bob Doris: I have asked about various reports that have established the facts about the cost of childcare in Scotland, but they do not go into detail to explain why it is more expensive. It could be because there is a more qualified workforce. Does Rhoda Grant believe that there is a need to expand partnership nurseries? Often, the traditional local authority nurseries, which do a fantastic job, are just not flexible enough to fit in with the working lives of all families, and in particular the lives of female workers.

Rhoda Grant: We need to look at every option. Shared childcare is another option that some people use. We must ensure that childcare is not just available from 9 to 5, because some of our lowest-paid workers are employed in supermarkets and the like, where working hours go beyond those times. Sometimes, the price that they are being asked to pay for childcare means that they are better off not working at all, which would stop them being economically active—to use the phrase that was mentioned earlier—although they may not wish to be economically inactive.

Many members discussed the distinct gender profile of underemployment. Underemployment is 11.3 per cent for women and 8.7 per cent for men. The prevalence of that gender difference is evident in the fact that a lot of women are in part-time and low-paid work, and that they also take on caring responsibilities for children and for elderly parents. There was also a lot of talk about gender

segregation in the employment market; John Mason was right to say that we must broaden the horizons for young women.

Gavin Brown made an interesting point about underemployment for part-time workers in the public sector compared with those in the private sector. It is possible that underemployment is lower in the public sector because part-time workers in the public sector probably work at a higher level and may have chosen to job share, and because there are better employment practices in the public sector to allow them to do that. In the private sector many people are in low-paid jobs, which creates an anomaly.

As usual, I have loads more to say but cannot say it, as I am running out of time. However, I ask the Scottish Government to have a close look at outlawing of zero-hours contracts. I think that that is something that it can do, and certainly the procurement reform bill can help with that.

Can the Government invest in skilling and reskilling where it is required, and perhaps reverse some of the college cuts that have done away with part-time flexible courses, despite their being very much required? We need to think again if we are to tackle the problem of underemployment.

16:40

The Minister for Youth Employment (Angela Constance): This has been a largely well-informed debate. Top marks go to Marco Biagi, the former researcher, for a very eloquent exposé of the links between education and our economy and how we can gain more of the benefits of a first-class education system through having the full range of economic powers.

In addition, I very much enjoyed Duncan McNeil's speech. I hope that he does not mind my saying that I found it to be uncharacteristically reflective and humorous in parts, although he covered some very serious issues.

The Scottish Government very much welcomes the committee's report, so I hope that the committee's members will find the Scottish Government's response to the report's many recommendations very positive; we have responded positively in part or in full to all the recommendations. As the committee does, we have a desire to get into the guts of the issue and to seek more information. We have already published more information about older and disabled workers, but we will seek ways to improve our measurement tools in relation to the skills utilisation measurement framework and the national performance framework.

As members know, the economy is absolutely key and central to our endeavours. Recent

economic and employment indicators are encouraging, but the Government very much recognises the ethos of what the committee has articulated, in that although a feature of the recession is lower unemployment rates than anticipated, we should not have a debate that is falsely framed as unemployment versus underemployment, because we must consider both issues as part of a continuum. The Scottish Government very much recognises the personal impact on health poverty and life chances of underemployment, as well as of unemployment.

We know that fuller participation in the labour market from better utilisation of skills and through enabling more people to fulfil their potential will not only grow our economy, but will help us to challenge inequality. Sustainable economic growth is essential and is very much the starting place. We must ensure that, when we get economic recovery, young people, women and other equalities groups get their fair share of opportunities. We know that there is an economic cost to young people, women and other equalities groups to their not being able to fulfil their full potential.

I believe that the Scottish Government can undertake a number of actions, so we are currently undertaking some actions to tackle the causes of long-term underemployment. Many of our measures through Skills Development Scotland are about co-investment, with employers, in flexible training opportunities, the low-carbon fund and the energy skills fund. Other work-based learning includes Scottish union learning, which is very important in reaching members of the workforce that other services find hard to reach and is especially important in improving literacy among workers. The Scottish Government funds that to the tune of £1.422 million every year.

On specific programmes, the Scottish Government is investing in graduate internship programmes—which is, in essence, paid work experience—which have been very successful. The outcomes of those programmes are leading to graduates getting into employment at a rate of between 70 and 75 per cent.

Very specific sectoral responses to skills shortages and underemployment such as skills investment plans and skills action plans are also crucial.

As Minister for Youth Employment, I am especially interested in the notion of matching older workers with younger workers. Some good examples of that are already happening in the private sector. That chimes with our make young people your business campaign, which is about changing hearts and minds and encouraging employers to see the benefits of workforce planning, investing in young people and growing

their own talent, particularly in the light of our having an ageing workforce. We will discuss that issue and the range of issues in and around underemployment with the Scottish employability forum.

In my remaining time, I will touch on some very important infrastructure issues. At its very heart, post-16 education reform is about aligning the world of education with the world of work. I hope that the committee's members welcome the additional investment in taught postgraduate places and undergraduate places that are targeted at key economic sectors.

In Scotland we know that we have yet to reap the full economic benefits of our first-class research. Much good work is under way in our innovation centres and knowledge-transfer partnerships. In the college sector, there is £61 million that is additional to planned budgets, much of which will be used to increase part-time provision for women returners. That is an opportunity to increase bursaries and childcare grants as well.

Margaret McDougall and Alison Johnstone, among others, mentioned childcare. The Government is taking a valuable step forward with the Children and Young People (Scotland) Bill and the commitment to providing 600 hours of childcare and early learning. However, we have to be honest; we know that good-quality childcare cannot be done on the cheap. However, although the costs of childcare are high in Scotland, they are not the highest. The cost of nursery and childminding provision is higher in many parts of England and elsewhere. We have to recognise that the childcare workforce is primarily female; the committee rightly made the connections between the social care sector and underemployment. I know of one feminist economist who argues that only when we start to get more men into childcare will we see childcare salaries increase.

The solution is not about reducing the costs of childcare but about how we better compensate either providers or parents. I am very glad that the Council of Economic Advisers is looking at the economic benefits of a universal childcare system and is learning from the best in Europe. It is looking at models of delivery and funding and considering how we could move to a sustainable and affordable universal system. Of course, to complete that journey we will indeed need the powers of independence, because the link between the labour market, tax and welfare is rather elementary.

In the minute that I have left, I want to make specific mention of zero-hours contracts, which many members from across the chamber have mentioned today. As John Swinney said, the

Government wants to seek more information about the prevalence of zero-hours contracts and is considering what steps can be taken as part of the forthcoming procurement reform bill. We want to consider specifically how procurement procedures can take account of workforce matters, but we have to recognise that any action, even in the context of the procurement reform bill, must be consistent with employment law and with European procurement legislation.

I welcome in part Kezia Dugdale and Duncan McNeil's contributions, in which they spoke about how we all have a responsibility to do absolutely everything that we can within our existing powers. I am very accepting of that. I hope that, in that spirit, members including Mr McNeil can also accept and open their eyes to the potential benefits of this Parliament's having a full range of economic and employment law powers.

My final point is that the Scottish Government has worked in close partnership with the STUC for many years now, because we are very committed and publicly signed up to promoting equality in the workplace whenever and wherever we can.

I congratulate the committee on its thorough and interesting work.

The Deputy Presiding Officer: I call Dennis Robertson to wind up on behalf of the Economy, Energy and Tourism Committee. Mr Robertson, you have until 5 o'clock, which is exactly nine and a half minutes.

16:50

Dennis Robertson (Aberdeenshire West) (SNP): You are very generous, Presiding Officer. Thank you. I would certainly welcome an indication that I have two minutes to finish, to ensure that I come to my concluding remarks.

The debate has been very interesting and informative, and a great deal has been said about many of the issues.

Before I speak about the constraints of underemployment, I should say that the definition of underemployment perhaps needs to be looked at again. Stewart Stevenson, I think, said that the committee went into great detail on the definition of underemployment. I was certainly not familiar with the term until we started our consideration and, having heard members, I am not sure that everyone has grasped the definition that was presented in the report.

Some people choose to work part time. I remember people coming to me as an employer and asking whether they could reduce their hours, for a variety of reasons, and I had to make a judgment in light of their particular needs and those of the organisation. That was their choice.

However, that is not defined as underemployment. The definition includes those who wish to work longer hours—those who seek to work additional hours—and those who have skills and are perhaps overskilled for the jobs that they are doing. We must be very clear about the definition. I commend to members the definition in the report.

On the various areas of constraint around underemployment, in his opening remarks the convener of the committee mentioned young people and women. Of course, the third category is people with disabilities, who are probably overrepresented in the underemployment area. Capability Scotland said that they are overrepresented and that they have fewer opportunities of getting into the job market, as there is less choice for many of them given the nature of their disabilities. I take on board the minister's remarks. A lot of work has been done to try to balance the inequality around people with disabilities and get them back into the workplace.

I commend the cabinet secretary's opening remarks. He took on board many of the recommendations in the report. It was very welcome to hear him and the minister saying that the Government recognises that there is more to be done and that they are willing to look at ensuring that we get more appropriate data so that we can consider not just the evidence but perhaps appropriate solutions in the underemployment area. It is a matter of taking on the whole workforce and trying to ensure that we match up the work that is available with the skills that people have.

Underemployment does not occur in only one particular area of the country; rather, there are regional variations. We know that underemployment in regions varies. I have learned something this afternoon that I did not know: that Mary Scanlon is a Dundonian. The underemployment rate for Dundee is 13.6 per cent. In Aberdeenshire, part of which is my constituency, the figure is 9.1 per cent, so there are variations. I apologise to members from the central belt for not giving the figures for their areas.

We need to ask local authorities to collect appropriate data so that, when they look at their employability strategies for their areas, they have the most appropriate and up-to-date information. That will enable them to try to resolve some of the problems of underemployment. The Government has made a commitment to look at the data, but the committee has also asked for local authorities to try to collect appropriate data to ensure that we can find solutions to the problem.

John Mason: The member touched on the definition of underemployment and he has talked about collecting data. Does he agree that there

are practical problems with that? If underemployment is based on each individual person's attitudes and what they want, how is it possible to collect data on it in an objective way?

Dennis Robertson: We heard at the outset—and I think that Gavin Brown reinforced the fact—that underemployment is a complex matter. John Mason has put his finger on the complexity of collecting appropriate data and understanding the definition. However, if local authorities and certainly the Government are clear about the definition and the information that they are trying to collect around it, I am sure that the data will be informative.

On the collection of data, I must commend Marco Biagi for being the champion of graduates, given that he represents—if I remember correctly—13,000 students. He probably deserves the accolade of being the swot on the EET Committee with reference to that.

The other area that I want to comment on is in-work poverty, which is a term that I am not comfortable with. I commend Duncan McNeil for his speech, which was delivered extremely well. He spoke with a great deal of emotion and passion, and he was absolutely right. Many people will take a job regardless because, in the main, people want to work. However, we are finding that people are working but the pay cheque at the end of the day is not rewarding enough. The problem with the benefits system and welfare reform is that people are finding themselves in even greater poverty than they were in before. Students can also be in in-work poverty. Often, they work long hours for little reward.

The Deputy Presiding Officer: You have two minutes left, Mr Robertson.

Dennis Robertson: Thank you, Presiding Officer.

Dr McCormick from the Joseph Rowntree Foundation said that many people are in a revolving door of insecurity with regard to their employment. We also need to consider the wellbeing factor when we are considering the employment of young people and disabled people who are trying to get more work.

Margo MacDonald: I wonder whether the member agrees that there might be a connection between the complexities and difficulties of underemployment, unemployment and poor-quality employment and the fact that the British economy is slipping down on every single measure of economic performance that I can think of.

The Deputy Presiding Officer: You have one minute, Mr Robertson.

Dennis Robertson: I thank the member for her intervention. I was actually going to finish on a positive note, however. [*Laughter.*] We welcome the growth, albeit slight, in the Scottish economy at present. We need to look to a brighter future. In addressing the problems, we can probably find the solution to the complex issue of underemployment.

I thank the convener and other members of the Economy, Energy and Tourism Committee and the clerking team for their work on the report. As Gavin Brown—I think—said, it probably poses more questions than it supplies answers. However, I believe that the Government is up to answering the questions that have been put to it. I commend Murdo Fraser's motion to the Parliament.

Decision Time

17:00

The Deputy Presiding Officer (John Scott): There is one question to be put as a result of today's business. The question is that motion S4M-06782, in the name of Murdo Fraser, on underemployment in Scotland, be agreed to.

Motion agreed to,

That the Parliament notes the conclusions and recommendations in the Economy, Energy and Tourism Committee's 6th Report, 2013 (Session 4), *Underemployment in Scotland* (SP Paper 305).

Private Rentals (Deposits)

The Deputy Presiding Officer (Elaine Smith):

The final item of business is a members' business debate on motion S4M-06681, in the name of Patrick Harvie, on protecting tenants' deposits. The debate will be concluded without any question being put.

Motion debated,

That the Parliament expresses deep concern for what it considers the many private sector tenants in Scotland who remain at risk of unfairly losing their rental deposits; notes reports in the *Evening Times* that most private landlords in Scotland are not yet complying with the legal requirement to lodge their tenants' deposits with an approved deposit scheme, despite the deadline for compliance having passed on 15 May 2013; further notes the concern expressed about this issue by the Glasgow Central Citizens' Advice Bureau, which has been receiving new clients every day seeking help in recovering deposits and which has described the issue as the biggest facing young people in the city; would welcome an end to exploitative and unscrupulous practices in the private rented sector and believes that this is vital if tenants are to have confidence in taking on tenancies, and considers that the forthcoming housing bill provides the opportunity for measures, including the regulation of letting agents, that will safeguard the interests of tenants.

17:02

Patrick Harvie (Glasgow) (Green): I put on record my thanks to the 27 MSPs who have added their names in support of the motion, representing four political parties and independents who represent many parts of Scotland, recognising that the issue affects many of our constituents across the country. I am also grateful to the *Evening Times* for raising awareness of the issue in its recent coverage. I hope that members will agree that public awareness of the operation of the tenancy deposit scheme is crucial, both among landlords and tenants, and that we must make far greater progress on that. I also thank the organisations that have issued briefings, including the National Union of Students, Citizens Advice Scotland, Shelter and the Edinburgh Solicitors Property Centre.

I also thank Glasgow Central citizens advice bureau for its work and for welcoming me for a visit yesterday to see their offices. During that visit I saw huge ranks of casework sat on their shelves. I was given to reflect on how one of those case files would have been mine a good number of years ago. Like a lot of people, I spent a period in the private rented sector—I spent around 10 years as a private rented sector tenant. On one occasion, which was just after I had moved back to Scotland from university, a particularly unpleasant landlord in Glasgow decided that he was not going to give me any paperwork, contract or even a letter to indicate that I had a tenancy.

Therefore, I was not able to apply for housing benefit when I lost a job. That situation ultimately resulted in my having to call the police when he sent round a squad of boys to start removing doors and furniture and whatever they could to harass me and other tenants out of the flat.

In that instance, I was one of the lucky individuals—I had somewhere to go because I was able to fall back on the support of family. It would be so easy for many people to experience a much more vulnerable situation than the one that I found myself in. However, that situation reminds me how valuable the work is that citizens advice bureaux around the country and many other advice agencies do to help people avoid such situations.

Like other members, I have recently had queries in my in-box about the deposit schemes. The requirement for deposits to be lodged with an approved scheme is an important step forward and we should be pleased that it has happened. However, there are problems with the implementation and awareness of any new system like this.

One constituent in Glasgow contacted me recently. Living on the south side of Glasgow, she had sought assurances from her letting agent in March that her deposit had been lodged with an approved scheme, and she was told in person and through the firm's website that it had. On checking with the scheme, she was told that there was no record of that letting agent working with the scheme or of any dealings whatever. The agency has since failed to offer a reason for making false assurances, or to pass my constituent details of her landlord so that she can establish whether the agency alone was responsible for those actions or whether the landlord was also responsible. She is still concerned for the other tenants that might be in a similar position. The letting agency disputes some aspects of that account but members will be only too aware of the circumstances of many tenants around the country who might not even be aware that they have the right to ask these questions.

I have received information from a citizens advice bureau about a particular client who asked her letting agent if the deposit was being paid into a scheme. The letting agent informed the client that she had in fact paid an advanced rent, not a deposit, and that the agent would take money away from that advanced rent for any repairs that were needed at the end of the tenancy. That was a clear attempt to get around the scheme by calling the deposit an advanced rent instead of a deposit.

Another client is concerned that he might not get back the full value of his £750 deposit. The landlord said that she would get her sister to check

the flat and decide on a bit of an ad hoc basis how much money would be paid back. No information was provided about compliance with the deposit scheme. In this case, as soon as the client started asking questions, the landlord started sending out notes about fairly arbitrary increases in rent. Again, that is another clear attempt to get round the scheme by getting unco-operative or unruly in order to get awkward questions from tenants simply to go away.

I also have a verbal account of a client who had been told by their former landlord that their deposit would be returned only once a new tenant had been found for the property, because the landlord simply did not have the money. That is indicative of the apparent view of some landlords and letting agents that a deposit is not really a deposit but a wee bonus to their income when they get a new tenant, which they have very little intention of handing back.

Tenants simply cannot afford to have their resources treated in that way. Very few of them can stump up the extra month's rent for a new deposit when they move flat in the knowledge that their previous deposit might come back to them only after a long delay, if ever.

Members across the spectrum will acknowledge that the role of the private rented sector is important. It is needed. It is particularly important in some areas of the country, and it needs to be viable for landlords. However, it also needs to operate with a basic respect for the rights of tenants. Good-quality landlords and letting agents, who understand that they are not simply raking in cash from their properties but are selling a service to paying customers and have a duty to ensure that it is a high-quality service, have nothing to fear from proper regulation of the industry.

As my motion mentions, we are expecting legislation. The Government has indicated that it is open to the regulation of letting agents and mentioned that in its recently published strategy. We could consider other measures for inclusion in a bill and I encourage the minister and other members to consider stronger regulation of landlords such as management standards, which some Scottish National Party members supported when they were in Opposition and I debated the issue during the passage of a previous housing bill. We should also consider greater protection from unlawful eviction and harassment, such as a local authority power to prosecute. The end of short assured tenancies, as Shelter Scotland has suggested, would ensure that private sector tenants have a bit of security in a place that they can call home rather than knowing that they could be out in a matter of a month.

Presiding Officer, I know that I have gone slightly over time so perhaps I will mention one or

two other issues if they come up and if there is an appropriate opportunity for an intervention. For the moment, I thank members for having supported the motion.

17:10

Alex Johnstone (North East Scotland) (Con):

I welcome the opportunity to contribute to such an important debate, and I congratulate Patrick Harvie on securing it and bringing the issue to the chamber.

The private rented sector plays an increasingly important part in providing much-needed housing. It is perhaps best at delivering housing for an increasingly mobile population, who for many reasons require flexibility in how they seek and keep a home. The figures speak for themselves, with 49 per cent of tenants in the private rented sector having been at their current address for less than a year and a further 25 per cent for less than two years.

The sector is a growth industry. It has doubled in the past 10 years but, in reality, it remains smaller than it was as recently as 1979. To put the issue into further perspective, the sector is 50 per cent smaller than it was in 1945. I want the private rented sector to continue to grow and to make a positive contribution to the safe and sustainable communities in which we all want to live.

In my view, the vast majority of those who are involved in the sector are responsible and professional and they wish to provide a good service. I was therefore extremely disappointed when I recently read a press release from Shelter that, in effect, damned the whole industry with pejorative terms such as "Wild West", "flagrant disregard for the law" and "cowboy letting agents".

The fact is that organisations that represent the private rented sector have for some time been open to the introduction of the kind of regulation that protects private landlords and tenants. However, those with whom I have discussed the issue are concerned that, so far, the proposals are not cohesive. Local authorities lack the resources to police the landlord registration scheme effectively and not enough action is taken when rogue or non-compliant landlords are uncovered.

I have had a number of complaints about delays in returning deposits but, ironically, they were not from tenants complaining about landlords; instead, they were from landlords who have used the kind of approved schemes that we have been discussing. Although those issues might be resolved over time, organisations that I met today highlighted that, at present, when there is disagreement between tenant and landlord over a deposit, the process can take up to 109 days to resolve whereas, in the past, a landlord might

have been in a position simply to hand over a cheque to a tenant at the end of a tenancy.

In my experience, the private rented sector is as keen as any other interested party to address the issues that are raised in the motion. I cannot help but feel that there is much to be gained by more fully engaging with landlords and doing so in a positive and constructive manner. I believe that that would result in a much more effective system that would proactively root out rogue landlords. That opportunity undoubtedly exists.

As we proceed with proposals for further regulation, I ask the minister to consider that, with housing regulation and with regulation more widely, it is too easy to look at the effectiveness of regulation and decide that, where we would like the situation to be improved, we should tighten up the regulation. However, the problem is that, when that happens, those who are compliant with regulation find themselves dealing with a bigger burden and those who previously chose to be non-compliant remain so. In my view, the issue is therefore primarily one of enforcement. The good landlords are already doing what we want them to do and the bad landlords are not. The law as it stands could be applied to everyone.

Patrick Harvie: Will Alex Johnstone give way?

Alex Johnstone: I am actually over my time and should be stopping. However, I am sure that the opportunity will come along.

Effective enforcement can do a great deal more than simply pile more regulation on those who are already complying with the regulation that we have.

The Deputy Presiding Officer: Mr Johnstone has advised me that he has to leave the debate early because he has parliamentary business to attend to.

17:15

Anne McTaggart (Glasgow) (Lab): I am delighted to contribute to this debate on the subject of protecting tenants' deposits. I thank Patrick Harvie for recognising the growing importance of the issue surrounding the private rented sector, and I congratulate him on securing time in the chamber to consider the implementation of the new tenancy deposit schemes in greater detail.

Protecting the deposits of tenants in privately rented accommodation is an issue that I am sure the majority of members in the chamber have dealt with in their constituencies or regions. They will be aware that private landlords throughout the country have benefited from the difficulties faced by first-time buyers, the unintended consequences of the bedroom tax and the devastating reality of

high unemployment. That combination of factors means that the size of the private rented sector has doubled in the past 10 years and that it now accounts for 12 per cent of all housing stock.

I am aware of several tenants in my region, often young ones, whose deposits have been unfairly retained for a highly questionable justification and often with no explanation at all. That is why I welcome the introduction of the tenancy deposit schemes and the legal requirement to register deposits in one of three approved schemes. However, I am profoundly concerned that, since the introduction of the requirement, only half of all deposits have been registered.

Citizens Advice Scotland has considered that failure in some detail. It highlighted that 55 per cent of tenants are completely unaware that their landlords are legally required to register deposits, despite the fact that it is the tenants who are required to take action if the landlords have not registered their deposits in one of the compulsory schemes. Furthermore, Citizens Advice Scotland confirmed that nearly 30 per cent of all housing inquiries are concerned with the private rented sector and, specifically, the unfair retention of deposits by landlords.

The Scottish Government must recognise the scale of the challenge that it faces in achieving compliance with the deposit schemes, and it must provide the additional resource that will be necessary to achieve the principal aim of ensuring that tenants' deposits are not withheld by unscrupulous landlords.

In response to my recent question S4W-15152, the Scottish Government failed to commit to any changes in the way in which it enforces the deposit schemes or the support that it awards to charities such as Citizens Advice Scotland that are on the front line in the battle to protect vulnerable tenants from exploitation.

Citizens Advice Scotland, Shelter Scotland and the NUS Scotland have all recognised that the Scottish Government must do more to make tenants and landlords aware of the tenancy deposit schemes. Those organisations understand that the system is currently unworkable and that too many landlords are still avoiding their responsibilities to those who rent their properties.

I urge the Scottish Government to re-examine the difficulties in the implementation of the three tenancy deposit schemes and to work with organisations such as Citizens Advice Scotland to ensure that the private rented sector is free from the questionable practices of exploitative landlords.

17:19

Marco Biagi (Edinburgh Central) (SNP): I welcome the chance to debate the matter because, in my constituency, 41 per cent of households now live in the private rented sector. I do not know what the figure was in 1999, but the doubling of the sector has clearly had a particular effect on Edinburgh Central.

As the estimates are updated each year, Edinburgh Central usually exchanges with Glasgow Kelvin the accolade of having the highest concentration of private rented households. Interestingly, it also exchanges with Edinburgh Southern the accolade of the most expensive street for house prices, which perhaps shows how much of an upstairs-downstairs area it can be.

When an area has such a concentration of private rented households, it is not just the tenants who are affected by issues such as tenants' deposits and landlord-tenant relations; entire neighbourhoods are affected. Neighbourhoods in central Edinburgh have had their very nature changed because of large-scale transitions in tenure.

The end of the motion points to the regulation of letting agents and of the sector, which is a proposal that I strongly endorse. The current system is straining under the weight of regulation in enforcing not just the deposit scheme but things that have been around for longer, such as landlord registration and the period within which the private rented housing panel should resolve cases.

There have been incremental changes that everyone has welcomed, but in each case they have come with a great challenge as regards enforcement. The tenant information pack for all tenants is most welcome, but we do not know whether there has been 100 per cent take-up, and I am already seeing casework involving letting agents who are finding—shall we say—creative ways to get round the law on premiums. The strategy for the private rented sector sets out three suggestions on the regulation of letting agents, at which we must look carefully, because there is a danger of minimal compliance with a lot of rules.

We should not forget that the populations that we are talking about are very hard to reach. In Edinburgh, we are talking about migrants, young people and people who used to be homeless and who are housed temporarily in the private rented sector. I often find that students have access to the best advice through their student associations and that it is the other large groups—in population terms—who encounter the problems.

Such people have a very odd relationship with landlords if difficulties come up. There are few relationships that we can think of that are like the landlord-tenant relationship: landlords have such

power. The bad landlords will view as assets properties that all the groups that I have mentioned view as homes. Should a tenant want to make a challenge, the difficulties in seeing things through to a resolution include the turnover of tenants, which means that a tenant might well have moved on to a different let by the time that the PRHP can rule. It is also difficult to engage lawyers, especially in Edinburgh, where most of the lawyers represent landlords, which means that they cannot take on tenants' cases because of a conflict of interest. There is also the fear of blacklisting—people worry that, if they complain about one landlord, they will find it harder to get their next let.

I welcome the motion, which focuses on tenancy deposits and looks at the wider sector. In addition, I very much welcome the private rented sector strategy, which wisely focuses on improving the operation of measures that have been inherited from previous Administrations, such as landlord registration and the PRHP. I welcome the idea of the online information hub, but, although that will benefit greatly some groups of private tenants such as young people, it will not reach them all. At all times, we must keep the hard-to-reach groups at the forefront of our minds.

Other issues that the strategy addresses include the regulation of letting agents and giving consideration to housing standards; after all, the private rented sector is almost at the bottom of the league when it comes to energy efficiency. It also invites consideration of the suitability of a new tenancy system, which I know that Shelter has argued for. That might go a long way towards turning flats and other properties that some might regard as assets truly into homes.

17:23

Elaine Murray (Dumfriesshire) (Lab): I, too, congratulate Patrick Harvie on securing the debate, as the failure of many landlords to comply with the regulations by the required date last month is a matter of considerable concern.

The Housing (Scotland) Act 2006 gave ministers the power to introduce regulations that would establish tenancy deposit schemes. A Scottish Government review in 2009 found that a significant majority of tenants in the private sector had deposits partially or totally withheld at the end of their tenancy, and that in around three quarters of those cases that was done unfairly. There was evidence that quite a lot of that was going on. Such evidence has been presented to us in the briefings that we have received from CAS and the NUS and, as Patrick Harvie suggested, many of us know from personal or constituents' experience that such practice goes on.

For example, my eldest son has rented a number of properties in the Leith area over the past four years. He has had to fight to get his deposit back when moving from one flat to another. He has heard excuses about having to send in cleaners when, in fact, the property was considerably cleaner when he left than it was when he moved in. On two occasions, he has faced problems in finding out from the letting agent who the landlord was: once when his boiler blew up and, on another occasion, when the pipes froze due to being inadequately insulated. Tenants can face a lot of problems with trying to find out who their landlord is.

The 2010 consultation on the introduction of the regulations found widespread support from most people—other than from private landlords and letting agents—for the introduction of the tenancy deposit scheme. Landlords are now required to do a number of things. They are required to register the deposit with a tenancy deposit scheme within 30 days of the beginning of a new tenancy or by 15 May for existing tenancies. They are also required to provide the tenant with certain information about the deposit—the kind of information that we would reasonably expect tenants to get from a landlord: the amount of the deposit; when it was received; the address of the property; a statement confirming that the landlord is registered with the local authority; and the name of the tenancy deposit scheme with which the money has been registered and the conditions under which it can be retained. Those are fairly simple bits of information.

The problem lies not so much with the regulations but with awareness and enforcement. Tenants can indeed receive up to three times their deposit in compensation if their landlord does not comply with the regulations. However, that requires a tenant to know their entitlement and to be prepared to take their landlord to the sheriff court for non-compliance, and it requires landlords to know their obligations and what the consequences could be of not conforming to them.

In its briefing, the ESPC said that the Government should take action to raise awareness of the regulations among tenants and landlords. It could also be argued that the Government needs to facilitate the enforcement of the regulations, because, as Marco Biagi said, many of the private sector tenants are young and might not feel comfortable about threatening their landlord with court action if he or she does not provide the necessary information within 30 days of the start of the tenancy, or asking their landlord whether their existing deposit was lodged in a tenancy deposit scheme by 15 May this year.

Of course, we do not know the reasons why so many landlords have not complied. It may be due

to ignorance on their part, but it might be that some landlords and letting agencies are simply chancing their arms and ignoring the legislation, as they do not believe that they will be caught. In answer to a question from me on 22 May, the minister indicated that local authorities have the power to take action when there is evidence of non-compliance with tenancy deposit legislation, and that that could be taken into account during landlord registration. I would therefore welcome further detail regarding how local authorities can access information. Would it be through tenants providing evidence of a lack of compliance?

As Alex Johnstone stated, there is some concern about the success of landlord registration. I have certainly heard that the legislation is not always adequately complied with or enforced. Indeed, as with any other offence, the knowledge that offenders are likely to be caught and punished acts as a considerable deterrent.

17:28

Malcolm Chisholm (Edinburgh Northern and Leith) (Lab): I congratulate Patrick Harvie on lodging an important motion on protection of tenants' deposits. It has become an increasingly important issue over the past 10 years as the number of people in the private rented sector has doubled, and it will become even more important in the next 10 years, as many more people will use the private rented sector, either from choice or from necessity. Of course, many of those people are living on the edge of poverty, if not in poverty, so security about their deposit is important for them.

We have heard many examples of malpractice; briefings for the debate give more examples, and the one from Citizens Advice Scotland is particularly good in that regard. We should pay tribute to CAS for the great work that it does in this area. However, I notice that, in a recent report, it highlighted that a substantial number of cases have come to it—especially from younger tenants—in which there have been distressing accounts of landlords who have made unreasonable requests for payment relating to general wear and tear. Often, those cases involve entire deposits going unrepaid due to on-going disputes.

It was that kind of case and misuse of the system that led to the legislation on tenancy deposit schemes in the Housing (Scotland), Act 2006, which was—if I may be permitted to mention the fact—piloted through Parliament by Johann Lamont and me. Of course, the scheme was implemented only in 2012. There is no doubt that the scheme can work well. In principle, it is an excellent system that protects the rights of tenants and avoids the sometimes complex legal cases

that have, on occasion, resulted from disputes over deposits.

However, the fact of the matter is that many thousands of landlords have not registered. In a sense, that is the main reason for this debate. What can be done about that? First, tenants must be aware of their rights—in particular, the right to report their landlord's not having enrolled in one of the three schemes. Safe Deposits Scotland tells us that 55 per cent of tenants are not aware that money from deposits must, by law, be placed in a tenancy deposit scheme. It seems that there are some problems around practical implementation. It is not even clear—perhaps the minister can tell us in her closing speech—to whom, precisely, tenants are supposed to report their landlord.

It also concerns me that tenants cannot find out whether their landlord is registered in a tenancy deposit scheme before they take on a tenancy. That would be useful information for a prospective tenant and might well influence their decision whether to take on a tenancy.

We clearly have to focus on landlords, as well. I assume that they are all aware of the law, but some may plead ignorance. Perhaps a short high-profile campaign by the Scottish Government would remove any doubts about that. I imagine, however, that landlords are all aware of the law—the key issue seems to be enforcement. What is to happen if a tenant has reported their landlord to whomever they should report the landlord? There should be strict sanctions on the landlord. I suggest that landlords' registration could be removed if they fail to register with a scheme, or registration with a landlord scheme could be dependent on registration with a tenancy deposit scheme. I would like the landlord registration scheme to be linked better to the tenancy deposit arrangements.

Of course, other issues are mentioned in the motion, including regulation of letting agents. Illegal fees are being charged. Two weeks ago, we heard about another issue in the private rented sector in relation to electrical safety. On all those issues, we must take a hard line against rogue agencies and private landlords who abuse the system and their tenants. We would do an immense disservice to many families and individuals—who might rent privately through necessity or choice—if we do not take a tough line.

Tenants' rights must be protected, which is why I am happy to support the motion in Patrick Harvie's name.

17:32

Kezia Dugdale (Lothian) (Lab): I congratulate Patrick Harvie on bringing the issue to the

chamber. My first job out of university was as a welfare adviser at Edinburgh University Students Association. Day in and day out I dealt with students complaining about their landlords. A huge amount of that time was spent advising students about their rights as tenants and what to expect. I could tell members countless stories about students' experiences, such as a £15 fee for a light bulb that was not replaced and a £5 fee for the egg cup that never existed—small things that constantly irritated, combined with bigger issues around deposits and failure to get them back.

In many ways, landlords were chancing their arm. They would take just enough off the deposit for the student not to complain any further because it was not worth their while to go to court or to complain any further; landlords could slice £100 to £150 off a deposit without having to worry about the tenants taking it any further.

There is a great deal of ignorance in the student community about their rights as tenants. We set up a service for students—they could take their lease to the advice place where we worked and get it checked before they signed it so that we could highlight the terms and conditions that they were signing up to. Few people used that service—few people knew that it existed, as important as the work that we were doing was.

We were able to do some serious work in respect of bad landlords who were operating in Edinburgh at the time. One particular company had a third of the market share of all private rented flats in Edinburgh back in 2004-05. It had a particularly bad record in how it dealt with students. I see Marco Biagi nodding—I think that he knows which company I am talking about, although I am not brave enough to name it in the chamber. However, we managed to mobilise students by empowering them about their rights and empowering them about their options to come together and take on that company. We ran a campaign specifically against that letting agent and we forced it to change its ways.

That campaign turned into a pilot of the landlord accreditation scheme in Edinburgh. We had good practice by landlords recognised with a charter and with a badge that they could wear to say that they were good landlords. We then got the EUSA to accept adverts only from accredited landlords. Suddenly, the bad landlords were unable to advertise to students. We used the power of the students coming together collectively and organising to effect change and to make things better for them.

I acknowledge that the private rented sector is not just for students. As Marco Biagi said, in Edinburgh, in particular, we are talking about a very diverse mix of people including a lot of young professionals, migrants and people moving out of

homelessness into private rented sector accommodation.

I remember legislation that was designed in Parliament to protect tenants being used against the very people whom it was supposed to protect. In 2006, we were still campaigning against housing in multiple occupation quotas when people in local authorities were trying to use the legislation that was designed to protect tenants to limit the number of properties in Edinburgh in which young people could live. That just forced up rents for people who could least afford to pay.

We must ensure that, when we create new systems, they do not have unintended consequences that increase the amount of money that people have to pay, or which damage their rights. I am already hearing cases of people having to pay holding fees as well as deposits, so landlords are working their way around the legislation in different ways.

Ten years on, things are better. We have a tenancy deposit scheme, but there are other challenges. As other members have mentioned, the private rented sector has doubled in size in the past 10 years, so we perhaps need to think about how housing here will evolve in the future. Many people do not want to own a home, but want secure tenure that does not involve ownership. When can we, in this chamber, think about long-term leases whereby people can have access to a flat that is theirs for a long period without living in fear of being turfed out? In Edinburgh, people often sign a six-month lease that then rolls on for two or three months until the landlord kicks them out in July so that they can lease the flat out for festival rents and then re-market it in September. The landlord wins, time and again.

Perhaps we can think about new and creative ways of allowing people to have long leases and continue to rent, so that they can enjoy the fabulous city of Edinburgh as they want, without being exploited by landlords.

17:37

The Minister for Housing and Welfare (Margaret Burgess): I, too, thank Patrick Harvie for bringing the issue to the chamber for debate. It is clearly important to all of us. I have listened carefully to what has been said and I will respond to some of the points that members made.

I share the concerns for tenants who are treated unfairly when the time comes to lodge or return deposits. That is why the Scottish Government introduced tenancy deposit schemes. So far, the uptake has been strong, although that might not be how it is portrayed. The final deadline for all existing deposits to be lodged with one of the three schemes was 15 May 2013 and, by that

time, 146,300 deposits with a value of £93.75 million had been lodged with the approved schemes.

I have read the *Evening Times* article about private landlords failing to lodge deposits with one of the approved schemes. I know that not all landlords take a deposit from tenants. However, when we compare the number of deposits lodged with the number of private rented properties registered with local authorities, the suggestion is that some landlords still need to lodge deposits. The Scottish Government will therefore continue to work with the scheme providers and other stakeholders such as Citizens Advice Scotland and Shelter Scotland to encourage compliance with the law.

Patrick Harvie: Would the minister consider ensuring that no landlord has any legal justification for withholding a deposit that has not been lodged with an approved scheme?

Margaret Burgess: Landlords must lodge deposits with an approved scheme—that is why the schemes were set up and those are the rules of the schemes. If a landlord does not do that, the landlord is breaking the law. As I move on, I will cover some of the points that Patrick Harvie made about how the law can be enforced.

I believe that, as Kezia Dugdale and others said, good information and advice can lead to an improvement in consumers' confidence and in the quality of the service that they receive. Like Patrick Harvie, I think that it was important that the *Evening Times* highlighted the Glasgow Central CAB's work. Like Vincent Chudy, the manager of that CAB, I urge all private tenants to check that their deposit has been paid to one of the three approved schemes. All of us who are elected to the Parliament should highlight that at every opportunity.

We encourage tenants to think of themselves as consumers who can raise standards in the sector. That is one reason why we recently introduced the tenant information pack, which provides key information for tenants and landlords in an easy-to-read format and includes information on tenants' rights to deposit protection. As Marco Biagi mentioned, the launch of the pack is supported by the new Renting Scotland website, which is co-funded by the Scottish Government and Shelter Scotland. The website rentingscotland.org is an industry-wide information hub that offers practical guides for tenants and landlords. I have checked it out and can confirm that it provides key information and—an important point for someone like me—is user friendly and easy to access.

I will answer some of the questions that were asked. Clearly, private landlords have a duty to

protect tenants' deposits under one of the schemes. If the landlord fails to do so, the tenant can apply to the sheriff court to enforce the law and the court has the power to fine the landlord up to three times the amount of the deposit. Local authorities can take such a breach of housing law into account when considering the fit-and-proper-person test for landlord registration and for the licensing of houses in multiple occupation.

Last week, I launched "A Place to Stay, A Place to Call Home", which is the first strategy since devolution that is solely for the private rented sector. The strategy sets out what further action we will take

"to improve the quality of property management, condition and service"

to deliver a sector that works for tenants and landlords. We want to work with good professional landlords to help them to prosper, but we are also determined to take action against the minority of landlords who damage the image of the sector and our wider communities.

The strategy proposes a more focused regulatory system for the sector. We will identify new ways of targeting tougher enforcement action against the worst landlords using existing legislation. On the point that Malcolm Chisholm made, we will also look at a tie-in between the tenancy deposit scheme and registration. The fit-and-proper-person test can cover a number of things. For example, if someone was illegally evicted and lost access to the property as a result—as can happen—the local authority should look closely at whether the landlord is a fit and proper person to be a landlord. We will look at that kind of tough enforcement action using existing legislation.

Marco Biagi: We are all interested in the enforcement working. What conversations has the Government had with local authorities on the difficulties and challenges that they need to overcome to achieve successful enforcement?

Margaret Burgess: We have set up a working group. The strategy makes it clear that we will work with the Convention of Scottish Local Authorities, given that local authorities will need to enforce the strategy. The working group will look at how local authorities use the registration fee, how they operate the scheme in their area and what they check when someone applies to be a landlord or when someone reports something. Often, the first place that people go to is not the sheriff court or a solicitor but the local authority, which must understand that it has an obligation to take some action.

As we have said previously, when regulation is needed, we will take action. As has been mentioned, the strategy sets out our intention to

regulate the letting industry, but we want to take the sector on board with us. The strategy has been welcomed by Shelter and the Scottish Association of Landlords, and we want to work with them to get it right. We want to keep the good landlords and letting agents on board, but we will ensure that those who are not performing well are aware that they cannot continue like that.

We know that the private rented sector is growing and that tenure is an issue. The strategy sets out our intention to consult on the tenure regime for the private sector. If it is necessary to regulate on that, we will do so. The sector has an important role to play in delivering the Scottish Government's vision that all the people of Scotland should live in a high-quality home.

Meeting closed at 17:44.

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